

# Putting CSR Management into Daily Practice

Every member of the Cosmo Oil Group works as a team on CSR to “Fill Up the Hearts” of all Cosmo Oil stakeholders



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## Progressing Ahead with Our Management Plans

The oil industry in Japan has been undergoing dramatic changes in the face of such issues as global warming and falling domestic demand. In the midst of a once-in-a-century economic crisis and dramatic fluctuations in the price of crude oil, the business environment in fiscal 2008 proved even more challenging. Under these severe conditions, we launched the Third Consolidated Medium-Term Management Plan with the basic policy of rebuilding the Group's earnings base and implementing preliminary moves for future growth. Despite a significant fall in crude oil prices, which decreased the value of inventories causing significant losses in fiscal 2008, the Consolidated Medium-Term Management Plan is gradually producing results in terms of strengthening the management foundation and developing new businesses.

Based on this Plan's fundamental policy of pursuing CSR management, we launched the Second Consolidated Medium-Term CSR Management Plan in fiscal 2008. Our CSR philosophy is well established across the entire Group, and an increasing number of employees are voluntarily

participating in activities to protect the environment and contribute to their communities. Although many challenges lie ahead, the Group has reached the stage where it can begin assessing the progress of its CSR Management Plan.

## Revising the Cosmo Oil Group Code of Conduct

The Second Consolidated Medium-Term CSR Management Plan lays out measures for strengthening CSR systems across the entire Group. In fiscal 2008, we revised the Cosmo Oil Group Code of Conduct to promote further understanding of the Management Vision and encourage employees to voluntarily participate in CSR activities. A specific objective of the revision was to make it clear how each individual employee should incorporate the Management Vision into his or her daily conduct. Statements in the Code of Conduct begin with “we,” and the content is designed to concretely describe actions of employees. We are working to ensure that all employees understand that their conduct relates directly to corporate performance, which in turn is directly related to their prosperity. Our objective is to put this CSR philosophy into daily practice.

## Ensuring a Stable Supply of Oil and Safe Operations

Today, oil is an energy source that is essential to both industry and society. The primary mission and the foundation of CSR management at the Cosmo Oil Group is to consistently deliver a stable supply of oil to Japan, a country that lacks natural resources. To ensure this supply requires positive relations with oil-producing countries. Over the past 40 years, the Cosmo Oil Group has built close relationships based on trust with the United Arab Emirates (UAE), particularly with the Emirate of Abu Dhabi. The Group has capitalized on this goodwill by forming a strategic partnership with the International Petroleum Investment Company (IPIC), an investment company owned by the Government of Abu Dhabi, in order to ensure further stability in supplying oil and create synergy with this region.

Operations must proceed safely and smoothly at every stage along the supply chain if we are to deliver a stable oil supply. In response to an explosion and fire at the Chiba Refinery in April 2006, we have taken steps to deal with aging equipment and implemented numerous other measures to enhance safety management at refineries. Since the accident, we have also communicated to our employees the importance of dealing with human error. We issued the Cosmo Oil Safety Reinforcement Declaration and a directive to make safety priority number one, renewing our intense focus on safe conduct.

I believe that our initiatives for facility management and compliance are bearing fruit. There are still, however, a number of policies that must be introduced to ensure that we achieve and maintain a record of zero accidents. Completely eliminating accidents requires that each employee not merely follow rules, but also think seriously about the issue of safety. We will continue to work toward promoting a climate in which employees readily take the initiative in suggesting and implementing safer operations, not only to maintain safety but also to actively create safer conditions.

## Promoting Human Resources and Human Rights

Each employee has a vital role to play in the Cosmo Oil Group. They are the Group's principal assets and the driving force behind its activities. In this light, we should deepen our appreciation for the fact that the Group exists because of its employees. From this, we recognize the importance of enhancing human resource systems and employee welfare programs while creating comfortable workplace environments, founded on a management philosophy that values people and respects human rights. The Cosmo Oil Group is committed to this type of management and to promoting a dynamic climate within the organization.

Demonstrating our commitment in this regard, we joined the United Nations Global Compact in 2006, and have continued our focus on management that respects the Compact's basic rules concerning human rights, labor standards, the environment and anti-corruption.

## Our Approach to the Global Environment

While oil is a substance that we require to maintain our comfortable lifestyles, it also has a major impact on the environment. We acknowledge this and are working to further reduce the environmental burden of the Group's daily business activities with the ultimate aim of coexisting with the global environment. To raise awareness among employees, we encourage their voluntary participation in Team Minus 6% activities for individuals. This approach to protecting the environment on an individual level is growing significantly, with more than 1,200 employees having participated during fiscal 2008.

The Cosmo Oil Group is actively working to incorporate the technologies it has developed into new businesses that can help solve global environmental problems. One example of this is the Group's 5-aminolevulinic acid (ALA) business. It has successfully mass-produced ALA at a low cost, and is currently producing several series of fertilizers that have been praised around the world as innovations for increasing harvests and improving the quality of crops. The Group is also developing technologies for the renewable energy sector in areas such as solar heat, solar power generation and biomass fuel.

## Future Prospects for CSR Management

To advance our CSR management approach in the future, it is important to carry out our activities with a clear definition of corporate social responsibility. In the past, we viewed corporate performance and CSR as two wheels aligning management, but we must integrate them into a single unit with even greater priority in the future.

Our slogan "Filling Up Your Hearts, Too" is, I believe, a key concept for developing a CSR formula for the Group in the future. At present, our "Filling Up Your Hearts, Too" Declaration is designed to ensure customer satisfaction, and accordingly, it is central to our sales operations. We intend to expand its application to manufacturing, distribution and other operations, as well as to subsidiaries and affiliates, so that all Group employees become fully committed to the Declaration. At the core of the Cosmo Oil Group's CSR management are sustainable business practices that are necessary to earn the trust of communities and to "Fill Up the Hearts" of all Group stakeholders—customers, shareholders and investors, companies with which we do business including business partners, communities where we operate, and employees alike.