

**INPEX**

SUSTAINABILITY REPORT 2019



# Delivering tomorrow's energy solutions

INPEX contributes to global economic growth and social development by fulfilling our mission to deliver energy in a sustainable way.

Energy is vital to the world's economic and social development, and a stable supply of energy remains essential.

Beyond our core business of oil and gas, we deliver alternative energy solutions including renewable energy in a sustainable way to meet growing global energy demand and contribute through our business operations to the realization of a sustainable society, as defined in the United Nations Sustainable Development Goals (SDGs).

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## About Our Reporting

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### Reporting Scope

In principle, the report covers the fiscal period from April 1, 2018 to March 31, 2019 for activities in Japan, and from January 1 to December 31, 2018 for overseas activities.

(Part of the report contain information from before or after these periods.)

### Scope of the report and Data Compilation

INPEX CORPORATION and its 65 consolidated subsidiaries

(The term "INPEX" in this report means INPEX CORPORATION and all of its subsidiaries and affiliates, unless otherwise stated.)

### Publication Date

September 2019

(Previous report: August 2018, next report: July 2020)

### Reference Guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- ISO 26000
- IPIECA Oil and gas industry guidance on voluntary sustainability reporting
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)  
(The GRI Standards content index is shown only in the web edition)

### Third-Party Assurance

To ensure the reliability of our report, we have obtained an independent third-party assurance from SOCOTEC Certification Japan for the environmental and social performance data marked with the symbol (✓) in the Performance Data of our web-edition 2019 Sustainability Report.

### Versions of Report

To help stakeholders effectively and efficiently understand our value creation in business, we prepared different versions of the 2019 Report and focused on reporting in line with Material Issues.

- Brochure, PDF Edition

In consideration of the information required under international disclosure guidelines, the brochure and PDF edition are prepared for stakeholders, such as investors and NGOs, who need a broader range of non-financial information about INPEX.

- Web Edition 

Designed to provide up-to-date data, the web edition combines disclosure information that provides an overall picture of our sustainability with content from past Sustainability Reports and the latest Performance Data.

# Snapshot

INPEX is the largest oil & gas company in Japan, deploying about 70 projects in over 20 countries around the world. In parallel with building trust with our stakeholders through careful communication, we are contributing to the creation of a sustainable society by steadily fulfilling our social responsibilities across our entire value chain. These responsibilities include initiatives such as safety management, environmental protection, job creation, respect for human rights, cultures and customs, and contribution to local communities.

## Our Value Chain

### Acquisition of Blocks

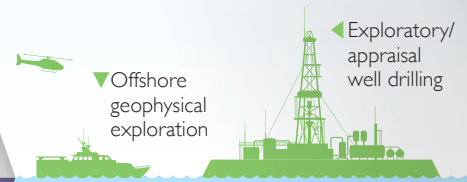
Conduct preliminary regional surveys, negotiate on exploration rights contracts, acquire exploration, development, and other rights



◀ Conclusion of contracts

### Exploration and Appraisal

Explore underground oil and natural gas deposits using leading-edge technologies, and determine the size of reserves



▼ Offshore geophysical exploration

◀ Exploratory/appraisal well drilling

#### Main activities

- Conduct preliminary regional surveys
- Negotiation on tendering and concession rights contracts
- Acquisition of exploration, development, and other rights

- Ground surface and geological surveys (seismic surveys, subsea surveys)
- Drilling of exploratory wells (wells to determine the presence of oil or natural gas)
- Production tests, and oil and natural gas discovery
- Drilling of appraisal wells (wells to determine the extent of oil or natural gas fields)
- Determination of the size of reserves
- Comprehensive decision of commercial feasibility

#### Key stakeholders

- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Employees

- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Local Communities
- NGOs
- Employees

#### CSR-related considerations

- Compliance with local laws and regulations
- Prevention of bribery to oil producing countries when acquiring concessions
- Proactive disclosure concerning acquisition of concessions

- Environmental and social impact assessment, and acquisition of environmental approval
- Safety management and environmental and social considerations in exploration phase
- Communication with stakeholders in local communities

# Our Areas of Activity



## Preparation for Development/Development

Prepare for development operations, drill production wells, and construct oil and natural gas extraction facilities



- Preparation for development
- Drilling of production wells (wells for producing oil or natural gas)
- Construction of production and shipping facilities (production plants, pipelines, etc.)

## Production

Refine and process the extracted oil and natural gas into finished products

▼ Processing facilities/shipping facilities

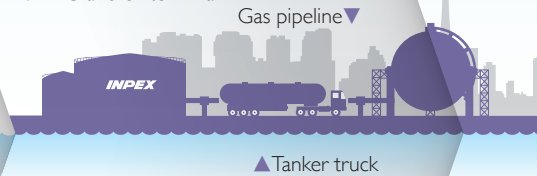


- Safe operation of production facilities
- Refining and processing of the extracted oil and natural gas

## Transport and Sales

Ship and transport the oil and natural gas products

▼ LNG and oil terminal



- Marketing and sales
- Oil and natural gas transport

- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Local Communities
- NGOs
- Employees

- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Local Communities
- NGOs
- Employees

- Contractors
- Local Communities
- NGOs
- Customers
- Employees

- Continuation of environmental and social impact assessment, and monitoring
- Safety management and environmental and social considerations in development phase
- Fair and equitable resource procurement
- Job creation in local communities
- Respect for human rights
- Planning of social support programs for stakeholders in local communities

- Safety management and environmental and social considerations in production operation
- Greenhouse gas emissions management
- Occupational health and safety management for employees and contractors
- Respect for human rights
- Implementation of social support programs for stakeholders in local communities
- Environmental and social impact assessment, and communication with local residents, when withdrawing from a business

- Stable and efficient supply of energy
- Product quality and safety management
- Safety management and environmental and social considerations in transport phase
- Dialogue with customers and consumers
- Education and edification on energy through open events such as facility tours

# Message from the President & CEO

**We aim to become a leading energy company serving an essential role in global society by meeting the energy needs of Japan and countries around the world.**



INPEX strives for the expansion of energy supply in a sustainable way to ensure stable energy supply for sustainable economic and social development and for the achievement of the United Nations Sustainable Development Goals (SDGs).

In May 2018, we formulated Vision 2040 based on our mission of contributing to the creation of a brighter future for society through our efforts to develop, produce and deliver energy in a sustainable way. Vision 2040 sets out three business targets: sustainable growth of the oil and natural gas E&P activities, development of the global gas value chain and reinforcement of renewable energy initiatives.

Among the main sources of energy supply, there are high expectations for natural gas, and demand for liquefied natural gas (LNG) is expected to increase particularly in Asia.

INPEX-operated Ichthys LNG Project in Australia, commenced shipment of LNG since October 2018. The project is scheduled to gradually increase production volume of LNG and produce approximately 8.9 million tons of LNG per year when it reaches production plateau.

The Ichthys LNG Project is a large-scale LNG project expected to be operational over a period of 40 years. We aim to make a substantial contribution to a stable energy supply in Asia as well as other areas around the world through the project.

While it is expected to meet global energy demand, which will continue to grow, topics including initiatives for climate change and transition to low-carbon society also become global big trends.

The Paris Agreement adopted in 2015 encourages each country to set greenhouse gas reduction targets. It requires proactive measures by the entire international community to take proactive measures toward the reduction of greenhouse gas emissions and the establishment of a low-carbon future, including an agreement to keep the average global temperature increase to well below 2°C above pre-industrial levels and efforts to limit temperature increase to 1.5°C as a long-term global shared goal.

As outlined in Vision 2040, we will enhance our governance system and implement initiatives in areas such as business strategy, assessment of risks and opportunities of climate change, and greenhouse gas emissions management, aiming to proactively contribute to a lower-carbon energy society based on the long-term targets of the Paris Agreement. We will also continue enhancing our reporting in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We will continue to strengthen our ESG (Environment, Society and Governance) initiatives throughout the supply chain, and contribute to the achievement of SDGs through our business, and to maintain respectful communications and build trust with all stakeholders. With responsible management, we aim to become “a leading energy company serving an essential role in global society” by meeting the energy needs of Japan and countries around the world as outlined in Vision 2040.

## **Takayuki Ueda**

**Representative Director, President & CEO**  
**INPEX CORPORATION**

# INPEX Value Creation

## — Our Story

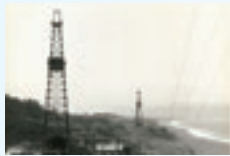
**1950**

Yabase Oil Field  
(commenced development deep zone)



**1959**

Kubiki Oil and Gas Field commenced production



**1962**

Tokyo Line (gas pipeline) completed



**1965**

Minami-Aga Oil Field commenced production

**1982**

Upper Zakum Oil Field commenced production



**1984**

Minami-Nagaoka Gas Field and Offshore Iwaki Gas Field commenced production



**1985**

Umm Al-Dalkh Oil Field commenced production



**1987**

Satah Oil Field commenced production

**2000**

Abadi Gas Field and Ichthys Gas-Condensate Field discovered



Kashagan Oil Field discovered

**2003**

Interest in ACG Oil Fields acquired

1940

1970

1980

1990

2000

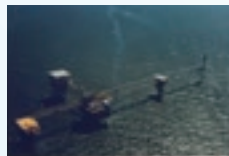
**1970**

Higashi-Kashiwazaki Gas Field commenced production



**1972**

Attaka Oil Field commenced production



**1975**

Offshore DR Congo commenced production



**1990**

Tunu Field commenced production

**1994**

Griffin Oil fields commenced production



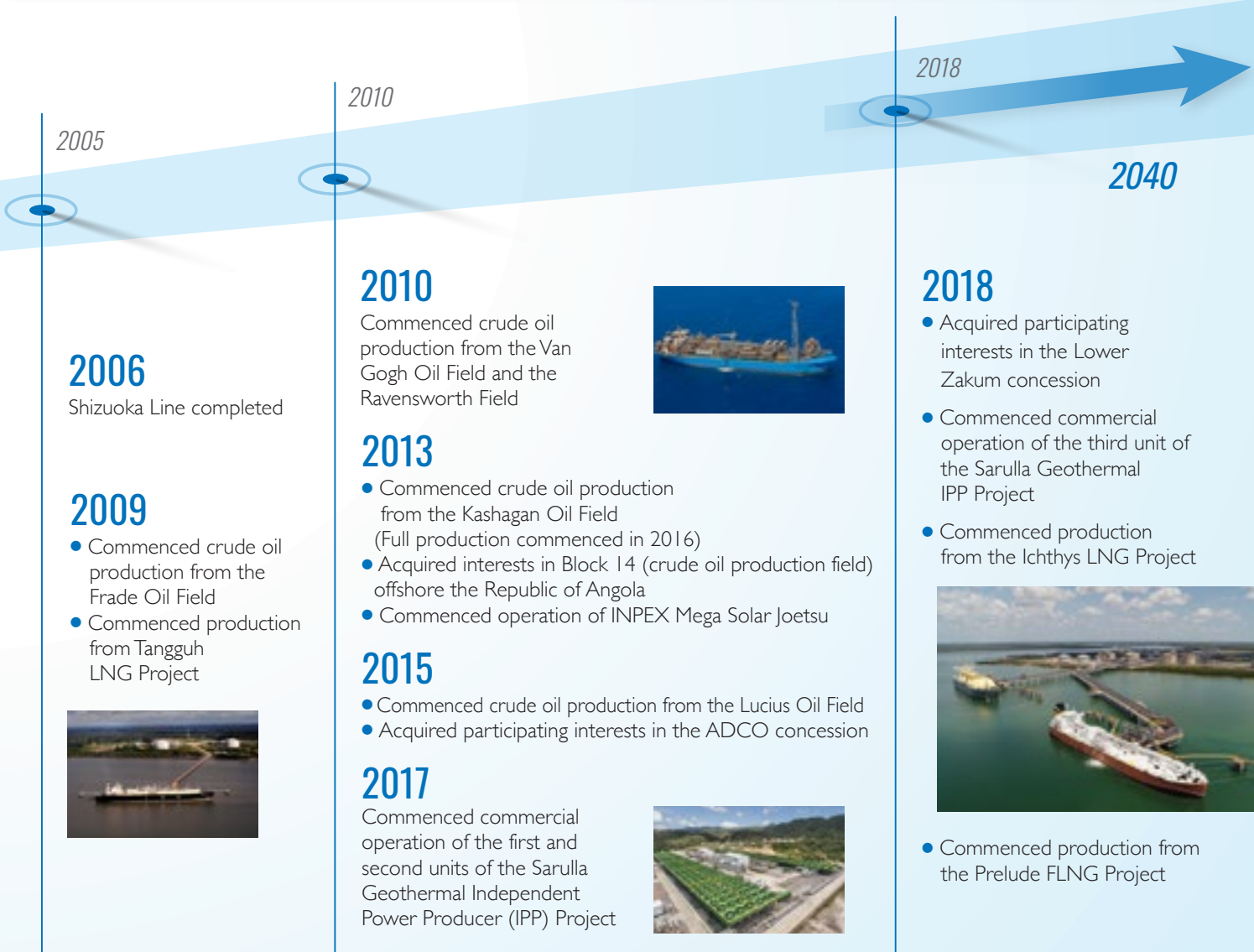
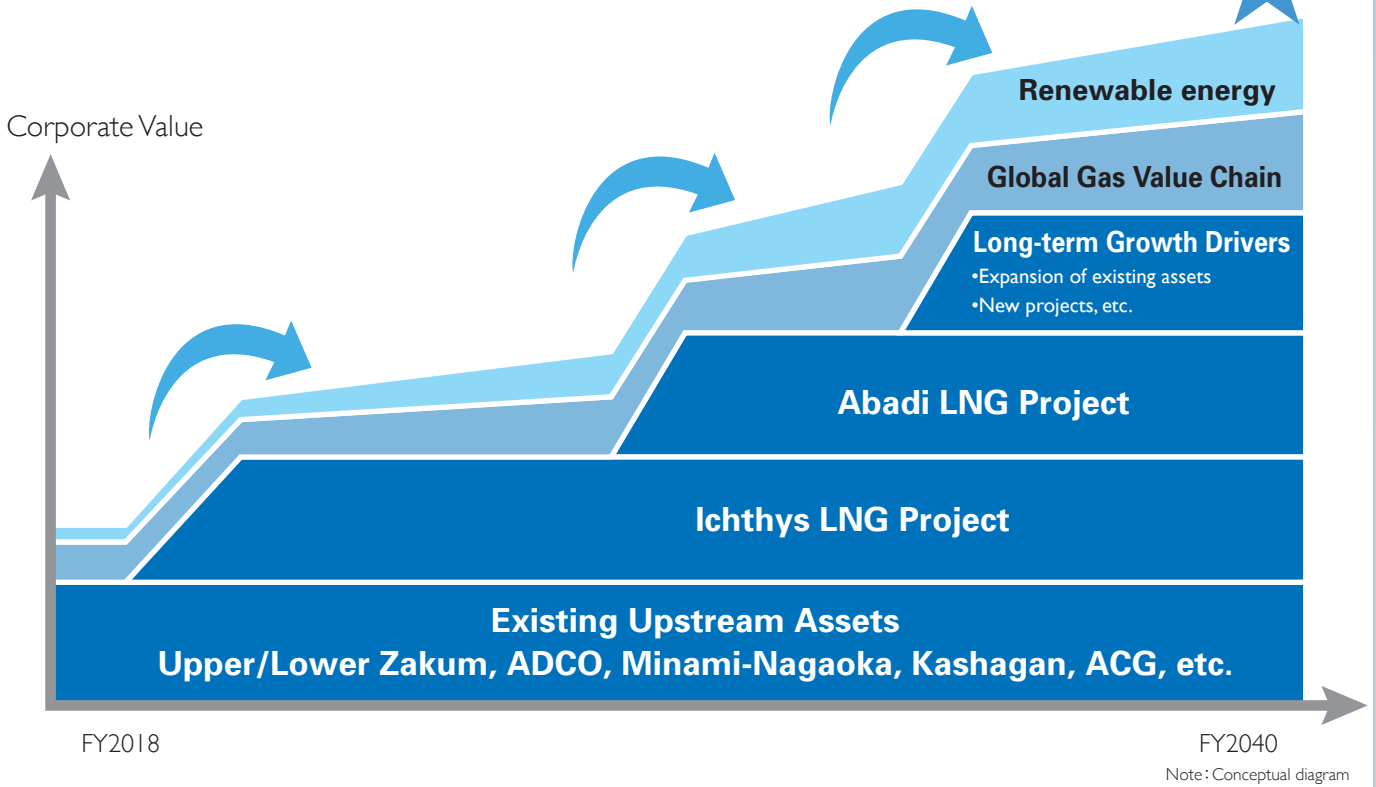
**1996~**

