

Upon Reading the Cosmo Oil Group Sustainability Report 2007



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At the beginning of this report, Cosmo Oil clearly recognizes that it "is supported by numerous stakeholders." Today, there is also a rapidly rising global recognition that humankind lives amid the blessings provided by the Earth's environment and ecosystems. Although this recognition is embodied in various principles and initiatives of Cosmo Oil, I think it will be crucial as a stakeholder to firmly keep in mind the Earth's environment and ecosystems when undertaking any re-evaluations in the future.

At the G8 Summit in Heiligendamm, Germany, an agreement was reached to seriously consider achieving a 50% global reduction in greenhouse gas (GHG) emissions by 2050. This agreement indicates that there is now recognition that life on Earth could have the high probability to become extinct if the current "business as usual approach" is maintained. I believe this agreement also means that if Japan fails to attain a 90% reduction in GHG emissions, it will be unable to gain the acceptance of the international community. Thus, initiatives to be implemented over the next 10 to 20 years, specifically by businesses, will be extremely crucial. Cosmo Oil is steadily executing its Consolidated Medium-Term Management Plan. However, I believe that "now is the time" to move quickly to formulate radical and unprecedented new innovation strategies and contemplate a significant change in direction for making the precious resource of petroleum beneficial to society rather than merely something to be burned.

Instead of whistle-blowing to an outside party concerning the internal incident at Cosmo Oil, the employee who utilized the Company's Corporate Ethics Consultation Helpline demonstrated an act of loyalty that ultimately helped the Company. Nonetheless, I feel that Cosmo Oil's top management must thoroughly elucidate and reflect upon the true reasons why the Company's investigation committee failed to properly function in the first place. Compliance is essential, however, making errors when trying to strengthen compliance will inevitably have adverse ramifications on workplaces. As I mentioned in the *Sustainability Report 2006*, compliance carries the risk of increasing morale hazard because it can create an illusion among workers that "safety could be guaranteed merely by rigorously following laws and rules." Rather than matters that "should be adhered to," rules and corporate ethics must be put into practice to function as a source of pride for an organization and its people. This concept represents the genuine essence of "Filling Up Your Hearts, Too." A truly outstanding statement was made by the manager of the Safety and Environment Office of the Chiba Refinery, who said, "I would like to make as many on-site confirmations as possible and confirm safety using my own five senses."

Cosmo Oil is taking various approaches to internal control systems. Nonetheless, no matter how many managers are assigned to internal control, there is only one work site. Thus, it is of paramount importance to avoid duplications by building a management system that utilizes the PDCA cycle. In doing so, I believe that Cosmo Oil can benefit greatly by utilizing experience gained from building its environmental management systems (EMS).

Regarding the environment, Cosmo Oil's environmental initiatives are steadily taking hold, and I have high hopes that the Company will implement dramatic policies and initiatives within the sphere of next-generation energy.

Although Cosmo Oil has created various frameworks as described in "Relationship with Our Employees," a key point is whether these frameworks will lead to employee satisfaction (ES). A high level of employee satisfaction is a prerequisite for raising corporate quality and customer satisfaction levels. I believe Cosmo Oil needs to disclose the steps it is taking for raising and measuring employee satisfaction or to steadily formulate such measures if none currently exist.

Cosmo Oil is making truly outstanding social contributions as described in "Relationships with the International Community and Oil-Producing Countries." However, I feel it would be even better if Cosmo Oil could make these contributions when developing its regular business activities abroad.

I can see that Cosmo Oil is enhancing and further advancing activities undertaken through the Cosmo Oil Eco Card Fund. Nonetheless, the dynamic activities of the entire Group, which includes service stations, and the faces and voices of front-line employees are not readily apparent in the report. Also, although favorable relations with local communities are an essential element of corporate social license, Cosmo Oil's report provides only sporadic information on this subject, with no detailed descriptions, even though the Company regards local communities as stakeholders. In this case, I believe there is some room for improvement of this aspect of the report.

Next, I would like to mention Cosmo Oil's use of their website, which I discussed last year. Cosmo Oil has significantly improved the use of its website in the report from the previous year and I feel very positive about this. Still, I believe the text size of the URLs contained in the report should be larger.

Finally, there are various types of publications. However, I believe that Cosmo Oil could have further improved its report by including a graphic illustration showing an overall image and the means in which this relates to the Company's disclosure tools in addition to clear descriptions of disclosure strategies as well as the positioning and significance of each strategy.