

Strengthening corporate governance structure

The Cosmo Energy Group advocates “strengthening corporate governance structure” as a materiality in the consolidated medium-term CSR management plan. From a different perspective of original corporate governance, we have intentionally incorporated “risk management,” “compliance,” “CSR-based procurement,” and “information disclosure” as priority issues because they are part of an essential foundation for increasing 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 on a group-wide level. The Committee discusses risks and safety policy for the entire group and checks the progress of the related actions. The three core operating companies

and semi-core companies have their own risk management committee, in accordance with their respective businesses and functions. These committees check the status of initiatives taken for their respective, inherent risks, develop safety measures, and manage the progress of safety activities. The committees strive to check and improve risk management and safety control actions.

Group-wide 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 FY2019, we identified the following issues, selected group-wide risks and took firm actions.

Risk-related issues	Detail	Action taken in FY2019	Evaluation
G Media-response training in emergencies	Conduct practice training for the President and directors	Conducted a lecture and simulation drills at Cosmo Oil's Chiba Refinery, Sakai Refinery, and Hakodate Logistics Base. There was no practical training for directors and executive officers at the head office. For reference, their training lecture was conducted at the head office on May 27, 2020.	Fail
G Revision of manuals concerning new types of influenza	Each group company develops a manual and a priority operation identification sheet	Developed the core refinery manual. Instructed each group company to develop a priority operation identification sheet. Considered reviewing the content in response to the COVID-19 pandemic.	Fail
G Measures to enhance earthquake BCP	Obtain an “S” rating in the review by METI	Obtained an “all S” rating in the affiliation review. Conducted a complete revision of the BCP manuals based on the assumption of earthquakes across Japan. Examined damage assumptions for secondary bases (logistics bases and joint oil tank facilities).	Pass
G Prevention of reputation risk concerning disclosure of non-financial information	Carry out appropriate information disclosure	Information disclosure in Cosmo Report and on CSR site. Evaluated by rating agencies, such as for the FTSE4Good Developed Index, and responded to surveys by CDP.	Pass
G 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 and added quality-related accidents in the reporting standard.	Pass

* Risk category G (Governance) includes “safe operations and stable supply,” “quality assurance,” “risk management,” “CSR procurement,” “information disclosure” and “compliance” in the company's medium-term CSR management plan.

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 to assist its operation. Aiming for enhancing employees' understanding of ethics, the Corporate Ethics and Human Rights Committee plans, implements, and evaluates a variety of programs, including training programs on corporate ethics for all group employees, and e-learning.

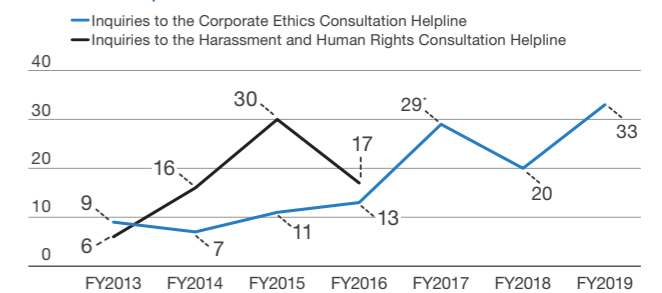
The Cosmo Energy Group Corporate Ethics Consultation Helpline, through which employees' misconduct such as violation of laws and corporate rules, as well as ethical issues can be reported or discussed anonymously, was formed within the Corporate Ethics Office and at an outside law firm. In FY2019, the Helpline received 33 inquiries (15 inappropriate actions and 18 cases of consultation on harassment).

On the Harassment Consultation Helpline, which was formed outside the group in FY2018, outside experts respond to consultations on workplace interpersonal issues, including sexual or power harassment. Counseling by outside experts is expected to have a positive impact in preventing mental disorders and helping people find prompt solutions in work environments.

Details of the reported and discussed issues and the response are regularly forwarded to Directors who are Members of the Supervisory Committee of the Company. Efforts will be made for continual improvement of the whistleblower system and the work environment. In FY2019, there were two incidents involving serious compliance violation¹. In both cases, measures to prevent recurrence have been thoroughly implemented.

¹ Violations or accidents that fall under the highest level of crisis as defined in the internal rules.

Number of Inquiries Received



* In 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 for sustainable development by working

with suppliers who agree with our policy by developing a CSR procurement policy that incorporates ESG initiatives and broadly disclosing it to stakeholders. In FY2019, the Cosmo Energy Group's CSR-based Procurement Policy and Cosmo Oil's CSR-based Purchasing Guideline were developed. Going forward, we will ask suppliers for their understanding and agreement, and request that actions be taken in compliance with the Guideline.

Information Disclosure: Inclusion in ESG Indices

Cosmo Energy Holdings has been included in the “FTSE4Good Developed Index” for 18 consecutive years since 2003, when the Company was adopted. It was the first Japanese oil company to have that distinction.

The Company was also 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 fourth consecutive year. Moreover, the Company was selected as a constituent of the MSCI Japan Empowering Women (WIN) Select Index, which MSCI Inc. in the United States selects based on the employment data of women, as disclosed according to the Act on Promotion of Women's Participation and Advancement in the Workplace in Japan. Cosmo Energy Holdings was also selected for the fourth consecutive year as a constituent of the SOMPO Sustainability Index, a proprietary index created by Sompo Asset Management based on a combination of ESG assessments and stock valuation.



2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

* Including constituents of the SNAM Sustainability Index up to FY2018
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