Domestic gas trunk pipeline network expansion





# INPEX Position in Vision 2040



## 2006

Shizuoka Line completed

## 2009

- Commenced crude oil production from the Frade Oil Field
- Commenced production from Tangguh LNG Project



## 2010

Commenced crude oil production from the Van Gogh Oil Field and the Ravensworth Field



## 2013

- Commenced crude oil production from the Kashagan Oil Field (Full production commenced in 2016)
- Acquired interests in Block 14 (crude oil production field) offshore the Republic of Angola
- Commenced operation of INPEX Mega Solar Joetsu

## 2015

- Commenced crude oil production from the Lucius Oil Field
- Acquired participating interests in the ADCO concession

## 2017

Commenced commercial operation of the first and second units of the Sarulla Geothermal Independent Power Producer (IPP) Project



## 2018

- Acquired participating interests in the Lower Zakum concession
- Commenced commercial operation of the third unit of the Sarulla Geothermal IPP Project
- Commenced production from the Ichthys LNG Project



- Commenced production from the Prelude FLNG Project

# INPEX Value Creation

## — Vision 2040

### Priorities for INPEX

#### Meet growing global energy demand

Energy demand is expected to continue to increase in future due to the expansion of the global middle-class population and economic growth, mainly in emerging countries. To meet growing global energy demand, INPEX will continue to position oil and natural gas E&P activities as its core business and expand its E&P activities by efficiently engaging in large-scale LNG operator projects and other exploration, development and production projects.



#### Help increase Japan's self-development ratio of oil and natural gas

It is essential for Japan, which relies on imports for the majority of oil and natural gas, to ensure the stable supply of resources and energy. To increase Japan's self-development ratio, INPEX will steadily supply oil and natural gas to the Japanese market from projects in its core business areas of Australia, Abu Dhabi, Indonesia and Japan, as well as other areas around the world.



#### Accelerate response to climate change and promote low-carbon footprint in operations

Based on the long-term, globally shared goals of the Paris Agreement, the entire international community will need to work proactively to reduce greenhouse gas emissions and create a low-carbon society. To accelerate our response to climate change and promote a low-carbon footprint in operations, INPEX will promote the development of natural gas and step up renewable energy initiatives. In addition, INPEX will appropriately manage greenhouse gas emissions from its operations and develop technologies for the practical application of CCS (Carbon dioxide Capture and Storage) to capture and store CO<sub>2</sub>.



# INPEX's Strengths

## A highly competitive project portfolio

INPEX has a highly competitive global project portfolio, primarily in its core business areas of Australia, Abu Dhabi, Indonesia and Japan, and is working to further enhance its corporate value by engaging in various projects and achieving strategic project portfolio flexibility.

## Close partnerships with oil-producing countries

INPEX is promoting projects by strengthening close partnerships with the governments of oil-producing countries. In Abu Dhabi, based on its long-standing relationship of trust with the Abu Dhabi government and ADNOC, INPEX has acquired and extended interests in the oil fields which contain significant reserves.



Source: provided by Japan External Trade Organization(JETRO)

## Technical capabilities to carry out projects

In accordance with the Technology Roadmap, INPEX has been working to enhance its exploration, development and production capabilities. Building on the technical capabilities and experiences gained through the Ichthys LNG Project as operator, INPEX will enhance its technical capabilities to further improve project operations and address climate change issues.

## Diverse human resources experienced in exploration, development, operations, marketing and other areas

By strategically investing in R&D, human resources and other areas, INPEX is improving its technical and operational capabilities in exploration, development and production, and is cultivating a highly diverse workforce active around the world.



## Steady growth in cash flow and a solid and stable financial base

INPEX effectively carries out major projects in its core business areas of Australia, Abu Dhabi, Indonesia and Japan, either as operator or as an active partner with steadily growing cash flow and a solid and stable financial base.

## Support from the government of Japan

When engaging in projects that entail high risks and require large, long-term investments, INPEX makes use of the financial support provided by JOGMEC, JBIC, NEXI and other organizations and benefits from the Japanese government's diplomatic support at the highest level.

# INPEX Value Creation

## Delivering tomorrow's energy solutions

Our goal is to become a leading energy company serving an essential role in society by fulfilling our mission to deliver energy in a sustainable way. By achieving the three business targets described in Vision 2040, we will strive for stable supply of energy and other value creation. By implementing CSR management in line with the six material issues we have identified, we will contribute to the growth of our company as well as the creation of a brighter future of society.

### Priorities for INPEX

- Meet growing global energy demand
- Help increase Japan's self-development ratio of oil and natural gas
- Accelerate response to climate change and promote low-carbon footprint in operations

### INPEX's Strengths

- A highly competitive project portfolio
- Partnerships with oil-producing countries
- Technical capabilities to carry out projects
- Diverse human resources
- Steady growth in cash flow and a solid and stable financial base
- Support from the government of Japan

### CSR Management



SDGs integrated into our strategic objectives

### CSR Material Issues

- Governance
- Compliance
- HSE
- Local Communities
- Climate Change
- Employees

\*For identification of CSR Material Issues, please refer to "Our Approach to Corporate Responsibility" on page 15.

# Becoming a leading energy company

Sustainable Growth of Oil and Natural Gas E&P Activities

Development of Global Gas Value Chain Business

Reinforcement of Renewable Energy Initiatives

Vision 2040

## Value Creation

### Social Value

- Stable supply of energy
- Improving Japan's self-development ratio of oil and natural gas
- Improving access to reliable energy
- Contribution to sustainable development of local communities
- Creating stable job opportunities

### Environmental Value

- Supplying natural gas as a cleaner source of energy
- Energy production with low environmental footprint
- Increasing the ratio of the renewables in the energy mix
- Appropriate GHG emission management and low-carbon footprints of operations
- Accelerating investments in clean energy technologies and related infrastructure

### Economic Value

- Sustainable growth of corporate value
- Maximizing shareholder value
- Business portfolio resilient to changing business environment
- Expanding production volume and reserves
- Reinforced and diversified revenue base



# Ichthys LNG Project

## Ichthys LNG Project commences operations

### Bridging two nations

Twenty years after the discovery of hydrocarbons in the Ichthys Field off the north coast of Western Australia, INPEX has taken a huge step forward with the commencement of Ichthys LNG production. In 2018, INPEX-operated Ichthys LNG Project celebrated the start of condensate, liquefied petroleum gas (LPG) and liquefied natural gas (LNG) production from its offshore facilities and the LNG processing facilities in Darwin.

Ichthys LNG Project plays a significant role in bridging two nations, by delivering long-term energy security to Japan while providing lasting social and economic benefits to Australia.



Courtesy Capt. Serge Prakhov

### Message from the management

INPEX has entered an exciting new chapter of the Ichthys LNG Project.

This amazing achievement was only possible through the efforts of INPEX personnel and our construction workforce, along with the strong support from the Australian and Japanese governments, our stakeholders and host communities.

The start-up of Ichthys LNG production marks a significant milestone for the company. It helps us to establish a centre of excellence to grow our business sustainably and increase our corporate value. It allows us to plan for the future to further grow our global business portfolio and help INPEX to realise its Vision 2040.



**Hitoshi Okawa** President Director INPEX Australia



**Bill Townsend**  
Deputy Vice President Corporation Coordination

Darwin's Bladin Point was transformed and now accommodates operating LNG facilities.

Extensive environmental research and monitoring activities helped us to minimise impact on the surrounding environment and also contributed to building on existing environmental knowledge of Darwin Harbour.

The construction of our offshore and onshore mega facilities created considerable job and business opportunities in Australia. Many hundreds of locals are now working each day to support the operation and maintenance of the project.

Building the next generation is important to us and we invest in the education and wellbeing of youth. We have committed to support economic and social advancement of the Larrakia traditional owners for the next 40 years.

With production of Ichthys LNG Project underway, we have new opportunities ahead of us to deliver long-term social and economic benefits to our host communities.



The Hon Scott Morrison MP, Prime Minister of Australia and H.E. Shinzo Abe, Prime Minister of Japan commemorating the commencement of operations



Commemorating the commencement of operations



Commemorating the commencement of operations

## Contributing to Japan's energy security

Japan is the world's largest LNG importer, and at full capacity, Ichthys LNG Project is expected to supply approximately 10 percent of Japan's LNG imports, thereby ensuring Japan's energy security and reliability for decades.

LNG Production Volume:

Approx. **8.9** million tons per year



Nearly **50%** Australian content for its construction commitment

Greater than **10,000** construction workforce at peak

**A\$195** billion in exports for Australia

**A\$190** billion in additional GDP for Australia\*

## Boosting Australia's economic growth

Ichthys LNG Project created thousands of job and business opportunities in Australia through its construction and will continue to contribute to the Australian economy for decades to come.

\* Economic benefits forecasted for 2012–2050 by ACIL Allen Consulting

## Creating long-lasting social impact

Since 2012, more than A\$4 million has been invested in community programs in Australia, in particular on initiatives that support the education and wellbeing of the next generation.

Furthermore, in 2018, INPEX, on behalf of the Ichthys Joint Venture, agreed with the Larrakia people to an A\$24 million funding agreement to be delivered over 40 years.

**A\$24** million committed for the Larrakia community

More than **A\$4** million invested in community programs



Signing ceremony of Larrakia Benefits Package



Rangers in the Savanna Fire Management program

## Contributing to a sustainable environment

Ichthys LNG Project is investing in marine and terrestrial research programs to enhance knowledge of and protect the environment in Australia. By financing the Savanna Fire Management program, INPEX is working with Aboriginal and Torres Strait Islander communities to reduce its carbon footprint.

**A\$34** million contributed in the Savanna Fire Management program

# Our Approach to Corporate Responsibility

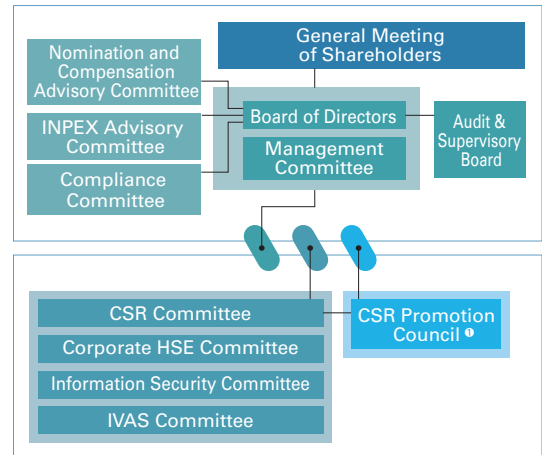
## Our Policy

With the aim of sustainable energy development, production and supply, we engage in CSR management, which focuses on the Material Issues that are most important to both our business and our stakeholders. We dedicate our efforts to sustainability and value creation throughout our value chain.

## CSR Promotion System

We have disclosed the executive management's approach of sustainability, and established the CSR Committee, chaired by the Representative Director, President & CEO in order to promote companywide and systematic sustainability practices. The CSR Committee members include the Representative Directors, the head of the General Administration Division, and the head of the Corporate Strategy & Planning Division (Vice-Chair). The Chairs of the Compliance Committee and the Corporate HSE Committee also attend the CSR Committee meetings to facilitate collaboration with their respective committees.

## CSR Promotion System



## Participation in External Initiatives

In response to the needs of global society, we promote sustainability practices and participate in both domestic and overseas initiatives, such as the United Nations Global Compact, the International Association of Oil & Gas Producers (IOGP), the Australian Petroleum Production & Exploration Association (APPEA), the Extractive Industries Transparency Initiative (EITI), IPIECA<sup>®</sup>, the Japan Petroleum Development Association (JPDA), and Japan Natural Gas Association.

## Participation in the United Nations Global Compact

In 2011, we became a signatory to the United Nations Global Compact and declared our support for its ten principles related to the four areas, human rights, labor, environment, and anti-corruption. Since fiscal 2012, we have continuously participated in activities of the various sustainability-related subcommittees of the Global Compact Japan Network.

## Identification of Material Issues and Prioritization Process

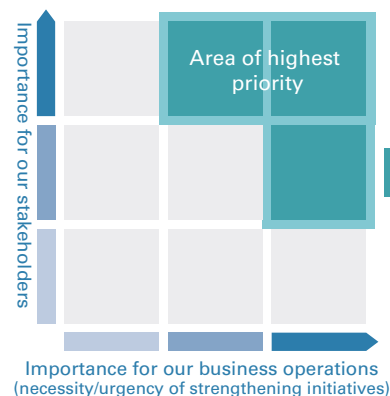
In April 2012, we identified five key issues among the seven core social responsibility subjects in ISO 26000 as Material Issues of importance for us and our stakeholders. In May 2015, we reexamined the Material Issues in light of factors such as impacts of business activities associated with the progress of our main projects and changes in stakeholders' concern. As a result, we redefined the Material Issues by adding the sixth issue, "Governance." Furthermore, CSR actions that should be

prioritized for each Material Issue have been defined as Key Tasks, and have been incorporated into our PDCA<sup>®</sup> cycle in order to achieve continuous improvement. In fiscal 2017, we incorporated the perspectives of Sustainable Development Goals (SDGs)<sup>®</sup> into the existing Key Tasks, mapped the Key Tasks through a four-step prioritization process (1. Issue identification and gap analysis, 2. Stakeholder dialogues, 3. Issue prioritization, and 4. Management review), and reevaluated the Key Tasks.

### Identification of Material Issues



### Matrix of Key Tasks



- #### INPEX Key Tasks <sup>※</sup>
- Strengthen governance structure
  - Upgrade risk management system
  - Respect for human rights
  - Legal compliance, prevention of bribery and corruption
  - Conducting Environmental and Social Impact Assessment (ESIA) in supply chain
  - Prevention of major incidents
  - Securing occupational health and safety
  - Conservation of biodiversity, appropriate water resource management
  - Conducting assessments and measures to reduce impact on local and indigenous communities
  - Contribution to local economies
  - Promotion of renewable energy
  - Development of natural gas as a cleaner source of energy
  - Strengthen climate change-related risk management
  - Development of personnel and increasing the motivation of the workforce
  - Promotion of diversity

※ See page 17-18 for more information about "Targets and Results of Material Issues"

#### 1 CSR Promotion Council

A subsidiary organization of the CSR Committee comprising working-level members from various divisions. By creating this link between top management and the divisions, we engage in sustainability practices based on a common ground of understanding.

#### 2 IPIECA

The global oil and gas industry association for environmental and social issues

#### 3 PDCA

Plan-Do-Check-Act






#### 4 Sustainable Development Goals (SDGs)

17 goals and 169 targets adopted by the UN Sustainable Development Summit in September 2015 that describe the UN's agenda for people, the planet and prosperity.



