

Compliance and Risk Management

<http://www.cosmo-oil.co.jp/eng/sustainable/07/gov/compliance.html>

To realize honest and transparent corporate management and raise the moral standards of Group employees, we strive to promote compliance and strengthen risk management.

► Promotion of Compliance

Corporate Ethics Promotion Structure

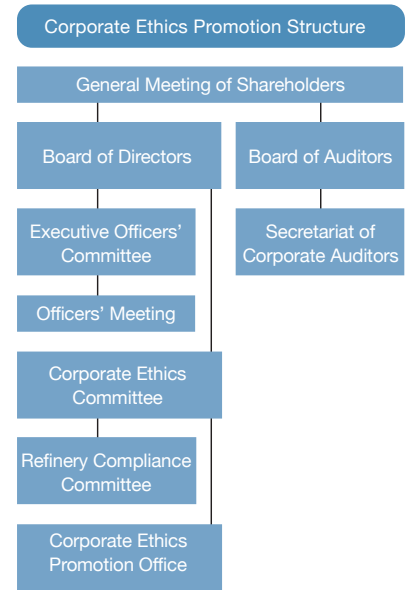
The Cosmo Oil Group Corporate Activity Guidelines (a corporate code of conduct) are based on the Cosmo Oil Group Management Vision. To facilitate their smooth implementation, we have established the Corporate Ethics Committee, positioned directly below the Board of Directors and chaired by the president of Cosmo Oil Co., Ltd. As an organization subordinate to this committee, we also set up the Refinery Compliance Committee at each refinery. To assist in the operations of the Corporate Ethics Committee, we have established the Corporate Ethics Promotion Office and have set up a Corporate Ethics Consultation Helpline.

Corporate Ethics Consultation Helpline

We have set up a helpline where employees or persons outside the Company can discuss or report legal or ethical problems concerning Group operations or other related matters. In addition to the helpline, as part of the Corporate Ethics Promotion Office, we have set up a consultation helpline staffed by external experts. Persons seeking to use the helpline are assured anonymity to avoid any adverse repercussions. In fiscal 2006, six consultation cases were received and responded to immediately. We have also set up a consultation helpline within the Personnel Department to respond to reports of sexual and power harassment.

Raising Awareness

We conduct annual corporate ethics training for Cosmo Oil Group employees. In addition to stratified training according to rank, training is conducted under the auspices of the general managers of offices and departments and presidents of Group companies. In fiscal 2006, an explanation of the refinery accident and legal process violations was provided together with the *Cosmo Oil Corporate Code of Conduct Textbook*, which was published in the previous fiscal year. Further, surveys are conducted to assess the degree of corporate ethics awareness, and feedback on training themes and other data is obtained.



Related information Corporate Ethics Promotion Organizational Structure <http://www.cosmo-oil.co.jp/eng/company/ethics.html>
Related information Corporate Activity Guidelines <http://www.cosmo-oil.co.jp/eng/company/guideline.html>

► Risk Management System

Since fiscal 2003, the Cosmo Oil Group has conducted company-wide risk management related activities on an annual basis. Specifically, each year we undertake a cyclical process whereby we identify, organize, and evaluate risk; consider and implement appropriate countermeasures; and evaluate monitoring results. In July 2005, we established the Risk Management Committee with a major emphasis on “considering responses to crisis situations.” In fiscal 2006, we devised the company-wide Business Continuity Plan (BCP) to respond to disaster situations.

In fiscal 2007, we are formulating responses to risk-related situations, with a focus on the core themes of BCP promotion for disaster response and disaster, legal risk, and public relations response measures.

Business Continuity Plan (BCP)

In fiscal 2006, we conducted a simulation drill based on a scenario of the expected damage from an epicentral earthquake in the Tokyo area, and this drill provided an opportunity to verify our BCP. In addition to reviewing manuals, each Group company proceeded with drawing up their own BCP. Further, in July 2007, we formulated the Pandemic Influenza Preparedness Action Plan aimed at ensuring stable supplies of oil products, with a priority on safety in the event a new strain of influenza becomes a pandemic.

► Information Management

In accordance with information management regulations, we make efforts to ensure the appropriate management of personal information and the correct handling of all information obtained during the course of business operations. Based on the awareness that the protection of personal information is a social responsibility imposed on the Cosmo Oil Group, as well as the basis of our business operations, we have formulated the Personal Data Protection Policies. We adhere to laws and other regulations on the protection of personal information and comply with our own corporate and related regulations. The Company properly acquires, uses, and provides personal information. Cosmo Oil also safely stores the most recently updated information and also carries out proper disposal. Through such measures, we strive to protect the safety of individuals and personal information.

► Product Quality Assurance

To offer products that respond to the needs of customers and society, the Cosmo Oil Group has prescribed quality guidelines in the Corporate Activity Guidelines, Chapter 1: “Relation with Consumers/Users,” and also undertakes research for the development of high-quality products. Also, at the headquarters we have established the Quality Assurance Committee, an entity that makes decisions on quality-related matters, as well as the Quality Assurance Liaison Committee and Quality Assurance Meeting, both of which work to implement quality assurance promptly and functionally. By setting up these organizational bodies, we have put in place a cross-departmental quality assurance structure.

Further, for our main products, our refineries have obtained ISO 9001 certification, the international standard for quality management systems. In the future as well, we will continually work to further improve quality.