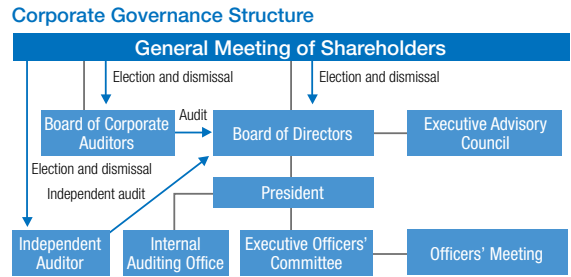


Corporate Governance

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.



Corporate Ethics Framework

The Corporate Ethics Committee reports to the CSR Promotion Committee and decides on the fundamental policies covering corporate ethics. It is also responsible for monitoring and advancing ethical principles. The Corporate Ethics Committee is assisted by the Corporate Ethics Office, which also reports to the CSR Promotion Committee and operates the Corporate Ethics Consultation Helpline to facilitate the early identification and resolution of ethical issues while adhering to guidelines in the Whistle-Blower Protection Act. The Corporate Ethics Committee is also served by compliance committees at each refinery, which are headed by the general managers of the refineries and endeavor to strengthen compliance at refineries.

The refinery compliance committees compiled a report on the status of regulatory compliance at refineries, which the Corporate Ethics Committee used in formulating a corporate ethics plan for fiscal 2012 based on data such as the number of cases handled by the Corporate Ethics Consultation Helpline and corporate ethics training implemented in fiscal 2011.

CSR Training

The Cosmo Oil Group conducts CSR training as part of its education efforts on corporate ethics in order to equip help employees to better understand the Group's CSR management. In fiscal 2011, the Group reported on the results of the CSR Status Survey that was conducted in fiscal 2010, and briefed employees on the Corporate Ethics Consultation Helpline in an effort to raise its profile.¹

The Company also implements annual CSR training for each new employee. The training is designed to teach employees to be aware of compliance in their work and to stress the importance of a corporate culture that encourages workplace communication and one where regulatory violations are not tolerated. The training also teaches employees to make decisions that are consistent with the corporate Code of Conduct.

1. Employees were specifically briefed on the workings of the helpline, including whom it is available to and the procedures for using the service, as well as the fact that users' privacy is protected at each stage of consultation, investigation, and reporting. Furthermore, it was emphasized that the service provides fair and impartial verdicts and results in the implementation of suitable measures as needed, along with later follow-up action.