# Engaging with Our Stakeholders








## Main Stakeholder Engagement Activities and Dialogues in Fiscal 2018

Key stakeholders	Main opportunities for dialogue	Summary of engagement activities in FY2018	Expectations and requests from stakeholders
<b>Project Partners</b> 	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Work-related communication</li> </ul>	<ul style="list-style-type: none"> <li>Participated in operating committees, technical committees, and subcommittees that make project decisions</li> <li>Held discussions with operators for reduce OPEX/ CAPEX</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance, prevention of bribery and corruption</li> <li>Development of natural gas as a cleaner source of energy</li> </ul>
<b>Contractors</b> 	<ul style="list-style-type: none"> <li>Indication of eligibility standards to prospective suppliers</li> <li>Briefings on eligibility standards</li> <li>Regular meetings</li> <li>HSE Audits</li> </ul>	<ul style="list-style-type: none"> <li>Provided fair, equitable and transparent participation opportunities for prospective suppliers</li> <li>Conducted HSE management site visits</li> <li>Conferred annual HSE awards</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade a risk management system</li> <li>Legal compliance, prevention of bribery and corruption</li> <li>Conducting Environmental and Social Impact Assessment (ESIA) in supply chain</li> <li>Prevention of major incidents</li> <li>Securing occupational health and safety</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Establishment of a dedicated point of contact</li> <li>Provision of product information</li> <li>Identification of customer needs at service stations</li> </ul>	<ul style="list-style-type: none"> <li>Announced safe handling information by issuing SDS<sup>5</sup></li> <li>Improved service station operation by analyzing customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance, prevention of bribery and corruption</li> <li>Promotion of renewable energy</li> <li>Development of natural gas as a cleaner source of energy</li> </ul>
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>The General Meeting of Shareholders, briefings and exhibitions, IR meetings</li> <li>Issuance of reports (securities report, annual report, presentation slides, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Held the General Meeting of Shareholders, results briefings (semi-annual), IR meetings (approx. 260 times), exhibitions and briefings for individual investors.</li> <li>Engaged in timely, appropriate, and fair information disclosure through the corporate website and improved website content (approx. 1,500 website accesses per day and 82 press releases)</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcement of governance structure</li> <li>Upgrade a risk management system</li> <li>Development of natural gas as a cleaner source of energy</li> <li>Reinforcement of climate change-related risk management</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>Environmental and social impact assessment</li> <li>Community briefings</li> <li>Various pamphlets</li> <li>Social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>Conducted social investment adapted to local communities (total expenditure: approx. ¥1.6 billion)</li> <li>Engaged in dialogue with local communities in Japan (Niigata, Akita) and overseas (Australia [approx. more than 430 times], Indonesia [approx. 80 times])</li> <li>Implemented a Reconciliation Action Plan (RAP) with Aboriginal and Torres Strait Islander peoples in Australia</li> </ul>	<ul style="list-style-type: none"> <li>Respect for human rights</li> <li>Conservation of biodiversity and efficient use of water resources</li> <li>Conducting assessments and measures to reduce impact on local and indigenous communities</li> <li>Contribution to local economies</li> </ul>
<b>NGOs</b> 	<ul style="list-style-type: none"> <li>Information gathering to solve global social issues</li> <li>Round-table discussions</li> </ul>	<ul style="list-style-type: none"> <li>Supported and communicated with NGOs through employee fundraising</li> <li>Participated in NGO-hosted seminars</li> </ul>	<ul style="list-style-type: none"> <li>Respect for human rights</li> <li>Contribution to local economies</li> <li>Promotion of renewable energy</li> <li>Reinforcement of climate change-related risk management</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Face-to-face meetings with superiors</li> <li>Consultation between labor and management</li> <li>Various training and study abroad programs</li> <li>Internal magazines</li> </ul>	<ul style="list-style-type: none"> <li>Conducted regular meetings with superiors</li> <li>Engaged in regular communication with the labor union (2 times)</li> <li>Conducted various training programs (82.7 hours / person)</li> <li>Dispatched employees through study abroad programs for business and technical positions (9 persons)</li> <li>Updated internal online magazines in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>Securing occupational health and safety</li> <li>Human resource development and improvement of job satisfaction</li> <li>Promotion of diversity</li> </ul>
<b>Oil and Gas Producing Countries</b> 	<ul style="list-style-type: none"> <li>Communication at each project phase (when tendering and obtaining development approval; during development and operation; when withdrawing from a business)</li> </ul>	<ul style="list-style-type: none"> <li>Closely communicated with oil and gas producing countries in accordance with project progress and management</li> <li>Contributed to preventing corruption and improving transparency in oil and gas producing countries through support for EITI</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance, prevention of bribery and corruption</li> <li>Prevention of major incidents</li> <li>Contribution to local economies</li> <li>Development of natural gas as a cleaner source of energy</li> </ul>

### 5 Safety Data Sheet

A datasheet that contains information needed for the safe handling of products that contain certain chemical substances

# Targets and Results of Material Issues

Material Issues	Key Tasks	FY2018 Results
<b>Governance</b> 	Strengthen governance structure	<ul style="list-style-type: none"> <li>Held several meetings with participation of outside directors, and held discussions on improving corporate governance at INPEX</li> <li>As part of the PDCA cycle of evaluation of effectiveness of the Board of Directors, conducted interim reviews of progress made on matters requiring improvement, as identified during last fiscal year's evaluations, at meetings that included outside directors. In light of these reviews, finally conducted the evaluation of effectiveness of the Board of Directors during fiscal 2018</li> <li>Held meetings of the Nomination and Compensation Advisory Committee (six times) and discussed support for the Corporate Governance Code (director compensation system, selection and removal of senior management, plans for succession, etc.)</li> <li>Started implementing Stock-Based Remuneration System for directors with appropriate oversight of this committee</li> <li>Formulated a Tax Policy</li> </ul>
	Upgrade risk management system	<ul style="list-style-type: none"> <li>Promoted Business Continuity Management (BCM) for earthquake scenarios activities and conducted training and education at corporate headquarters</li> </ul>
<b>Compliance</b>   	Respect for human rights	<ul style="list-style-type: none"> <li>Published the UK Modern Slavery Act Statement FY2017</li> <li>Conducted human rights training for new recruits</li> <li>Continuous participation in the IPIECA human rights working group</li> </ul>
	Legal compliance, prevention of bribery and corruption	<ul style="list-style-type: none"> <li>Conducted a compliance awareness survey</li> <li>Conducted compliance training by theme and level</li> <li>Continued ABC risk assessments at overseas offices</li> <li>Continuous education and strengthened implementation of ABC regulations (formulated the INPEX Group Global ABC Policy and conducted training, etc.)</li> <li>Implemented initiatives to enhance global compliance systems</li> <li>Continued participation in the anti-corruption working group of the Global Compact Network Japan</li> </ul>
	Conducting Environmental and Social Impact Assessment (ESIA) in supply chain	<ul style="list-style-type: none"> <li>Continued participation in the supply chain working group of the Global Compact Network Japan</li> <li>Administered a supplier self-evaluation questionnaire including human rights and anti-bribery and corruption to major domestic suppliers and contractors</li> <li>Continued risk assessment including human rights, anti-bribery and corruption of major domestic suppliers and contractors</li> </ul>
<b>HSE</b>      	Prevention of major incidents	<ul style="list-style-type: none"> <li>Enhanced the Corporate HSEMS (Revised the Corporate HSEMS Manual and 8 of related Corporate HSE Standards, and expanded the HSE management scope to cover non-operated projects)</li> <li>Improved HSE assurance and governance (Participated in 14 HSE reviews and conducted 3 risk-based audits at domestic and overseas sites)</li> <li>Strengthened HSE risk management process to prevent major incidents and the associated risks (Conducted HSE risk management activities and quarterly reviews for all Operational Organizations throughout the year and reported the result to Executive Committee; conducted 3 AIPS Assurance Review at 3 organizations; assisted preparation of Safety Case for Tokyo line and Oyazawa plant; started to apply Process Safety KPI and issued PS KPI Implementation Report; conducted INPEX Barrier Management (IBM) Training for domestic operations)</li> <li>Reinforced emergency and crisis response capability (Operational Organizations and the corporate headquarters cooperatively conducted 3 of level 3 exercises: earthquake exercise at the Naoetsu LNG Terminal, Ichthys LNG offshore facility gas leak exercise, and Tokyo inland earthquake exercise)</li> </ul>
	Securing occupational health and safety	<ul style="list-style-type: none"> <li>Provided HSE technical support and strengthened HSE management at worksites (Conducted 5 HSE Management Site Visit at domestic and overseas operator project sites, non-operated project sites and domestic subsidiaries; conducted 3 site visits exchanges by site representatives; HSE Award conferment)</li> <li>Incident reduction (LTIF: 0.23 / TRIR: 1.85, PS KPI Tier 1: 1 / Tier 2: 6)</li> </ul>
	Conservation of biodiversity, appropriate water resource management	<ul style="list-style-type: none"> <li>Developed Corporate Environmental Management Plan including initiatives for biodiversity conservation and water management</li> <li>Conservation of biodiversity                             <ul style="list-style-type: none"> <li>In Japan: conducted marine research</li> <li>In Japan: participated in forestation and biodiversity conservation activities</li> <li>Overseas: conducted biodiversity monitoring</li> </ul> </li> <li>Water management                             <ul style="list-style-type: none"> <li>Conducted water stress assessment in our project area</li> <li>Collected and analyzed water consumption in our business</li> </ul> </li> </ul>
<b>Local Communities</b>     	Conducting assessments and measures to reduce impact on local and indigenous communities	<ul style="list-style-type: none"> <li>Japan                             <ul style="list-style-type: none"> <li>Provided information on operational status and safety initiatives through community briefings and issuance of newsletters at Naoetsu LNG terminal</li> </ul> </li> <li>Australia                             <ul style="list-style-type: none"> <li>Held more than 430 stakeholder engagement activities</li> <li>Received more than 1,500 local inquiries (of which 50% related to employment opportunities)</li> </ul> </li> </ul>
	Contribution to local economies	<ul style="list-style-type: none"> <li>Global                             <ul style="list-style-type: none"> <li>Social investment results: Approx. ¥1.6 billion</li> </ul> </li> <li>Australia                             <ul style="list-style-type: none"> <li>Finalized the Larrakia Benefits Package</li> <li>Commenced the Solid Pathways program creating 10 additional roles for Aboriginal and/or Torres Strait Islander people</li> <li>Engaged 1,471 Aboriginal and Torres Strait peoples through contractors during the Ichthys LNG construction phase between April 2012 and March 2018</li> <li>Contracted 62 Aboriginal and Torres Strait Islander owned businesses to a value over A\$175 million during the Ichthys LNG construction phase from 2012 to mid 2018</li> </ul> </li> </ul>
	Promotion of renewable energy	<ul style="list-style-type: none"> <li>Ensured stable operation of solar power generation</li> <li>Started commercial operation of Unit 3 of the Sarulla Geothermal IPP Project in Indonesia, achieved stable operations of the power plant as a whole</li> <li>Moved the geothermal plant in the Oyasu region in Akita Prefecture to the next-period survey phase and started an environmental assessment. Continued drilling surveys and short-term fumarolic testing etc., in Amemasudake, Hokkaido</li> <li>Set a clear path to the start-up of a domestic wind power business</li> <li>Continued research and development of technologies that contribute to building an electricity-hydrogen-methane value chain</li> </ul>
<b>Climate Change</b>   	Development of natural gas as a cleaner source of energy	<ul style="list-style-type: none"> <li>Commenced the Ichthys LNG Project production and shipping</li> <li>Continued a stable supply of natural gas and increased supply volume through safe operation of domestic gas fields, the Naoetsu LNG Terminal, and the approximately 1,500km high-pressure gas pipeline network</li> <li>Engaged in activities to promote natural gas use</li> </ul>
	Strengthen climate change-related risk management	<ul style="list-style-type: none"> <li>Established the Climate Change Strategy Group in the Corporate Strategy &amp; Planning Unit of the Corporate Strategy &amp; Planning Division</li> <li>Applied oil prices and carbon prices according to the IEA WEO 2 °C scenario to the INPEX portfolio, and conducted a trial financial assessment using a method that calculates the NPV rate of change from a base NPV</li> <li>Constructed a process for estimating the level of methane fugacity and published the results for FY2018</li> </ul>
	Development of personnel and increasing the motivation of the workforce	<ul style="list-style-type: none"> <li>Global                             <ul style="list-style-type: none"> <li>Continued promotion of INPEX Values (Value Awards, expansion of program to Group companies, etc.)</li> <li>Formulated the INPEX Group Health Statement</li> </ul> </li> <li>Japan                             <ul style="list-style-type: none"> <li>Continued the internal recruiting system and career consultations for corporate employees</li> <li>Reduced overtime hours and continued promotion of the taking of paid leave</li> <li>Introduced a year-round "business casual" work wear policy</li> </ul> </li> </ul>
<b>Employees</b>   	Promotion of diversity	<ul style="list-style-type: none"> <li>Global                             <ul style="list-style-type: none"> <li>Published a message from the president on diversity and inclusion</li> </ul> </li> <li>Japan                             <ul style="list-style-type: none"> <li>Conducted training for managers of people with parental responsibilities, and increased information available to male employees regarding the Parental Leave System</li> <li>Conducted LGBT Training</li> </ul> </li> </ul>

## 1 Business Continuity Management

The activities undertaken by a company to develop and maintain a business continuity framework and ensure overall preparedness by the company through education and training initiatives

## 2 Business Continuity Plan

A proactive plan outlining the priority operations and steps to be taken in the event of a disaster to avoid or mitigate the risk of interruption to business activities

## FY2019 Targets

- Monitor status of Medium-term Business plan 2018-2022
- Conduct the evaluation of effectiveness of the Board of Directors for FY 2019 and ensure the continuous efforts to enhance the Board of Director's effectiveness (PDCA cycle)
- Continue taking some measures to improve governance, including in response to the revised disclosure ordinances of the Financial Services Agency (director compensation and nomination, etc., with appropriate oversight of the Nomination and Compensation Advisory Committee)
- Strengthen tax governance

- Promote Tokyo Office-based BCM activities for earthquake scenarios provide BCM education and training for employees, and review Tokyo office BCP for highly virulent infectious disease scenarios.

