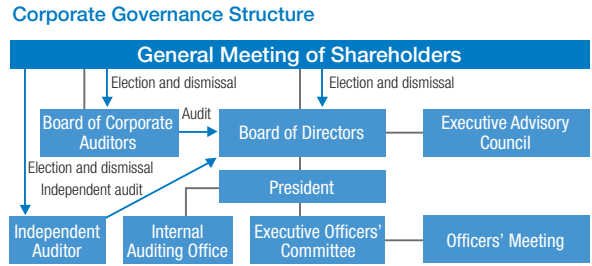


## Corporate Governance

In line with the Cosmo Oil Group Management Vision and Code of Conduct, the Group works to raise management transparency and efficiency, rapidly execute business, and implement thorough risk management and compliance. Having adopted a corporate auditor system, the Group has a Board of Directors, Executive Officers' Committee, and Executive Advisory Council, a structure which separates the functions of (1) management decision-making and supervision, (2) execution of duties, and (3) performance evaluation of directors. Moreover, management oversight has been enhanced through the attendance of corporate auditors at important meetings, including those of the Board of Directors.



## Internal Controls

The Cosmo Oil Group maintains a structure for the execution of duties by directors and employees, systems for risk management and internal auditing to support the execution of duties, and systems to ensure effective auditing by corporate auditors. In addition, the CSR Promotion Committee handles all activities related to Group-wide CSR and internal control under the direct supervision of the president, while ensuring that CSR management information is shared in a timely manner with Group companies.



## Creating a Structure for Corporate Ethics Compliance

The Cosmo Oil Group Corporate Ethics Committee determines, promotes, implements, and monitors basic corporate ethics guidelines, while the Corporate Ethics Promotion Office undertakes activities to complement the Committee's initiatives. The Group established a Corporate Ethics Consultation Helpline under the Corporate Ethics Promotion Office and operates it in compliance with Japan's Whistleblower Protection Act in order to facilitate the early discovery and resolution of corporate ethics problems.

At each refinery, the Refinery Compliance Committee, headed by the refinery general manager, works to ensure full compliance.

## Initiatives to Instill a Culture of Safety

Prompted by an explosion and fire at the Chiba Refinery in 2006, the Cosmo Oil Group made a fundamental review of its safety management system and safety awareness efforts, and has undertaken safety management initiatives aimed at achieving zero accidents. In addition to hardware aspects such as equipment servicing and improvement and software aspects such as the revision of procedure manuals, the Group believes it is important for each and every employee to take action with awareness of safety to prevent accidents caused by human error and achieve zero accidents.

To lay this foundation, the Group strove to establish a culture of safety through voluntary safety initiatives<sup>1</sup> and Cosmo Oil Small Group Initiatives,<sup>2</sup> and also through efforts to strengthen its zero-accident campaign<sup>3</sup> as an initiative to create a corporate culture of action with awareness of safety. Together with the Japan Industrial Safety & Health Association, the Group held training sessions for 2,800 people, including employees of business partners, in order to practice safety with correct understanding of principles and techniques. In addition to principles, expectations for the establishment of a culture of safety within the Group were shared with all employees.

While a culture of safety can be created in this way by steadily putting into practice each initiative one by one, it is not something that can be accomplished in one or two years of effort. Some positive results had started to appear with accidents declining for several years. However, a fire and explosion occurred at the Chiba Refinery with the Great East Japan Earthquake of March 11, 2011, causing many people a great deal of concern. The Group set up an accident investigation committee, which reported on the circumstances and causes of the accident as well as recurrence prevention measures in August 2011. The Group will work seriously on the recurrence prevention measures and continue with its initiatives aimed at establishing a culture of safety.

1. Voluntary on-site initiatives aimed at early discovery of abnormalities, maintenance and management of equipment, improvement of safety sensitivity, strengthening of safety management, and promotion of skill acquisition and transmission.
2. Cosmo Oil Small Group Initiatives are voluntary initiatives in small groups formed in the workplace to achieve the objectives of Cosmo Oil Group's management policies.
3. A campaign aimed at creating a bright and vibrant corporate culture by engaging everyone in resolving workplace dangers and problems.