



Strengthening Corporate Governance Structure

The Cosmo Energy Group's most important material issues, the foundation for business continuity, include ethics and integrity, risk management and compliance. We will work to sincerely address material issues and reinforce our governance structure to improve our corporate value. We have set KPIs in the sustainability plan, under which we promote the development of a corporate culture of integrity and reinforce our internal systems and compliance structure.

Risk management

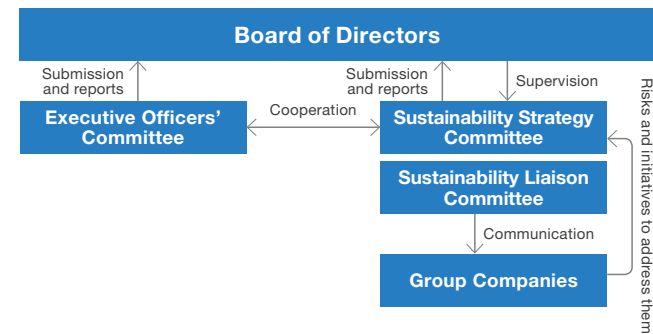
At the Cosmo Energy Group, the Sustainability Strategy Committee deliberates measures to address risks related to the Group as a whole, collects information about initiatives taken by Group companies to address risks, and discusses the progress of initiatives (two times a year), to ensure each Group company's safe, constructive operation of business. The results of deliberation and discussion are reported to the Board of Directors and shared with Group companies via the Sustainability Liaison Committee.

Core operating companies and semi-core companies have their own sustainability promotion committees and similar specialized organizations, which promote measures to address the risks faced by the Group companies including their affiliates and manage the progress of their safety activities by proposing safety measures. Similar risk management is also promoted within the affiliates of each Group company, and their initiatives are reported to the Sustainability Strategy

Committee via the core operating companies or semi-core companies supervising them.

Thus, the risk management of the Group as a whole is being enhanced through strong Group governance and the autonomous initiatives of each company.

Risk Management System



Cosmo Energy Group (CEG) priority risks

At the Cosmo Energy Group, we have set the enhancement of selection of priority risks and responses as a KPI for risk management, which is a priority issue in the Consolidated Medium-Term Sustainability Management Plan. In FY2021, the priority risks that the Cosmo Energy Group as a whole should take on were defined as CEG priority risks. We selected the five risks at right and have been steadily acting to address them.

FY2021 priority risks	Actions taken in FY2021
Media-response training in emergencies	Provide training.
Systematic preparations related to infection and the strengthening of countermeasures	Respond flexibly to the COVID-19 infection status and official announcements by the government, etc.
Measures to enhance earthquake BCP	Hold drills. Promote the visualization of the situation.
Elimination of harassment	Provide training to line managers.
Elimination of work-related accidents	Begin operating a crisis reporting app to strengthen management.

Compliance: corporate ethics promotion structure

At the Cosmo Energy Group, actions to be taken and rules to be observed by all officers and employees in their daily operation to achieve the sustainable growth established in the Cosmo Energy Group Management Vision, are set forth in the Cosmo Energy Group Code of Conduct. To improve the ethics of each individual employee, we develop, implement, and assess measures, including corporate ethics and human rights training for all employees of the Group.

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 FY2021, the Helpline received 24 inquiries (17 inappropriate actions and 7 cases of consultation on harassment).

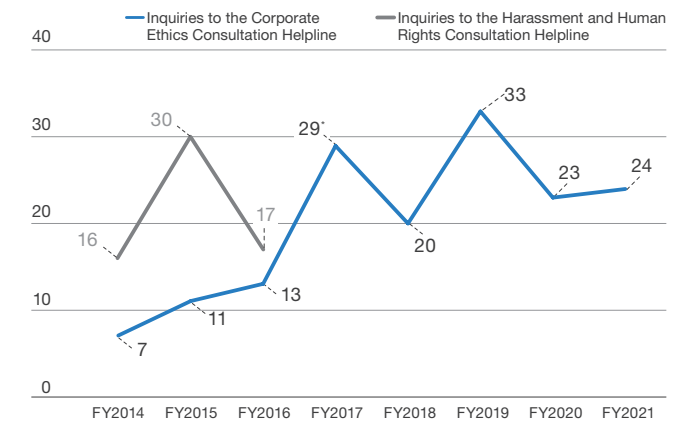
On the Harassment Consultation Helpline, outside experts respond to consultations on workplace interpersonal issues, including sexual or power harassment. Counseling by outside experts is expected to have a positive impact in preventing mental disorders and helping people find prompt solutions in work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

In response to the revision of the Whistleblower Protection Act, we provide regular training to responsible people. Further, details of the reported and discussed issues and responses

are regularly forwarded to directors who are members of the Audit and Supervisory Committee of the Company for the continual improvement of the whistleblower system and the work environment. In FY2021, there were no incidents involving a serious compliance violation at the Group.*

* Violations that are considered a crisis that is likely to have a significant negative impact 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.

Sustainable procurement

At the Cosmo Energy Group, we believe that fulfilling social responsibilities throughout the supply chain, including responsibilities related to compliance with laws and regulations, fair trade, respect for human rights, and environmental consideration, is essential for achieving the Cosmo Energy Group Management Vision, and we revised our Sustainable Procurement Policy in February 2022. This is a basic policy on the social responsibilities that we should fulfill to engage in supply chain-wide efforts to realize a sustainable society, based on the Cosmo Energy Group Management Vision and the Cosmo Energy Group Code of Conduct.

In its purchasing activities, Cosmo Energy Holdings and its core operating companies are promoting initiatives to

eliminate business transactions with antisocial forces, in addition to green procurement in which the green degree evaluation, as well as conventional quality, price, and delivery factors, are comprehensively evaluated. In the period of the Consolidated Medium-Term Sustainability Management Plan, we collaborate with suppliers who agree with these initiatives, in our efforts to achieve sustainable development. In FY2021, we evaluated our suppliers in accordance with the Cosmo Energy Group's Sustainable Procurement Policy and the CSR-based Purchasing Guidelines that were formulated by Cosmo Oil. We will continue to ask suppliers for their understanding and agreement, and request that actions be taken in compliance with the Guidelines.

Information disclosure: inclusion in ESG indices

Cosmo Energy Holdings has been included in the FTSE4Good Developed Index for 21 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 seventh consecutive year. Cosmo Energy Holdings was also selected for the sixth 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.

* Including constituents of the SNAM Sustainability Index up to FY2019