- Publish the UK Modern Slavery Act Statement FY2018
- Continue human rights training for new recruits
- Strengthen human rights management

- Continuous education information on compliance and conduct education and training programs
- Continue ABC risk assessments at overseas offices
- Widely disseminate and strengthen the implementation of ABC regulations (conduct training, etc.)
- Implement initiatives to enhance global compliance systems

- Administer a supplier self-evaluation questionnaire including human rights and anti-bribery and corruption to major suppliers and contractors
- Continue risk assessment including human rights, anti-bribery and corruption of major domestic suppliers and contractors

- Continuous improvement of the Corporate HSE Management System (Revise Corporate Standards; facilitate HSE management of HQ Organization including non-operated projects)
- Improve HSE assurance and governance (Improve the consistency and effectiveness of HSEMS through HSE reviews and risk management-based audits)
- Provide HSE technical support (to operator project and HQ organization including non-operated project)
- Strengthen HSE risk management process to prevent major incidents (Preparation of Safety Case for major facilities; barrier management promotion; implementation of PS leading KPI)
- Reinforce emergency and crisis response capability (Comprehensive exercise involving Corporate Crisis Management Team assuming major incidents at Domestic E&P Project and the Ichthys LNG Project; emergency response exercise based on the function and phase of relevant divisions)

- Strengthen HSE management at worksites (Confirm measures to prevent recurrence of incidents through HSE Management Site Visits and site visit exchanges by site representatives; communicate and deepen mutual understanding with site workers)
- Incident reduction (LTIF: 0.12 / TRIR: 0.70 or less; prepare to adopt IOGP Life-Saving Rules; use the new event reporting system)
- Improve health promotion and maintenance program (Improve health promotion and maintenance programs in line with INPEX Group Health Statement)

- Implement and revise Corporate Environmental Management Plan including actions for biodiversity conservation and water management

- Conservation of biodiversity
  - Create a protected areas database nearby our projects
  - In Japan: measures for specific invasive alien plant species
  - In Japan: marine research (continued)
  - In Japan: participate in forestation and biodiversity conservation activities
  - Overseas: biodiversity survey
  - Overseas: conduct biodiversity monitoring
  - Develop a report about our biodiversity conservation activity

- Water management
  - Conduct water stress assessment in our project area
  - Understand water balance in our business and collect and analyze water consumption

- Japan
  - Maintain good relationships with stakeholders through continuous dialogue including community briefings and issuance of newsletters

- Australia
  - Continue to manage the impact on and concerns of local communities and stakeholders as the Ichthys LNG transitions to steady, safe and reliable operations

- Global
  - Social investment plan: Approx. ¥1.3 billion

- Australia
  - Continue delivery of the Larrakia Benefits Package through ongoing engagement with the INPEX Larrakia Advisory Committee
  - Increase Aboriginal and/or Torres Strait Islander direct employees by 36 people or 3% of our workforce by end of 2021
  - Employ an average of 60 Aboriginal and Torres Strait Islander peoples through Ichthys LNG operations subcontractors in each year from 2019 to 2021
  - Increase Aboriginal and Torres Strait Islander business contracts by 50%, to a value more than A\$1 million for the Ichthys LNG operations phase from 2019 to 2021

- Ensure stable operation of solar power generation facilities
- Ensure stable operation of the entire Sarulla Geothermal IPP Project in Indonesia
- Promote existing geothermal power generation business in Japan
- Pursue new geothermal and wind power business, etc.
- Continue research and development of technologies that contribute to building an electricity-hydrogen-methane value chain

- Achieve stable and efficient production and operation at the Ichthys LNG Project
- Continue a stable supply of natural gas and increase supply volume through safe operation of domestic gas fields, the Naoetsu LNG Terminal, and the approximately 1,500km high-pressure gas pipeline network
- Engage in activities to promote natural gas use

- Continue improving the assessment process for climate change-related risks and opportunities
- Develop a framework for physical risk assessment
- Continue improving methods of financial assessment of our ability to respond to climate change-related risks
- Strengthen emission controls at non-operator projects

- Global
  - Continue promoting INPEX Values (Value Awards, inclusion of Group companies, etc.)
  - Formulated the INPEX Group Health Statement

- Japan
  - Implement additional effective measures for health and productivity management (introduction of a health and productivity app, increased participation in specific health checkups and health guidance, expansion of health education content, etc.)
  - Continue the internal recruiting system and career consultations for corporate employees
  - Reduce overtime work and continue measures to improve the proportion of paid leave taken
  - Introduce a companywide flexible work system for employees

- Global
  - Facilitate employee transfers between global sites

- Japan
  - Implement measures based on our General Employer Action Plan to promote active participation of women (ongoing training for managers of people with parental responsibilities, career guidance for female employees, etc.)
  - Improve the workplace environment for persons with disabilities

## Medium- to Long-Term Initiatives and Directions

Improvement of the effectiveness of the Board of Directors, appropriate information disclosure including dialogue with shareholders, cooperation with stakeholders, and continual strengthening of corporate governance

- Strengthening of the corporate governance structure, including strengthening of the supervisory role of the Board of Directors
- Expansion of discussion on business strategies in light of Vision 2040 and the Medium-term Business Plan, and monitoring of plan progress

Appropriate responses to and full compliance with the laws and regulations of the areas in which we operate, anti-bribery and anti-corruption laws, judicial/administrative sanctions, international standards and ethics, and respect for human rights

- Strengthening of a global human rights management structure
- Strengthening of supply chain risk assessment and compliance

Under our commitment to the HSE Policy, top management, managers and working-level personnel earnestly implement the process defined in the HSE Management System

Think, act and promote safety culture as "Safety Number One" on INPEX Values and aim to achieve zero incidents and prevent major incidents

- Promote actions to achieve the Corporate HSE Third Phase Mid-term Plan (2016-2020) as follows:

- Enhance the Corporate HSE Management System (HSEMS)
- Improve HSE assurance and governance by continuous implementation of the risk management-based audits and HSE reviews
- Fulfill HSE technical support by utilizing HSE human resources
- Develop HSE activities that incorporated opinions on the sites
- Thoroughly prevent major incidents by promoting Process Safety management
- Continue to monitor and analyze LTIF/TRIR
- Reinforce emergency and crisis response capability
- Promote plans for reducing GHG emissions

Contributions to regional development and the resolution of social issues through projects, while respecting human rights and the cultures and customs of the areas in which we operate

- Understanding community needs and implementing measures through engagement with stakeholders in the areas in which we operate

Strengthening the governance structure, and implementation of initiatives in the areas of business strategy, risk and opportunity assessment and emissions management, to actively support a low-carbon society in line with the long-term goals of the Paris Agreement

- Initiatives to create a low-carbon society
- Ongoing promotion of information disclosure in accordance with the TCFD recommendations

Creation of a company where a diverse range of people are able to exercise autonomy and play an active role with a high sense of values and purpose in accordance with the standards of the INPEX Values

- Continue the promotion of INPEX Values
- Development of environments where diverse HR can be actively involved

### 3 Asset Integrity Process Safety

Management of facility integrity/process safety

### 4 Lost Time Injury Frequency

Rate of injury resulting in fatalities or lost time per million hours worked

### 5 Total Recordable Injury Rate

Rate of total fatalities, lost work day cases, restricted work day cases, and medical treatment cases per million hours worked



## Our Policy

### • Corporate Governance

In order to achieve sustainable growth and increase corporate value over the medium to long-term, INPEX fulfills its social responsibilities in cooperation with its shareholders and other stakeholders, and works to enhance its corporate governance for the purpose of conducting transparent, fair, timely, and decisive decisionmaking. Furthermore, in November 2015 we formulated and disclosed the Corporate Governance Guidelines for the purpose of ensuring transparency and fairness in decision-making and realizing effective corporate governance through the proactive provision of information. We also revise the guidelines as appropriate in line with governance-related developments.

## Management System

### • State of Corporate Governance

We have established as advisory bodies to the Board of Directors 1) the Nomination and Compensation Advisory Committee, for the purpose of enhancing the independence, objectivity, and accountability of Board of Directors functions related to the nomination and compensation of Directors and contributing to the further enhancement of the corporate governance system; and 2) the INPEX Advisory Committee, for the purpose of obtaining multifaceted and objective advice and recommendations from internal and external experts about issues in fields such as domestic and international politics and economics, the energy situation, and CSR as they relate to business management and aiming for sustained growth and enhancement of medium- and long-term corporate value.

We have many opportunities to negotiate with oil-producing countries and state-owned oil companies in those countries, as well as with international oil companies and other organizations. We believe that these negotiations require Directors as well as Executive Officers who have a thorough

knowledge of our business operations and technologies and extensive international experience. For this reason, Directors appointed from within INPEX in principle hold concurrent positions as Executive Officers. This ensures a governance structure in which the Board of Directors executes business decisions efficiently while also effectively performing its management oversight function.

In order to improve management transparency and to enhance the effectiveness of the supervisory role of the Board of Directors, we have appointed five Outside Directors (out of thirteen Board members) who are expected to objectively monitor management processes, prevent conflicts of interests, provide expert advice, and incorporate the feedback of stakeholders. The appointed Outside Directors include business leaders, academics or other specialists who possess rich experience and knowledge in the fields of energy and resources, finance, law, diplomacy or other related disciplines.

As of the end of June 2019, four out of five Audit & Supervisory Board members are also appointed from Outside Auditors. In order to ensure the independence and effectiveness of the audit, we established the Audit & Supervisory Board as required by law. In addition, to support the supervisory function of the Audit & Supervisory Board members, we have assigned dedicated employees in the Audit & Supervisory Board Members' Office strengthening coordination between the internal audit department (Audit Unit), and the accounting auditors.

INPEX regularly holds meetings among Outside Directors, the Representative Director, Audit & Supervisory Board members, and accounting auditors such as the "Meeting of Outside Directors, Audit & Supervisory Board Members, and the Representative Director"; the "Meeting of Outside Directors and Audit & Supervisory Board Members (including the Accounting Auditors)"; and the "Meeting of Audit & Supervisory Board Members and the Representative Director," to provide opportunities to exchange opinions on a wide range of themes relating to important business challenges, the establishment and implementation of internal control systems, and other items related to corporate governance.

## Evaluation results of effectiveness of Board of Directors in FY 2018

With the aims of regularly verifying that the Board of Directors is functioning appropriately and identifying issues to resolve for continuing improvement, the Company undertakes an evaluation of the effectiveness of the Board of Directors each year, and discloses the summary of the evaluation results. Based on this policy, an evaluation was conducted in fiscal year 2018. The evaluation method and summary of the results are as follows.

### Evaluation Method

As the fourth evaluation was approaching, multiple discussions regarding the evaluation method, including those at Board of Directors meetings, were conducted, and it was confirmed that the method shall continue to be autonomous evaluation by members of the Board of Directors in this fiscal year. At a "meeting between Outside Directors and Audit & Supervisory Board Members" held in November 2018, the progress in the first half of the fiscal year regarding issues identified in the previous evaluation was discussed and an interim evaluation was conducted. In addition to the above, at the Board of Directors meeting held in February 2019, overall results of the initiatives taken during the fiscal year were reviewed, and the implementation policy of the evaluation for the FY 2018 was deliberated.

The evaluation items included the self-evaluation of each Director and Audit & Supervisory Board Member, the composition, operations, roles and responsibilities of the Board of Directors, operations of the Nomination and Compensation Advisory Committee, as well as the status of improvement of issues identified in the previous evaluation. An anonymous survey of all Directors and Audit & Supervisory Board Members was conducted in March. In order to obtain more specific views and opinions from the directors, the directors were encouraged to make comments on many of the questions.

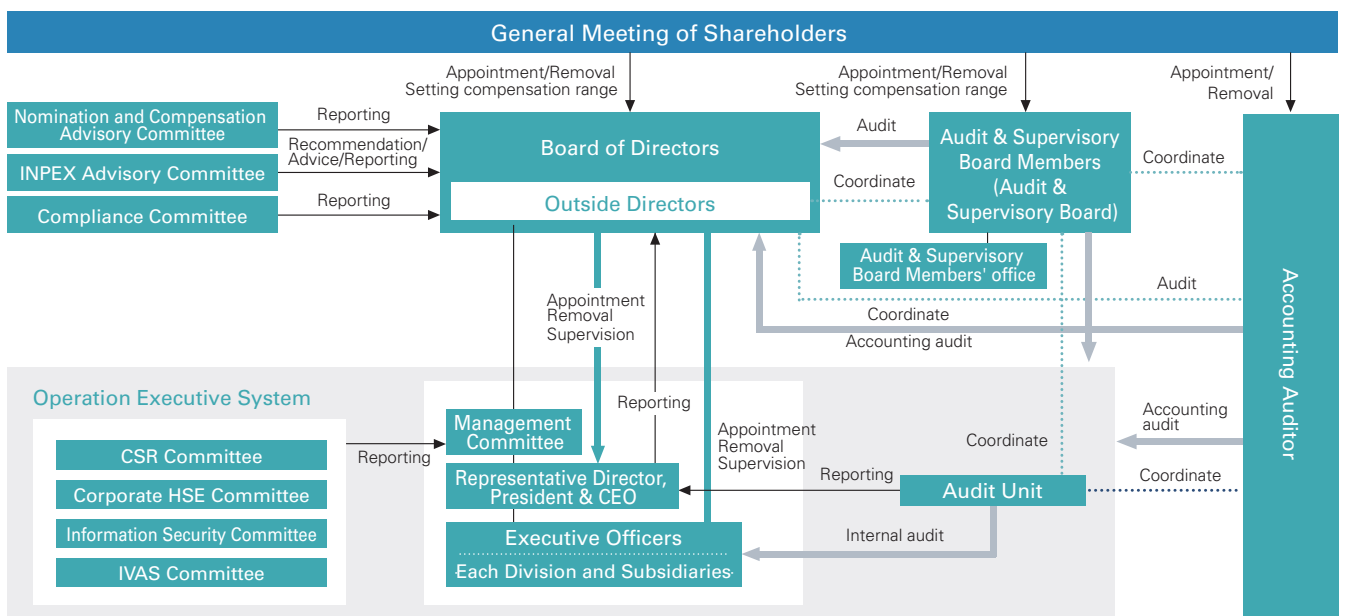
Subsequently, results of the survey were consolidated and analyzed by the Board of Directors office. The results of the consolidation and analysis, as well as issues and initiatives for the future were discussed at a meeting among the Outside Directors, Audit & Supervisory Board Members and the Representative Director. Based on such discussion, the final evaluation results and action plans were confirmed at the Board of Directors meeting held in April 2019.

### Summary of Evaluation Results

- 1) The effectiveness of the Board of Directors has been steadily improving, even when compared to the previous three evaluation results.
- 2) In particular, the structure of providing information to outside directors, including the routinization of briefings prior to Board of Directors meetings and enhancement of information on the Company's business portfolio, has been further augmented, and the resulting improvement in operations was positively evaluated.
- 3) The issues for further improvement in the effectiveness of the Board of Directors are as follows:
  - Enhance discussions regarding strategies further, on topics including the progress status of the Medium-term Business Plan, the impact of changes in the business environment, and optimization of the business portfolio
  - Further enhance information regarding risks to contribute to appropriate and decisive investment decisions by the Board of Directors; conduct deeper discussions on the business strategy (including governance) in Australia, centering on the Ichthys LNG Project that began production and shipment last year; and further strengthen cooperation between the Board of Directors and the Nomination and Compensation Advisory Committee
  - Discussions on the desired state of governance in the Group, and deeper discussions, including at meetings of the Nomination and Compensation Advisory Committee, on how to secure greater diversity and independence in the Board of Directors

Based on these evaluation results, the Company will continue striving to improve the effectiveness of the Board of Directors.

## Corporate Governance Chart



As of June 25, 2019

### Corporate Governance Structure

1. Management system
2. Monitoring of Management by Outside Directors and Audit & Supervisory Board Members
3. Director compensation
4. Internal control system

### Corporate Governance Guidelines

### Corporate Governance Report

# Risk Management

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## Our Policy

We strive to accurately identify and assess the complex and varied risks inherent in the business environment and to implement necessary risk prevention measures and systems to minimize risks. For instance, our risk management system is intended to cover our action plans not only for large-scale natural disasters and pandemics, but also for risks related to changes in the business environment such as economic situations, social situations, laws and regulations, and other risk factors that exist in the business processes, namely exploration, development and production, transportation, and sales of natural resources. We have implemented internal controls under Japan's Financial Instruments and Exchange Law (known as "J-SOX") based on the COSO<sup>①</sup> framework. Each Operational Organization<sup>②</sup> also performs risk management related to occupational health and safety and environmental conservation under the HSE Management System. Additionally, we analyze the impact of fluctuations in oil prices and exchange rates and disclose the information in every financial result briefing.

## Risk Management System

We are committed to continuously improve its risk management system, appropriately identifying, assessing and managing risks accompanying business operations. We aim to maximize our corporate value by establishing risk management systems that prevent and minimize the occurrence or spread of loss or damage, which result in maintaining and bolstering the trust of our customers, business partners, investors, and other stakeholders.

