

Compliance and Risk Management

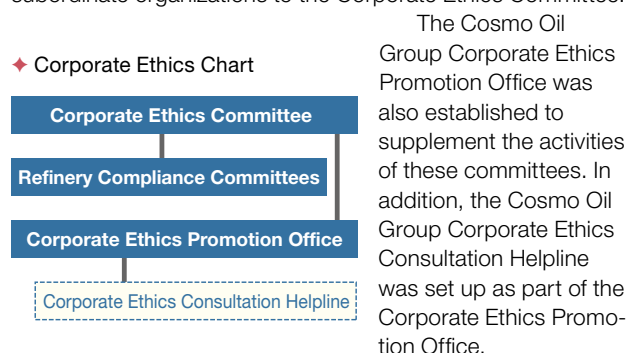
To ensure honest and transparent corporate management and raise the ethical standards of Group employees, we strive to promote compliance and strengthen risk management.

Promotion of Compliance

Corporate Ethics Promotion Structure

The Cosmo Oil Group has established a Corporate Ethics Committee (chaired by the director in charge of general affairs) to decide on, promote, implement, and monitor the results of the basic corporate ethics guidelines.

To prevent the recurrence of accidents and legal violations and to achieve full compliance at oil refineries, the Company has established a Refinery Compliance Committee (chaired by general managers at the refineries) at each refinery, as subordinate organizations to the Corporate Ethics Committee.



Meetings of the Refinery Compliance Committees

The refinery compliance committees, which were established in fiscal 2006, began meeting once every three months in 2007. Since measures to ensure the security of the refineries were fully implemented as a result, the frequency of these meetings was reduced in fiscal 2008 to only once every six months and other times as necessary. Monthly follow-up committee meetings are also held at each refinery, and the Company is continuously strengthening monitoring activities by creating opportunities where general managers at refineries can confirm individual reports and construction work.

Corporate Ethics Consultation Helpline

Cosmo Oil has set up a helpline by which 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, a consultation helpline staffed by external experts has been established. Callers are assured anonymity to avoid any adverse repercussions. In fiscal 2007, five consultation cases were received and promptly addressed. The Company has also set up a consultation helpline within the Personnel Department to respond to reports of sexual or power harassment.

Corporate Ethics Training

Cosmo Oil conducts annual corporate ethics training for Group employees. In addition to stratified training according to rank, training sessions are sponsored by both the general managers of offices and departments and the presidents of Group companies. In the fiscal 2007 training sessions, the Company worked to instill a greater awareness of compliance issues by reconfirming the content of its manual covering the Cosmo Oil Group Code of Conduct.

Risk Management System

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

Business Continuity Plan (BCP)

In April 2008, the Company conducted its second real-time simulation drill based on a hypothetical scenario of damage resulting from an epicentral earthquake in the Tokyo area. Employees practiced returning home, and placing and receiving orders during emergencies, and conducted Cosmo Computer Center crisis management drills. These drills created an opportunity for each department to develop its own emergency response manual. In fiscal 2008, to promote the BCP, the Company is raising the bar on comprehensive drills and formulating new influenza policies and risk management policies that emphasize solutions covering work from home.

Message

From the factory floor to top executives, all refinery personnel must work together to ensure safety

Teruyuki Takishima

General Manager, Chiba Refinery



The Chiba Refinery established its Compliance Committee in 2006 to focus on ensuring compliance, improve the reliability of equipment, and bolster communication. The committee was initially comprised of only section managers and higher-ranking employees. However, to ensure that its work would not end at the doors of the reporting meeting held at headquarters, in 2007, participation was expanded to include all employees at the supervisory level and higher, and structures were created for making improvements by repeatedly researching and implementing new ideas in the areas of workplace safety management and applications to public administrations. As deregulation has progressed and corporate responsibility has increased, we have actively progressed not only in the area of legal compliance, but also in risk management. We want the refinery to be a safe facility that is fully trusted and appreciated by customers and local community residents.