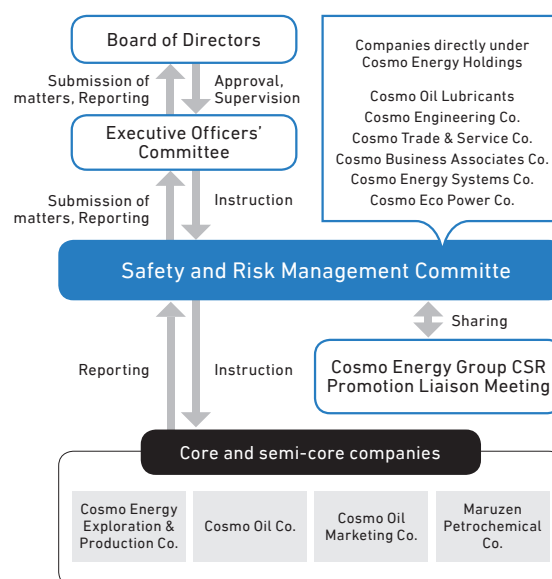


# Strengthening corporate governance structure

The Cosmo Energy Group advocates “strengthening corporate governance structure” as materiality of the consolidated medium-term CSR management plan. From a different perspective from original corporate governance, we have intentionally incorporated “risk management,” “compliance,” “CSR-based procurement,” and “information disclosure” as priority issues as they are a part of an essential foundation for raising corporate value. We have set targets and KPIs for these issues in promoting the enhancement of a compliance structure.

## Risk Management

Being strongly committed to the stable supply of energy, the Cosmo Energy Group holds Safety and Risk Management Committee meetings twice a year to promote risk and safety management at the group-wide level. The Committee discusses risks and safety policy for the entire group and checks progress of the related actions. The core three operating companies and semi-core companies also have their own risk management committee and safety committee, in accordance with their respective business and function. These committees check the status of initiatives taken for their respective, inherent risks, develop safety measures, and manage progress of safety activities. The committees strive to check and improve risk management and safety control actions.



## Priority Risks and Responses

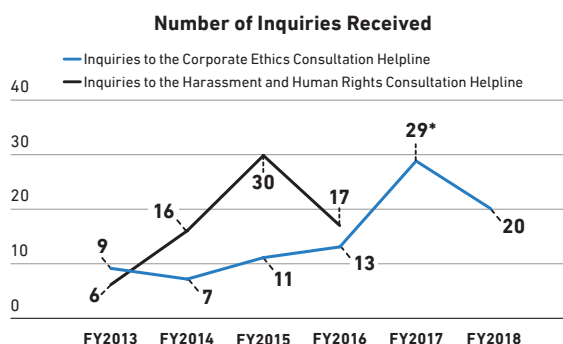
The Cosmo Energy Group has set “enhancement of selection of priority risks and responses” as a KPI for risk management, which is one of the priority issues in the consolidated medium-term CSR management plan. In FY2018, we selected the following seven issues as group-wide risks and took firm actions.

Risk-related issues	Detail	Action Taken in FY2018	Evaluation
Media-response training in emergencies	Conduct practice training for President and directors	Conducted media-response training at Cosmo Oil's Chiba Refinery and Yokkaichi Refinery, and Cosmo Matsuyama Oil	○
Group credit management	Establish the Cosmo Energy Group's credit management system	The core, semi-core, and I group companies each checked and enhanced their system	○
Prevention of legal violation caused by lack of knowledge	Prevent the risk of legal violation (i.e., copyright infringement, license management) caused by lack of knowledge	Conducted training sessions on corporate ethics and human rights, and e-learning on insider trading to enhance employees' understanding	○
Revision of manuals concerning new types of influenza, etc.	Discuss and consider how to respond at refineries, branches, and related companies	Each group company identified important operations	○
Measures to enhance earthquake BCP	Aim to obtain S rating reviewed by the Agency for Natural Resources and Energy	Coped with individual items pointed out by the Agency's rating review; conducted drills in refinery	○
Prevention of reputation risk concerning disclosure of non-financial information	Prevent a decline in corporate evaluation and reputation caused by not disclosing non-financial information	Information disclosure in Cosmo Report and on CSR site; evaluated by rating agencies including FTSE Russel; responded to surveys by CDP, etc.	○
Enhancement of governance concerning quality control	Prevent the risk of losing social credibility due to a corporate scandal concerning quality control	Enhanced the quality control organization concerning products and services of the Cosmo Energy Group; reviewed the risk assessment	○

## Compliance: Corporate Ethics Promotion Structure

Cosmo Energy Holdings has formed the Corporate Ethics and Human Rights Committee to promote and implement the Cosmo Energy Group's Code of Conduct, and to check its status, and the Cosmo Energy Group Corporate Ethics Office as its promoting and executing organization. Aiming for enhancing employees' sense of ethics, the Corporate Ethics and Human Rights Committee plans, implements, and evaluates various programs, including training programs on corporate ethics for all group employees, and e-learning. The Cosmo Energy Group Corporate Ethics Consultation Helpline, through which employees' misconduct such as violation of laws and corporate rules, as well as ethical issues can be reported or anonymously discussed, has been formed within the Corporate Ethics Office and at an outside law firm. In FY2018, the Helpline received 20 inquiries (6 inappropriate actions and 14 cases of harassment), nine fewer cases than FY2017. In addition, the Harassment Consultation Helpline was formed outside the group to consult on interpersonal issues in workplace, including sexual or power harassment in FY2018. As the number of consultation cases related to harassment and relationships in the

workplace remains high, counseling by outside experts is expected to have a positive impact in preventing mental health disorders and helping people find their own prompt solutions in work environments. Details of the reported and consulted issues and the response are forwarded to Directors who are Members of the Supervisory Committee of the Company and are reflected in future CSR activities. There was zero incident involving serious compliance violation\* in FY2018.



\* From FY2017, the Harassment and Human Rights Consultation Helpline was eliminated and integrated into the Cosmo Energy Group Corporate Ethics Consultation Helpline.

## CSR-based Procurement

Cosmo Energy Holdings and its three core operating companies are promoting initiatives to eliminate business transactions with organizations known or suspected of criminal behavior, in addition to green procurement in which the "green degree" evaluation, as well as conventional quality, price, and delivery factors are comprehensively evaluated. During the consolidated medium-term CSR management plan period, we aim at sustainable development by

working with suppliers who agree with our policy by developing a CSR procurement policy that incorporates ESG initiatives in consideration and broadly disclosing it to stakeholders. In FY2018, we made a progress in developing Cosmo Energy Holdings' procurement policy and Cosmo Oil's procurement guideline. Going forward, we will develop an operational system, explain it to suppliers, and target a full launch of the system in FY2020.

## Information Disclosure: Inclusion in ESG Indices

Cosmo Energy Holdings has been included in the "FTSE4Good Developed Index" for 17 consecutive years since 2003 when the Company was adopted. It was the first Japanese oil company to have that distinction. In FY2018 the Company was selected as a constituent of the "FTSE Blossom Japan Index," which the Government Pension Investment Fund (GPIF) has adopted as an Environmental, Social and Governance (ESG) investment index for Japanese equities for the third consecutive year. The Company

has also been selected as a constituent of the "SNAM Sustainability Index," a proprietary index that is based on a combination of ESG assessments and stock valuation and is created by Sampo Japan Nipponkoa Asset Management (SNAM).