In order to establish and maintain operational efficiency and distinct accountability in every business aspect, we adopt a division system, appointing Directors as head of each division. Accordingly, following to our internal regulations, guidelines and other rules, each division and department in charge work closely together in order to conduct risk identification, analysis and evaluation. Identified material risks are reported to the Executive Committee and/or the Board of Directors which provides comprehensive reviews and decisions on action plans to deal with those material risks.

Regarding operational status of the risk management system pertaining to day-to-day business operations, we conduct continuous monitoring in each department in charge and cooperation with related corporate departments. Regular examinations and assessments are also conducted either by an internal audit team, reporting directly to the President & CEO or by external experts. By giving feedback on these results to each department in charge, we secure opportunities to review and update our risk management system related to day-to-day business operations in response to changing conditions of the business environment in a timely manner.

Furthermore, in order to realize the Medium-term Business Plan 2018-2022 and other main business objectives, the Executive Committee discusses and approves the Action Plans and Fiscal Year Plans & Targets that form the short-term and medium-term goals not only at the corporate level but also at the department level. This process incorporates identified material risks and action plans to deal with them, respectively, before being reported to the Board of Directors as well. Subsequently, each department promotes initiatives to achieve their targets and reviews its progress at the middle and the end of each fiscal year.

With regard to risk management in subsidiaries, we conduct risk management for the Group as a whole on the basis of mutual collaboration among the Group companies in accordance with the Regulations on Group Operations. In particular, the operational status of risk management pertaining to day-to-day operations is examined and assessed by an internal audit organization reporting directly to the President & CEO as well as audits by other internal divisions or external experts, and in light of the examination and assessment results subsidiaries are requested to undertake reviews in response to changes in the operating environment. We have established the Standards for Evaluation and Selection of Independent Auditors, which mandates the criteria for the Audit & Supervisory Board to follow when evaluating the quality management, independence, and audit compensation of independent auditors. The Audit & Supervisory Board evaluates independent auditors annually, based on these standards.

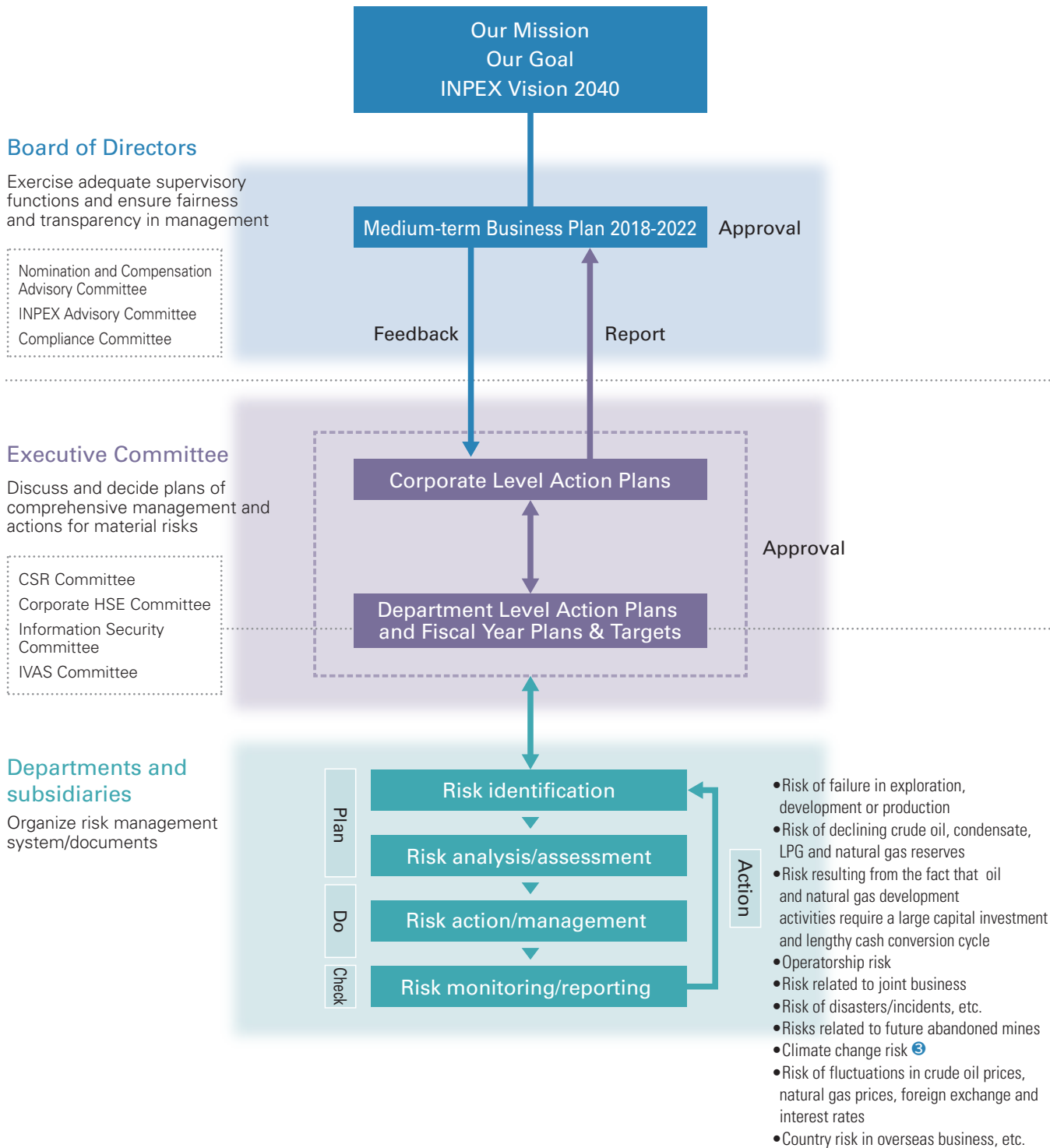
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① The Committee of Sponsoring Organizations

② Operational Organization

An INPEX headquarters or organization that implements operator projects

### Risk Management Structure



<sup>3</sup> Refer to "Climate Change" (P43-52) for detailed information on climate change risks

## Operational Risk Management System

To cope with various risks related to operations, for example, the New Ventures & Global Exploration Division carries out a centralized analysis and evaluation of whether or not to proceed with acquisition of a new upstream oil and natural gas project. We also operate the IVAS (INPEX Value Assurance System) Committee as a mechanism for cross-organizational technical evaluation at each project phase, including exploration, evaluation, and development.

In order to handle country risks in the countries where we operate, we have established guidelines that include the maximum target amount of accumulated investment balance for high-risk countries. Furthermore, we have been conducting financial risk control by identifying risks associated with fluctuations of currency exchange rates, interest rates, crude oil and natural gas prices and security price, and establishing corresponding managing and hedging methods.

With regard to HSE<sup>4</sup> risks, to promote continuous improvement of the environment and occupational health and safety in business activities associated with the development of crude oil and natural gas, we identify, analyze, and evaluate HSE risks for each business location on the basis of the Corporate HSE Standard of Risk Management established under the HSE Management System. In addition, to formulate and implement risk countermeasures and monitor HSE risks, business sites are required to regularly report the risk management situation to headquarters for confirmation. Furthermore, with regard to risks related to health and security, we engage in corporate-wide management based on the corporate standards and guidelines. In fiscal 2018, the third year of the Corporate HSE Third Phase Mid-term Plan, we revised the Corporate HSE Management System Manual and some related Corporate HSE Standards. On firm ground of the fundamental principles: Leadership, Risk Management, Continuous Improvement, and Implementation; we expanded the HSE management scope to cover non-operated projects in addition to domestic subsidiaries, geothermal projects, and projects of shipbuilding and marine operations which were all incorporated in the previous year. In this way, we are committed to carrying out more effective and consistent HSE activities.

## Climate Change-related Risk

In response to the TCFD<sup>5</sup> recommendations, we are implementing initiatives for the assessment and management of climate change risks. We classify policy and legal transitions, technology transitions, market transitions and reputational risks as transition risks, and acute and chronic risks as physical risks. We also apply short-term, medium-term and long-term classifications to each of these risk categories. The Climate Change Strategy Group within the Corporate Strategy & Planning Unit acts as the Secretariat and conducts risk assessment and management on a yearly cycle. We employ three methods when conducting financial assessments of climate change-related risks. First, in terms of policy and regulatory risk, we assess how the introduction or enhancement of a carbon pricing policy would financially impact our projects; and for the second and the third method, in terms of market risk, we assess how crude oil prices and carbon prices in a WEO 2°C scenario published by the IEA, as well as the supply and demand outlook for oil and LNG in the same scenario, would financially impact our projects.

For the assessment of physical risks on the other hand, we established a roadmap for both operator and non-operator projects. We used mid-21st century average temperature increases, precipitation pattern changes, sea level rises and other data according to the RCP8.5 scenario in the IPCC Fifth Assessment Report (AR5), which is the most extreme warming scenario, and hope to complete assessments of all facilities by the early 2020s.



## Large-scale Natural Disaster and Pandemic Countermeasures

### • Large-scale Natural Disaster Countermeasures

We have a Business Continuity Plan (BCP) and response manual in place to maintain business operations. Those were developed by incorporating the damage estimation in a case of Tokyo inland earthquake which was formulated by the Cabinet Office's Central Disaster Management Council. Our business continuity policy clearly expresses group-wide values prioritizing the maintenance of a stable energy supply while ensuring human safety and environmental preservation. The BCP also stipulates not only the establishment of provisional offices but also how our employees should react in the event of an earthquake on a holiday or at night, and procedures for returning home from the office.

In fiscal 2018, Operational Organizations and the corporate headquarters cooperatively conducted a level 3 crisis exercise in preparation of large-scale natural disasters

such as a Tokyo inland earthquake. We will strive to increase effectiveness of the plan through emergency response training and other activities to enable us to maintain important headquarters functions even in an emergency. For our projects, we postulate oil spills and gas leaks as well as other project-specific worst-case scenarios and conduct emergency and crisis response training.

### • Novel Virus and Pandemic Risk Countermeasures

In the event that an infectious or contagious disease spreads on a global scale, we are likely to face serious obstacles in continuing business operations as the number of infected employees increases. For this reason, we are considering preparatory measures similar to our large-scale natural disaster countermeasures.

For example, we have prepared a response manual to handle the possibility of a pandemic involving a novel influenza strain in Japan, and have created a stockpile of protective clothing, disinfectants, and other emergency supplies.

## Initiatives to Enhance Tax Governance

Our CSR Principles state that guided by the leadership of top management, we are committed to fulfilling our corporate social responsibilities through compliance with laws, rules and regulations and adhere to ethical business conduct in accordance with the social norms at our international and domestic operating locations. With respect to tax affairs, the directors and employees of our group acknowledge that it is one of our important social responsibilities to contribute to the socioeconomic development of various countries and regions we operate in, through the proper payment of tax in accordance with the applicable laws and regulations and ensuring transparency in our tax affairs.

As a company conducting business globally, our foreign subsidiaries and other cross-border transactions with those subsidiaries are increasing. Since the final reports of the OECD/G20 BEPS Project<sup>6</sup> were published in October 2015, legislation governing international transactions has been developed in Japan and the other G20 countries based on the report content, and the environment surrounding international taxation has changed dramatically. Against this backdrop, we are enhancing tax governance to appropriately respond to tax and other risks associated with international transactions. As part of these initiatives, we have established our Tax Policy and published it on our website<sup>7</sup> in order to cultivate an awareness of tax compliance among all Group executives and employees.

Following the Tax Policy, our departments in charge of tax

affairs are working to understand tax laws in each country and region, and to mitigate taxation risks. The Senior Vice President of Finance & Accounting executes operations as the person in charge of such initiatives. From the standpoint of ensuring protection of shareholder value, we strive to ensure appropriate tax payments by utilizing tax incentives to the extent that such incentives are applicable for our normal business activities or would eliminate double taxation. In contrast, tax planning that does not follow the commercial drivers of the business and is intended for avoiding taxation is prohibited under this policy. We also seek to cultivate constructive relationships of trust with tax authorities.

The world is increasingly demanding more transparency and information disclosure in relation to corporate tax-related activities. In Australia for example, one of our core areas for business, the government has announced principles<sup>8</sup> that define tax information that large enterprises should voluntarily disclose. In light of such moves, we have published a report on our website<sup>9</sup> to bring together our tax information in Australia in one place, including tax governance, an overview of our cross-border transactions, and tax payment amounts.

As a global company, INPEX will continue to closely follow international taxation trends and legislative and other developments in each country, and strive to respond in a timely and appropriate manner.

#### 6 Base Erosion and Profit Shifting Project

A joint project of the OECD and the G20, which aims to prevent excessive tax planning strategies of multinational enterprises that exploit gaps and loopholes in tax rules to shift profits to low or no tax locations

#### 7 Tax Policy

#### 8 Voluntary Tax Transparency Code released by Australia's Board of Taxation

#### 9 INPEX Australia 2017 Tax Transparency Report

# MATERIALITY

# COMPLIANCE



## Our Policy

INPEX is systematically developing a compliance structure, an indispensable requirement for the sustainable development of a company and striving to ensure compliance with laws and regulations and adherence to corporate ethics. Specifically, INPEX has established the Compliance Committee, which formulates basic policies and plans pertaining to compliance, deliberates significant matters, and supervises the implementation of compliance programs to promote unified compliance initiatives throughout the INPEX Group.

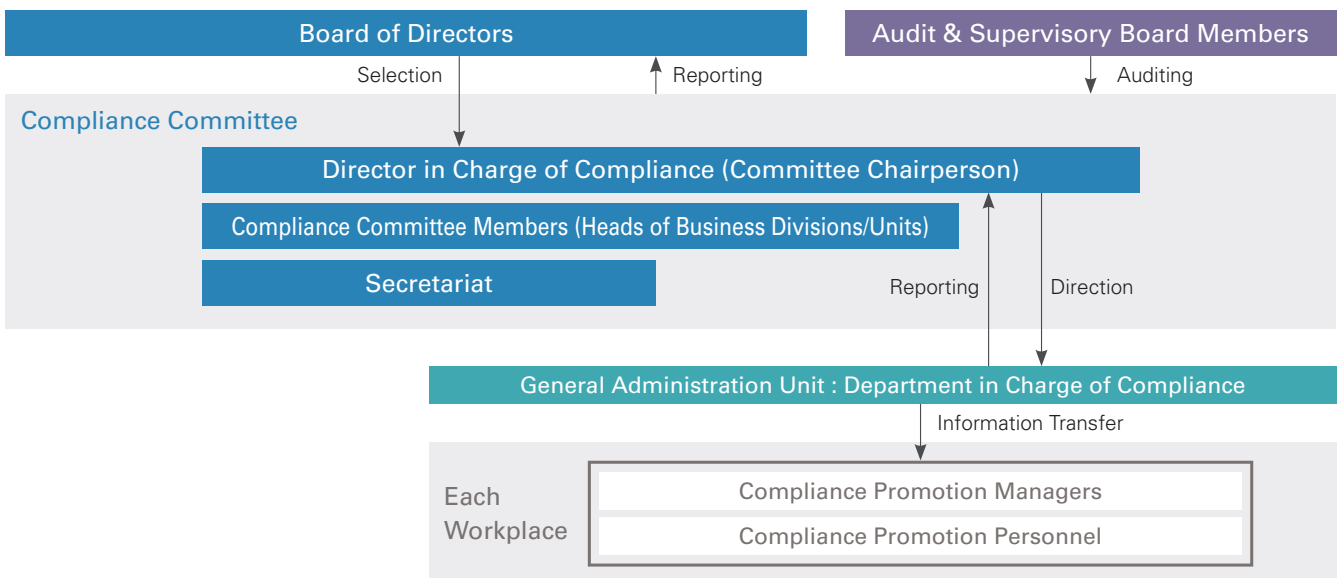
In addition, in accordance with the Corporate Social Responsibility Principles, INPEX has instituted the Code of Conduct, which prescribes obligations of personnel to realize compliance, in order to increase compliance awareness among executives and employees in an effort to put the Business Principles into practice.

## • Anti-bribery and Anti-corruption

The Code of Conduct stipulates the building of sound and appropriate relationships with governments and administrative authorities (including prohibition of political donations except in cases permitted under relevant laws and regulations) and compliance with the anti-bribery and anti-corruption laws and regulations in the countries where we operate. INPEX makes no donations relating to political activities.

INPEX has been participating in the United Nations Global Compact since December 2011 and has declared commitment to preventing corruption. Under the Code of Conduct, INPEX established the INPEX Group Global Anti-Bribery and Anti-Corruption (ABC) Policy as well as related internal rules and is taking measures to prevent bribery and corruption.

## Compliance Chart



## Management Systems

### • System for Promoting Compliance

INPEX has established a system, by which the director in charge of compliance and the Compliance Committee can promptly consider and implement countermeasures if a serious compliance-related incident occurs. The director in charge of Compliance and the Compliance Committee cooperate with the Audit & Supervisory Board and its members, the accounting auditors, the Audit Unit, which is the internal audit department, as well as equivalent bodies or departments in the subsidiaries in (1) developing and implementing compliance measures, (2) monitoring implementation, (3) raising compliance awareness, (4) receiving reports on compliance violations and conducting investigation, (5) issuing warnings and taking other measures against violations, and (6) instituting measures to prevent the recurrence of violations. There were no cases of serious compliance violations in fiscal 2018.

In addition, to ensure coordination between the Committee and the workplaces, INPEX has appointed compliance promotion managers and personnel in every workplace and takes measures to disseminate and deepen awareness of compliance all over the workplace.

## Compliance Training

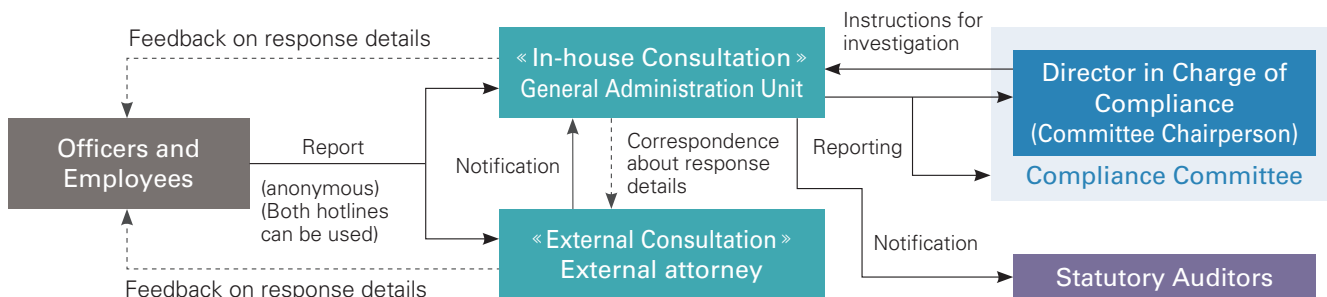
With the objective of having each member of INPEX carry out duties in compliance with laws and regulations, INPEX regularly conducts business-theme-based and position-based compliance training sessions. In fiscal 2018, the training sessions covered topics such as anti-bribery and anti-corruption, anti-trust law and harassment.

Moreover, major overseas offices are enhancing the global compliance system by instituting and implementing the Code of Conduct while taking into account the laws, regulations and cultures of each country.

## Whistle-blower Hotline

INPEX set up a hotline based on a Whistle-blower Hotline system that complies with the Whistle-blower Protection Act. The Hotline is accessible to INPEX executives and employees. Contact points are offered internally and externally through a law firm, and reports may be anonymous. Reports as to bribery and corruption, discrimination, human rights, and harassment are also received by this Whistle-blower System. INPEX is committed to protecting individuals who submit reports from any negative consequences.

### Whistle-blower system diagram



### Compliance Awareness Survey Conducted

In fiscal 2018, Compliance Awareness Survey was conducted among executives and employees at all domestic business sites and selected overseas offices to evaluate personnel's compliance awareness and practice in INPEX. Through this survey, trends and issues of compliance awareness in each organization were identified. The results of the survey were reported to executives of INPEX and its Group companies and were disclosed to all employees on the company intranet. Furthermore, feedback training

based on survey results was conducted among managers. In the training, the managers identified good practices and the ones that need to be improved in each workplace and discussed backgrounds and improvement measures in group. INPEX looks to further enhance companywide compliance awareness by sharing issues at each workplace and implementing improvement measures based on the training. Besides, INPEX plans to regularly evaluate the status of compliance practice within the Group as a part of the PDCA cycle relating to compliance for further improvement.

In addition, the content of reports from whistle-blowers and the results of investigations and responses are promptly reported to the Audit & Supervisory Board Members so as to ensure that the Whistle-blower System functions more effectively.

Three reports to the internal hotline and five to the external hotline were submitted in fiscal 2018. The Compliance Committee, taking into consideration the advice of attorneys and other experts, appropriately responded to each report in accordance with the Helpline Procedures. There were no compliance violations related to bribery and corruption, discrimination, or human rights abuse among those reports.

## Anti-bribery and Anti-corruption Initiatives

After the ABC Guidelines went into effect in October 2014, under approval from the Compliance Committee, INPEX updated the Guideline to the ABC<sup>①</sup> Policy and formulated ABC Procedures in 2017.

INPEX has conducted risk assessments at the headquarters and overseas offices in stages since fiscal 2015 and has taken measures to reinforce establishment and application of ABC compliance systems by implementing improvement measures based on the results of the risk assessments. In fiscal 2018, in addition to risk assessments at one overseas office as well as the continuously conducted compliance training for new graduates and new mid-career employees, anti-bribery and anti-corruption training has been conducted in divisions with numerous opportunities to negotiate with government agencies, vendors, and others. Besides, the headquarters regularly share information and exchange views on compliance activities with the Perth and Jakarta offices to better formulate a global ABC compliance system. In addition, the INPEX Group Global Anti-bribery and Anti-corruption (ABC) Policy was established in April 2019 as a clear and comprehensive statement of INPEX's stance on anti-bribery and anti-corruption. The policy is accessible on the INPEX website. In fiscal 2018, there were neither occurrences of major violations related to bribery and corruption nor disciplinary actions against anti-bribery and anti-corruption infractions.

## Respect for Human Rights

### Our Policy

INPEX supports international standards such as the International Bill of Human Rights, the International Labor Standards of the International Labor Organization

### ● Heightening Transparency through EITI Participation

INPEX has participated in the Extractive Industries Transparency Initiative (EITI)<sup>②</sup> since October 2012 to support the initiatives. As of April 30, 2019, 52 resource countries, many supporting countries including Japan, companies in extractive industries and nongovernmental organizations (NGOs) have participated. INPEX provides data relevant to EITI participants among countries in which INPEX operates projects

### Procurement and Supplier Management

The Details on Ethical Procurement Guideline expressly prohibits impediments to fair and impartial competition, abuse of a dominant bargaining position, and inappropriate granting or receipt of benefits and requires protection for the confidentiality of suppliers' information and technologies. Those provisions not only set forth the fundamental policy on procurement but also constitute a part of the Code of Conduct. To engage in business in accordance with those provisions, INPEX conducts training on anti-bribery, anti-corruption, and other topics for INPEX employees including those in procurement-related divisions. INPEX also requires contractors to comply with labor and environmental laws and regulations, prevent corruption, and respect the INPEX Group Human Rights Policy, and INPEX manages continuous commitment of contractors through regular surveys and monitoring.

INPEX is committed to providing opportunities for all suppliers and selects contractors that supply goods and services based on fair and transparent evaluations.

When selecting contractors for overseas operator projects, INPEX conducts comprehensive assessments on compliance with the laws and regulations in each country as well as policies regarding the INPEX ABC and the Modern Slavery Act. INPEX has also established prequalification criteria regarding HSE (Health, Safety, and Environment) requirements and other matters.

For domestic projects, when bidding on and placing orders for large-scale construction, INPEX conducts ABC Preliminary Investigations and incorporates HSE perspectives into assessments, implementing fair and impartial procurement.

(ILO), the United Nations Guiding Principles on Business and Human Rights, and the principles of the United Nations Global Compact. To demonstrate the stance on respect for human rights and fulfill the responsibilities, in May 2017 INPEX established and announced the

① Anti-Bribery and Anti-Corruption



INPEX Group Global Anti-bribery and Anti-corruption (ABC) Policy

② Extractive Industries Transparency Initiative

INPEX Group Human Rights Policy. In accordance with that policy, INPEX takes measures to address the human rights of all stakeholders including the supply chain in each country and region where INPEX conducts business.

To comply with the United Kingdom Modern Slavery Act 2015, each year since 2016 INPEX has released a statement on the company website to disclose the policies, systems, and measures for preventing slave labor and human trafficking within the company and throughout the supply chain.

## Management System

According to Human Rights Policy, Corporate Social Responsibility Principle, Business Principles, and Code of Conduct, all executives and employees are required not only to comply with laws and regulations but also to respect social norms and act with high moral values. The Compliance Committee, which consists of fulltime directors, executive officers, and others and is chaired by the director in charge of compliance, meets regularly to ensure strict compliance with corporate ethics and the Code of Conduct.

## Human Rights Initiatives

When implementing projects, INPEX voluntarily adopts IFC Performance Standards as standards. For both new and existing projects, INPEX conducts studies in the regions in which it operates business on possible environmental and social impacts including labor issues and human rights, identifies risks, and implements prevention, mitigation and monitoring. When conducting those studies, INPEX emphasizes dialogue with local governments, local residents, and other stakeholders. When withdrawing business, INPEX conducts studies and assessments in advance on the environmental and social impacts of abandoning wells and removing facilities, fully considers the safety of local communities and the environment, and takes appropriate measures with the consent of local residents.

### • Human Rights Due Diligence

#### Desktop Investigation

- Identify human rights scandals in the oil and natural gas industry over the past year
- Categorize human rights violation cases (child labor; forced labor; freedom of association, right to bargain collectively, employment discrimination, social discrimination) that can possibly occur
- Analyze country risk using statistical data

### Interview Surveys

- Conduct questionnaires, interviews and so on at all business sites - in order to grasp the situation of dealing with the human rights risks identified through the desktop investigation

### Examination and Implementation of Action Plans

- Confirm the management status for human rights risk based on this assessment
- Provide feedbacks on the results of the assessment for managers at each business site and discuss future actions, such as widely disseminating the Human Rights Policy and providing human rights education
- In an effort to strengthen respect for human rights based on the results of the assessment, continue to provide human rights education to employees

### • Raising Executive and Employee Awareness Regarding Human Rights

To deepen awareness of the importance of taking into consideration the human rights of various stakeholders in day-to-day operations, INPEX conducted human rights training for all executives and employees in 2017 and has been continuing the training for all new employees since 2018. INPEX also joined the IPIECA<sup>®</sup> Human Rights Working Group, an industry association. This working group collaborates on activities, including review of human rights due diligence in the supply chain and information-sharing on the prevention of modern slavery, such as child labor and forced labor. There were no occurrences of serious violations related to discrimination or human rights abuse in fiscal 2018.

### • Dialogue between Labor and Management

The labor agreement with the INPEX labor union stipulates that the union possesses the three labor rights (the right to organize, the right to bargain collectively, and the right to act collectively). Opportunities for discussions on labor issues between management and labor representatives are provided at overseas offices as well. INPEX strives to maintain and develop a healthy labor-management relationship by regularly providing opportunities for labor and management representatives to exchange views and ideas on a wide range of issues, including not only labor issues but also challenges and the future outlook of the company. INPEX provides appropriate notification in advance of any operational change that will significantly affect employees. No complaints have been received so far since the union was formed in October 2008.

To create a workplace where diversity is respected, and employees can work more vigorously, INPEX and the labor union agreed in fiscal 2018 to introduce flexible working hours for all employees at the offices in Japan in April 2019.

# HSE

(Health, Safety and Environment)



## Our Policy

INPEX has issued an HSE Policy to help ensure the safety and health of all those involved in our business activities while we also strive for the conservation of local ecosystems and the global environment. To implement this Policy firmly, we have established the Corporate HSE Unit which consists of five groups: HSE System Group, Health & Safety Group, Process Safety Group, Security & Crisis Management Group, and Environment Group, at headquarters, to promote HSE management through a robust HSE management System.

### ● HSE Management System (HSEMS)

To ensure the successful implementation of the HSE Policy across the organization, we have been striving to prepare and execute various plans based on the HSEMS through the use of the PDCA methodology. The focus of our effort includes the preparation and revision of key HSE documents such as corporate manuals, standards and guidelines; establishment of HSE organizations; HSE technical support for Operational Organizations; HSE education and training; periodical HSE audit and reviews; and HSE communication activities including periodical HSE meetings in which we discuss and share lessons learned from incidents, publications of the HSE Monthly Report, HSE management site visits, and conferment of HSE Awards.

### ● Management of Health and Safety

We aim to eliminate incidents to ensure that all workers at our worksites return home safe and sound each day. We further aim to keep our employees in good health and take measures against any potential occupational illnesses and hygiene issues that they may face.

### Takahiko Ikeda

Director, Senior Managing Executive Officer in charge of HSE



### MESSAGE FROM THE DIRECTOR IN CHARGE OF HSE

With the aim of realizing sustainable energy development, which is part of our mission, we are required to behave according to high moral values as a member of society and to foster a corporate culture in which the utmost priority is placed on ensuring safety and conserving the environment. In order to maintain a stable energy supply, we need to deploy our business internationally in search of natural resources. In this pursuit, while we continue to comply with international norms and standards, we must also continue to nurture a corporate culture that will be received by the international community with open arms.

To help achieve our missions, the group-wide HSE Policy is in place to ensure operations in line with the HSE Management System (HSEMS) based on international standards. The Corporate HSE Committee consisting of the representative of each organization is to deliberate and endorse corporate rules and documents that structure the HSEMS. And the HSEMS Manual comprehensively identifies our HSE activities for fulfilling our commitment to the HSE Policy. All of which supports us in striving for continuous improvement of occupational safety and environmental conservation in our operations.

We have been implementing the Corporate HSE Third Phase Mid-term Plan (FY2016–2020) since fiscal 2016, with the aim of enhancing our HSE competency to the same level as that of the first tier group of independent International Oil Companies (IOCs)<sup>①</sup>. In fiscal 2018, we expanded HSE management scope and revised the related internal rules along with the Corporate HSE Objectives and Programs that were developed in line with the Mid-term Plan. By so doing, we will promote consistent HSE management, and improve HSE performance of all Group companies.

We believe it is our social responsibility, as a global company, to demonstrate to a wide range of stakeholders our commitment to the HSE Policy by pushing specific HSE activities. With unyielding determination to grow into a company worthy of admiration, we will continue to press forward with our HSE activities.

● **Prevention of Major Incidents**

In order to prevent major incidents or disasters such as fires, explosions, or large oil spills, we ensure proper due diligence throughout each phase of the project life cycle: exploration, development, production, and abandonment.

● **Security and Crisis Management**

We reinforce the management of overseas security as necessary by considering the recent security circumstances. We also prepare the necessary documents to respond to various types of emergencies, and conduct crisis management exercises to prepare for the worst-case scenario.

● **Minimizing Environmental Impact**

We strive to minimize negative impacts on the environment and local communities by conducting environmental and social impact assessments before starting a project, monitoring those impacts through the project's lifecycle, and promoting environmental management based on the monitored results. In addition, in FY2018, we developed the Corporate Environmental Management Plan to manage our environmental activities and promote corporate-wide management based on the plan.

## HSE Management System (HSEMS)

● **HSE Programs**

We annually establish the Corporate HSE Objectives and Programs and measure progress to achieve the goals of our HSE Mid-term Plan.

In fiscal 2018, we revised the HSE Management System Manual and eight Corporate HSE Standards based on the Corporate HSE Objectives and Programs which was developed in accordance with the Corporate HSE Third Phase Mid-term Plan launched in fiscal 2016. On the firm ground of the fundamental principles: Leadership, Risk Management, Continuous Improvement, and Implementation; we expanded the HSE management scope to cover non-operated projects

in addition to domestic subsidiaries, geothermal projects, and projects of shipbuilding and marine operations which were all incorporated in the previous year. In this way, we are committed to carrying out more effective and consistent HSE activities.

● **HSE Audits**

Aiming to systematically evaluate compatibility and effectiveness of the HSEMS at our Operational Organizations and Headquarters Organizations from the viewpoint of assurance and governance, we conduct Corporate HSE audits and reviews. In fiscal 2018, we participated in fourteen HSE reviews and conducted three risk management-based Corporate HSE audits<sup>②</sup> in Japan and overseas sites.

● **HSE Training and Development**

In fiscal 2018, we conducted approximately 80 hours of HSE education and training through e-learning, training sessions and exercises. Apart from these, we continue to provide domestic and overseas OJT opportunities for young engineers so that they can acquire practical skills of risk management and process safety management.

In addition, our HSE experts are encouraged to further develop their competency through OJT or participation in a training session offered by HSE specialized institutes, and are provided with a career development program for each competency stream as outlined in their individual job competency profile.

To realize the Corporate HSE Third Phase Mid-term Plan, we will continue to build up HSE education and training schemes focusing on their execution.



② **Risk management-based Corporate HSE audits**

A methodology for narrowing audit focus to areas with greater risks by considering risks inherent in the organization.

## HSE Communication

Since fiscal 2008, the Annual HSE Meeting has been chaired by the President & CEO and attended by Corporate HSE Committee members and the top executives in charge of HSE at domestic and overseas Operational Organizations in order to raise HSE awareness. The HSE Meeting organized in fiscal 2018 was focused on discussions of HSE issues shared from each Operational Organization, follow-up reports on issues identified in the previous meeting, and our HSE way forward. The meeting also included a special session given by an external expert and it offered a good opportunity to deepen our knowledge for recent HSE issues the whole industry faces as well as measures suggested. In addition, we conduct HSE management site visits, to allow managers to demonstrate their commitment to HSE in a powerful and visible manner by seeing firsthand and understanding the risks associated with site work. This is to achieve Safety Number One, one of the INPEX Values. In fiscal 2018, the management site visits were carried out five times: for domestic and overseas operator project sites, non-operated project sites, and domestic subsidiaries. And site representatives conducted three site visit exchanges as well. With these activities, both management and field workers were able to exchange frank opinions and discuss HSE. We will continue to conduct management site visits in a proactive manner.

To share information with employees, the INPEX Corporate HSE Unit publishes the HSE Highlights newsletter and the HSE Monthly Reports to enlighten all employees about HSE and to prevent the recurrence of incidents. In addition, the Corporate HSE Unit posts the latest KPI data, HSE documents, meeting minutes of the Corporate HSE Committee, HSE training, incident information or HSE alerts, security information, as well as international HSE activities, including IOGP® reports on our intranet. All employees can access this HSE information at any time.

We constantly take part in external safety events, symposiums and activities contributing to the industry, as well as information exchange with IOCs, other sector companies and academic institutions including universities. In fiscal 2018, we gave three presentations including ones for an international conference and the National Industrial Safety and Health Convention in Yokohama, and joined seventeen HSE communication activities involving various companies and industrial or academic societies.

For the purpose of raising motivation and HSE awareness of organizations and individuals, and to improve corporate-wide HSE performance, we also bestow Corporate HSE Awards annually. In fiscal 2018, the HSE Excellence Award was postponed but eight awards in total were bestowed, with seven HSE Activity Award to three groups and four individuals and one HSE Special Awards to a group.

We will continue to enhance HSE communication, especially through the sharing of lessons learned from incidents both internally and externally and good preventive practices, in a more timely and explicit manner.

### HSE Management Site Visit for ADNOC Offshore Project

On February 2, 2019, an HSE management site visit for a non-operated project was conducted; managers, including a member of the Corporate HSE Committee, visited the Lower Zakum Super Complex and Umm Al Dalkh Central Processing Complex of ADNOC Offshore Project in Abu Dhabi, UAE.

Participants confirmed the onsite HSE management and had an interactive and open dialogue with the HSE managers and site workers during the visit; meanwhile, the onsite HSE team shared their achievement of zero LTIF during fiscal 2018. The visit also served as a good opportunity to understand that onsite managers are promoting safe work through demonstration of leadership, for example, safety meetings are held to learn from Hiyari-Hatto (hazard observation) with the aim of improving safety culture.

### The HSE Meeting Held at Headquarters

On January 22, 2019, the 12th HSE Meeting was held at Tokyo headquarters. Delegates from both domestic and overseas Operational Organizations and HSE management units gathered to share follow-up reports on issues identified in the previous meeting and our HSE way forward. The meeting also included a special session given by an external expert and it offered a good opportunity to deepen our knowledge for recent HSE issues the whole industry faces as well as measures suggested.





# Management of Health and Safety

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## Aiming to Reduce Incidents

We place the highest priority on preventing workplace injuries to all people working on our projects, and are engaged in managing occupational safety risks through our HSE Management System and the INPEX 7 Safety Rules.

To support HSE performance improvement, a number of key performance indicators (KPIs) were established, from both management and the workforce alike, to benchmark and move us toward the goal of achieving the target for HSE performance that is within the top quartile of IOGP member companies.

For fiscal 2018, a target for LTIF was set as 0.12 and TRIR as 0.70 by aiming to be within the top 25% of IOGP member companies. The results for these KPIs were 0.23 and 1.85, respectively, hence both failed to meet the target.

We keep up our efforts to reduce the number of HSE incidents by having robust incident investigation and analysis, deploying a system to share lessons learned on a corporate-wide basis, as well as promoting the use of incident reporting software. With the aim of securing workplace safety while engaging in high risk activities, IOGP newly launched the Life-Saving Rules (LSR) in 2018 based on the analytical results of the incident data reported to IOGP from 2008 to 2017. We are planning to implement LSR from 2020, and we will continue our efforts to reduce the number of HSE incidents.

We will continue our unrelenting pursuit of raising HSE awareness and improving our HSE performance to be within the top 25% of IOGP member companies.

## HSE Leadership and HSE Culture

INPEX has held the Forum on various themes with different meeting set-ups since 2016. In fiscal 2018, the 3rd HSE Forum was held at the Tokyo headquarters, and themed "Strengthen HSE Leadership and Culture". Delegates from both domestic and overseas Operational Organizations and HSE units gathered together to discuss ideas and actions in order to enhance HSE leadership and raising awareness for health and safety. We believe that promoting stronger HSE leadership and HSE culture will support achieving our goals for HSE, which would consequently contribute to increasing the value of the company.

## Health Management of Employees

We strive to maintain and promote the health of all employees by providing periodical standard medical checks, flu vaccinations, and subsidy fees such as for complete medical examinations. We also inform employees who travel or live abroad of the medical risks associated with their respective countries, and share information about public health concerns such as malaria and the Zika virus with all employees.

Currently we are revising the health-related Corporate HSE Standard to assure identification and management of health risks associated with workplace and tasks.

# Prevention of Major Incidents

## Comprehensive Process Safety Management

Process Safety Management (PSM) is the disciplined framework managing the integrity of operating systems and the process of handling hazardous substances. It is typically achieved by using robust design principles, good engineering, and sound operating and maintenance practices.

As shown in the figure below, INPEX Process Safety Management consists of four focus areas and twenty elements. Each element has a detailed set of expectations. Within the PSM framework, we have adopted a voluntary Safety Case regime for INPEX-operated assets, and we conduct Asset Integrity/Process Safety (AIPS) assurance reviews for all Operational Organizations to ensure risks are maintained to ALARP<sup>4</sup>.

## Process Safety KPI

We are collecting and reporting Tier 1 and Tier 2 Process Safety Events<sup>5</sup> in line with IOGP requirements. In fiscal 2018, one Tier 1 and six Tier 2 Process Safety Events were reported. Collecting, analyzing, and reporting process safety KPI contributes to the prevention of major disasters by improving the reliability of operations, avoiding complacency in Process Safety, and communicating process safety performance to relevant stakeholders.

## Asset Integrity Management and Process Safety Assurance Review

Asset Integrity/Process Safety (AIPS) assurance is a structured series of reviews conducted by an independent team at appropriate points during each phase of the project. Benefits that can be expected from an AIPS assurance review are:

- Providing assurance to management and stakeholders that asset value (equipment) is being adequately protected
- Confirming that our AIPS requirements are being addressed
- Retain and share good AIPS practices and lessons learned from project to project

In addition, other assurance reviews such as Pre-Startup Safety Reviews and Operations Readiness Reviews are conducted at each phase of the project where appropriate.

In order to continuously improve AIPS practices, actions from AIPS Assurance Reviews are followed up periodically and given feedback.

## Risk Management Process

HSE Risk Management activities include quarterly collection, analysis and reporting a Major Accident Event (MAE) and Top 10 HSE Risks from all our Operating Organizations via a centralized software system. This allows us to verify that all the Risks are managed by ALARP.

## ACHIEVING PROCESS SAFETY EXCELLENCE



<sup>4</sup> As Low As Reasonably Practicable (ALARP)

<sup>5</sup> Tier 1 and Tier 2 Process Safety Events (PSE)

Process Safety Events are unplanned or uncontrolled releases of any material, including non-toxic and non-flammable materials. Classification as Tier 1 and Tier 2 relies on actual consequence of the release (expressed as injury to person, direct cost to the company, quantity of material released, etc.) and follows IOGP requirements.

# Security and Crisis Management

## Enhancement of Security Management

INPEX always collects security information concerning the areas in which employees are working, then evaluates and shares the information internally. The threat level of each region is periodically evaluated and updated. Based on these threat levels, we formulate policies for employees assigned to foreign countries and for overseas business travelers, and issue alerts to all employees to raise awareness.

With regard to terrorist attacks, which still occur sporadically across the world, security alerts are posted on our intranet. We also hold in-house seminars and exercises to promote understanding and improve our response capabilities.

In addition, we dispatch security experts from the headquarters to our activity areas for the purpose of security reviews to grasp the whole situation including the entire activity area, operational sites, travelling routes, and accommodations, and we implement risk mitigation measures.

In fiscal 2018, we significantly enhanced the physical security level of the Copa Macoya Plant in Venezuela and conducted on-site confirmation of security measures at Block 10 drilling site in Iraq.

## Preparation for Emergency and Crisis Response

In the event of an emergency, various units of the Corporate and Operational Organizations collaborate. Based on outcomes from the past crisis exercise, we have been working to improve the Corporate Emergency Response Plan in preparation for an inland earthquake near Tokyo and the Corporate HSE Standard - Emergency Response. In addition, the equipment of the Crisis Management Team (headquarters and Technical Research Center) is being expanded further. We have also established a system and are strengthening our partnership with the East Japan Regional Office in Niigata which will act as the provisional Crisis Coordination Room for the Management Team in the event of functions at the headquarters being partially interrupted.

## Emergency Response Exercise

Based on the annual HSE plan, the Operational Organizations in Japan and overseas conduct

emergency response exercises both independently and collectively with the corporate headquarters for continuous improvement. Regarding the Ichthys LNG Project, in particular, we have been conducting exercises to be prepared for potential incidents at onshore and offshore facilities in Australia to commence production in a well-prepared manner. In fiscal 2019, four emergency response exercises will be conducted apart from desktop exercises. In fiscal 2018, Operational Organizations and corporate headquarters cooperatively conducted three level 3 crisis exercises, as follows, in preparation of a major incident:

- Earthquake exercise at the Naoetsu LNG Terminal
- Ichthys subsea production facility gas leak exercise
- Inland earthquake near Tokyo exercise

In terms of the fiscal 2019 plan, we will organize a level 3 exercise assuming disasters at the Ichthys LNG plant facility and a domestic operational site, respectively. Based on the lessons learned from training and exercises, we will work to improve our crisis response capability.

## Response to Blowouts and Oil Spill Incidents

We need to be prepared for large-scale blowouts and oil spills at oil and natural gas development sites, and also for frequent small-scale spills from tanks and pipelines at production sites and refineries because these incidents may not only affect the safety, health, and wealth of local residents, but also local economic activities.

Based on the lessons learned from the emergency response actions of other companies, we are reinforcing our well accident management system in all aspects of prevention, containment, and responses, which are required to control assets such as wells, pipelines, and plants. To prevent incidents, rules and procedures are developed for consistent well management. To prepare against the malfunctioning of a subsea blowout preventer (BOP) in offshore drilling, we concluded an agreement with Wild Well Control, Inc., a supplier of capping equipment, for a device designed to switch on in the event of a blowout. We also have a contract with Oil Spill Response Limited (OSRL)<sup>6</sup>, the world's largest provider of oil spill response services, as a part of our structure for responding to a large-scale oil spill, and constantly strive to acquire new knowledge about oil spill response technologies and procedures.

<sup>6</sup> Oil Spill Response Limited (OSRL)

## Corporate Crisis Response Exercise

On June 5, 2018, the FY2018 1st Corporate Crisis Response Exercise was jointly conducted by the Corporate Crisis Management Team (C-CMT) and the Naoetsu LNG Terminal by assuming that a large-scale earthquake impacted on the Naoetsu LNG Terminal. It was conducted in a blind scenario for the first time; however, the involved teams responded smoothly to a series of events that escalated the severity, and relevant organizations were formed and activated according to the severity. Meanwhile, it also discovered opportunities for improvement such as a delay in release of information to external parties, inadequate information shared from the site to headquarters, or insufficient risk assessment for LNG leaks.



# Minimizing Environmental Impact

## Environmental Management Initiatives

We are committed in the HSE Policy to “avert and minimize any negative impacts to all, including the health, the environment and community as we continue to maintain a social license to operate.” To realize this declaration, we have targeted to strengthen environmental management as one of the FY2018 Corporate HSE Objectives promoted corporate-wide management.

### • Corporate Environmental Management Plan

We consistently aim to turn PDCA cycle applicable to the environmental aspects in our business when working on environmental management. To support this, we developed the Corporate Environmental Management Plan in fiscal 2018 through the integration of environmental activities and with the aim of promoting environmental management on a corporate-wide basis.

In this Corporate Environmental Management Plan, we set five Corporate environmental targets to support the Corporate HSE Policy and to address key environmental materiality for us including climate change<sup>7</sup>, biodiversity conservation and water resource management with actions to achieve our target.

Along with the fiscal 2019 plan, we will turn PDCA in a more organized manner that begins with implementation of the plan, leads to review of the results and outcomes, and is followed by a review of the initial plan.

<b>Environmental target 1</b>	Low-carbonization in operations
<b>Environmental target 2</b>	Environmental pollution prevention
<b>Environmental target 3</b>	Appropriate waste disposal and recycling
<b>Environmental target 4</b>	Biodiversity conservation
<b>Environmental target 5</b>	Effective Utilization of Water Resources

## Environmental Management Working Group

The Environmental Management Working Group consisting of managers and members in charge of environmental management of domestic and overseas projects held quarterly meeting in April, July, October 2018 and March 2019. In fiscal 2018, the WG discussed the following subjects among others:

- Corporate environmental target and environmental KPI
- Corporate Environmental Management Plan

The meeting in October was held at the Nagaoka Field and Naoetsu LNG Terminal to provide environmental managers of overseas projects with an opportunity to see domestic operations and environmental management actions. We will continue to share good practice with each other and seek opportunities to discuss environmental materiality from multiple perspectives for further knowledge building.

<sup>7</sup> Refer to “Climate Change” (P43 to 52) for detailed information

## Environmental Pollution Prevention

Not only complying with the local environmental laws and regulations, we identify and assess environmental risks associated with the environmental aspects of each project, undertake voluntary measures addressing identified environmental risks, and then monitor and measure the effectiveness of these actions. Such actions in projects help us manage pollution prevention in our business.

### ● Environmental Compliance

We comply with environmental laws and regulations of the countries in which we operate. For every project, in line with the HSE Legal and Other Requirements Standard, we make a list of all applicable legal requirements and identify compliance obligations. Our domestic projects make a legal requirements list at each operational site, annually update it to reflect new enactments and revisions of relevant laws and regulations, and confirm the compliance status. We had a series of meetings related to HSE legal and other requirements management in fiscal 2018 and discussed the current situation and the way forward. Again in fiscal 2018, there was no environmental law violation.

### ● Preventing Air Pollution

We engage in mitigating emissions in the environment to meet relevant laws and regulations and, in particular, international regulatory trends. We monitor and manage NO<sub>x</sub>, SO<sub>x</sub> and VOC (Volatile Organic Compounds) emissions from our domestic and overseas businesses.

In the case of our domestic operations, we identify the emission sources such as venting of natural gas, crude oil storage tanks and loading to a truck or tanker; then, VOC emissions are reported to the government in accordance with the Law concerning Pollutant Release and Transfer Register (PRTR<sup>®</sup>). As for benzene, we check there is no impact on ambient air quality by benzene monitoring at the site boundaries.

VOC emissions in fiscal 2018 were 11,960 tons which was 20 times as high as the previous year. This surge is attributed to the rise in fuel consumption and gas flaring led by the Ichthys LNG Project that commenced production in 2018. NO<sub>x</sub> emissions in fiscal 2018 increased by 1,367 to 4,045 tons and SO<sub>x</sub> emissions increased by 1 to 11 tons, both year-on-year.

### ● Wastewater Management

Produced water is re-injected into reservoirs or discharged into public waters such as rivers or seas. Prior to discharge, however, the water quality has to comply with the relevant standards of each country, or with the IFC EHS Guidelines<sup>⑨</sup> in the absence of adequate standards. In fiscal 2018, approximately 67% of the total produced water (0.66 million m<sup>3</sup>) was reinjected, while the remainder was discharged into rivers etc.

The Ichthys LNG offshore platform uses seawater as a coolant and the Naoetsu LNG Terminal uses as a heat exchanger for vaporizer. Mandatory checks of seawater temperature and residual chlorine assure that the marine environment will not be harmed, and that relevant laws and IFC EHS Guidelines are met before the seawater is discharged into the sea.

## Appropriate Waste Disposal and Recycling

We actively promote measures on the basis of the 3Rs (reduce, reuse, and recycle) to minimize the use of natural resources, thereby reducing negative environmental impacts. Where recycling or reusing leftovers from our operations is difficult and waste generation cannot be avoided, we practice proper waste management through licensed waste service providers. Overseas projects manage the waste in accordance with their waste management plan including regulatory requirements, risk management, and audit implementation. Regarding domestic projects, we periodically visit the waste service providers for the purpose of annual inspection to monitor the status of waste treatment and disposal to ensure our waste is appropriately disposed.

The gross amount of waste generated in fiscal 2018 was approximately 2,600 tons. After recycling 1,100 tons, the final disposal amount was reduced to 1,500 tons.

⑧ The Law concerning Pollutant Release and Transfer Register (PRTR)

⑨ EHS Guidelines

Environmental, Health, and Safety (EHS) Guidelines published by International Finance Corporation (IFC) in April 2007

## Biodiversity Conservation

Provided that the degrees of impact on the ecosystem or biodiversity differ at each and every project phase, scale or location, necessary actions for the conservation are accordingly different. We identify potential biodiversity “Risk” and “Opportunity” which may be caused by our projects, and take necessary measures.

Since 2014, we have been sharing experiences, information and good practices across the industry through the Biodiversity and Ecosystem Services<sup>10</sup> Working Group that is collaboratively hosted by IOGP and IPIECA<sup>11</sup>.

### ● Overseas Activities to Conserve Biodiversity

Potential risks caused by a new overseas development project include adverse impacts affecting Environmentally Sensitive Areas (mangrove forests, coral reefs, wetlands etc.) and critical habitats of threatened species, and threats of biological invasions. We apply a mitigation hierarchy<sup>12</sup> in Environmental and Social Impact Assessment to avoid, reduce, restore or compensate those impacts as much as possible.

The Ichthys LNG Project is located in Darwin, where mangrove forests thrive along the coastal area and provide breeding and feeding grounds for fish and sea turtles. To protect the rich biodiversity, the Ichthys LNG Project conducts comprehensive monitoring of discharges, seawater quality, mangrove forest health, natural vegetation, and so forth. We have also extended our ecological efforts to the surrounding area by means of financial aid to the marine research project for dugongs in the Northern Territory.

The Abadi LNG Project will conduct an Environmental and Social Impact Assessment including biodiversity and ecosystem services survey in accordance with the local laws and IFC Performance Standards<sup>13</sup>.

### ● Domestic Activities to Conserve Biodiversity

Biodiversity conservation activities at our long-standing projects have proactively reached out to the surrounding environment in addition to our efforts in our daily business operations. Biodiversity efforts in the daily business operation at the Naoetsu LNG Terminal include:

- Continuous monitoring of seawater temperature at the intake/discharge point
- Continuous monitoring of water quality of cooling water/discharge

To verify effectiveness of such measures and to grasp the current condition in the surrounding sea after the start of operation, the Naoetsu LNG Terminal carried out a marine biological survey to research plankton, benthos, fish eggs, as well as juvenile and intertidal biota in autumn and winter 2018. We will continue this survey in spring and summer 2019.

To improve biodiversity awareness for employees in Japan, the following activities took place:

- Lecture on biodiversity by an external expert
- Educational activities on biodiversity using environmental newsletter

Besides the above, INPEX proactively engages in activities to protect the surrounding biodiversity. INPEX Nagaoka Field Office, for example, organizes a forestation event and a nature study event for local children biannually in spring and autumn in the area known as “Kitsunedaira Donguri-no-mori” where we run operations nearby. In Kashiwazaki, we support a Satoyama initiative conducted at Kashiwazaki Yumenomori Park; the activity is led by a citizen group, Satoyama Environment Creation Network, and we have been participating in forestation and protecting endangered plants since 2005. And the Naoetsu LNG Terminal participates in



Marine biological survey around the Naoetsu LNG Terminal



Marine biological survey around the Naoetsu LNG Terminal

#### <sup>10</sup> Ecosystem services

Ecological services are the benefits that people obtain from ecosystems. Examples include freshwater, timber, climate regulation, protection from natural hazards, erosion control, and recreation.

#### <sup>11</sup> IPIECA

The global oil and gas industry association for environmental and social issues.

#### <sup>12</sup> Mitigation hierarchy

Mitigation hierarchy is defined as i) Avoidance, ii) Minimization, iii) Rehabilitation/Restoration, iv) Offset.

#### <sup>13</sup> IFC Performance Standards

Environmental and Social Performance Standards defined by International Finance Corporation (IFC)

the Joetsu Fishery Cooperative's reforestation activity to help fish living in the Kuwadori River. We are actively engaged in environmental conservation with other operational sites in Japan as well as the above.

## Effective Utilization of Water Resources

Recognizing that water management is a key task for us, we have been working to reduce influences on water resources. We have been involved in IPIECA's Water Working Group since 2015 to understand international trends in water management and good practices for the oil and gas industry.

### ● Identification of High Water Stress Area

Our efforts in water management include a water stress<sup>14</sup> assessment to investigate water availability prior to the commencement of a project. We use "AQUEDUCT," a water risk mapping tool developed by World Resources Institute (WRI<sup>15</sup>), for the assessment. As of the end of March 2019, we are not operating in high water stress areas.

### ● Efficient Use of Water Resources

Our domestic projects use drinking water, industrial water and groundwater as coolants. Groundwater is also used as a coolant for power generation and snowmelt. We have adopted a circulating system for cooling water and installed a sensor equipped with an automatic shutoff system for snowmelt to reduce water consumption. Overseas, although we use a large volume of freshwater for pressure testing of storage tanks during pre-startup inspection at the Ichthys LNG Project, the water is used repeatedly for multiple tests to curb the total volume.

### ● Development of Water Treatment Technology

From fiscal 2015 to 2017, we conducted a pilot project at our Sotoasahikawa plant in Akita Prefecture in collaboration with Chiyoda Corporation and METAWATER, under the support of JOGMEC<sup>16</sup> to test the ceramic membrane filtration of produced water. This technology is expected, once established, to further reduce the environmental impacts of produced water discharges. Joint studies for commercial use of this technology with JOGMEC have started since fiscal 2018 and the pilot test is currently ongoing.



Participants at the biannual reforestation event

#### <sup>14</sup> Water stress

Water resources that can be used per person, which is the index assessing the level of strictness for water supply.

#### <sup>15</sup> World Resources Institutes

#### <sup>16</sup> Japan Oil, Gas and Metals National Corporation (JOGMEC)

# LOCAL COMMUNITIES



## Our Policy

Trusted relationships with the communities in which we operate is fundamental to maintaining our social licence to operate. We build and strengthen our relationships with our stakeholders through open and transparent engagement.

The INPEX Group Human Rights Policy outlines our commitment to recognize and respect the human rights of people, including indigenous peoples, in our host communities. INPEX's commitment to working with Aboriginal and Torres Strait Islander peoples in Australia is set out in and implemented through the INPEX Reconciliation Action Plan <sup>1</sup>.

Impact assessments are undertaken on key activities and management measures are implemented to mitigate negative impact on our host communities. By applying the Creating Shared Value (CSV) <sup>2</sup> philosophy to support initiatives that

produce social benefits while meeting business objectives, we contribute to the development of local communities through employment opportunities, skills development, support for education, and environmental preservation.

We are committed to providing business and job opportunities for local communities. Under an Industry Participation Plan, we provide full, fair and reasonable opportunities for Australian businesses to participate in the Ichthys LNG Project. We also work closely with educational and training institutions to build the capacity of our local workforce and create employment opportunities for local communities.

As a global company, INPEX is committed to contributing to the economic and social development of society through our business and to building sustainable and prosperous communities.

## Build Trust with and Contribute to Local Communities

### Engaging with Stakeholders

In Japan, community engagement teams have been set up at each of the domestic project sites (Niigata, Minami-Aga, Nagaoka, Kashiwazaki, Naoetsu, Akita and Chiba) and dialogues are being conducted with stakeholders of each of those areas in which we operate. The teams actively participate in local events, including sponsoring and providing volunteers for marathons held at Kashiwazaki and Chiba. They also sponsor fireworks events at summer festivals held at Niigata, Nagaoka, Kashiwazaki, Naoetsu and Akita, and take part in reforestation activities semiannually with local communities in Nagaoka as part of our environmental conservation efforts. At the Naoetsu LNG Terminal—the

core facility of our gas supply chain and receiving terminal for LNG shipped from the Ichthys LNG Project—a bimonthly newsletter informs local residents, the municipal government and other government offices about different processes and safe operations inside the terminal. We also participate in local events such as softball tournaments to interact and build relationships with local communities.

At the Abadi LNG Project in Indonesia, we have been engaged in active dialogue with the local community including the public consultation executed in the process of ESIA (Environmental and Social Impact Assessment) while coordinating with local governments and related organizations.

#### <sup>1</sup> Reconciliation Action Plan (RAP)

A business plan endorsed by Reconciliation Australia (an independent expert body promoting reconciliation between the Australian community and Aboriginal and Torres Strait Islander peoples) that publicly documents what we commit to do to work with Aboriginal and Torres Strait Islander communities in Australia.

#### <sup>2</sup> Creating Shared Value

An approach proposed by Michael E. Porter and Mark R. Kramer in which social value is created by addressing social demands and generating economic value



In Australia, more than 430 face-to-face meetings and phone/e-mail updates were provided to government, industry, business and community stakeholders in 2018. For local communities, traditional and social media and publications were also used to provide information on Ichthys LNG activities, employment, business and sponsorship opportunities. Engagement focused on communicating on activities associated with Ichthys LNG's start-up and its 40-year operations phase, as well as the potential impact on and opportunities for communities. Several community and stakeholder events were also held in Darwin, Broome, Canberra and Perth to celebrate the start of Ichthys LNG production and thank the communities for their support to date.

Community engagement and contribution activities on operator projects and lessons learned are shared among teams in Tokyo, Australia, Indonesia and Abu Dhabi through regular meetings.

## Addressing Community Feedback

In Australia, community feedback – received via toll-free telephone number, a community enquiries email account and face-to-face interactions – is recorded and tracked to ensure enquiries are addressed in a timely manner. Analyses of feedback are shared among internal stakeholders to monitor trends and identify emerging issues. A community grievance management procedure is in place to appropriately address grievances received from local communities. We work closely with our contractors and stakeholders to investigate all matters and address issues in a consistent manner.

Approximately 1,560 enquiries were received in Australia in 2018. Enquiries regarding employment opportunities continued to be the highest category, comprising about 50 percent of overall enquiries received. Other enquiries included business and sponsorship opportunities. No grievances were reported in 2018.

## Working with Indigenous Communities

### • Reconciliation Action Plan (RAP)

In Australia, our commitment to working with Aboriginal and Torres Strait Islander peoples to build sustainable and mutually beneficial relationships is underpinned by our Reconciliation Action Plan (RAP). To fulfil our RAP commitments, actions and deliverables are set under the key themes of relationships, respect and opportunities. The implementation of RAP commitments is overseen by the RAP Steering Committee and reported annually on our website.

Some of our key achievements in 2018 include:

- Through ongoing engagement with the INPEX Larrakia Advisory Committee, agreed on a A\$24 million benefits package to support the Larrakia community over the next 40 years.
- Delivered internal events during Harmony Week, National Reconciliation Week and National Aboriginals and Islanders Day Observance Committee (NAIDOC) Week to increase knowledge and understanding of Aboriginal and Torres Strait Islander cultures.
- Provided 11 scholarships to Aboriginal and Torres Strait Islander students through the University of Western Australia and the Larrakia Development Corporation to support their university and other tertiary studies.

To continue to build on the efforts and achievements to date, the INPEX 2019-2021 Stretch RAP has been developed with clear targets including employment and procurement targets.

### • Employment and Business

We recognize that employment of Aboriginal and Torres Strait Islander peoples is one of the key benefits that can be delivered through our activities. To deliver improved employment outcomes INPEX Australia has initiated the Solid Pathways program, which creates 10 additional roles across the organization each year for Aboriginal and/or Torres Strait Islander peoples to support their transition into our direct workforce. This program along with others underpins our commitment to employ 36 Aboriginal and/or Torres Strait Islander peoples or 3 percent of our workforce. We are also committed to employ an average of 60 Aboriginal and Torres Strait Islander peoples through Ichthys LNG operations subcontractors in each year from 2019 to 2021.

Additionally, a target has been set to increase by fifty percent the number of contracts that are awarded through INPEX and our sub-contractors to Aboriginal and/or Torres Strait Islander-owned businesses, to a value of more than A\$1 million for the Ichthys LNG operations phase from 2019 to 2021.

## • Cultural Heritage

In Australia, heritage management plans have been developed and implemented to protect the cultural heritage of the communities where we operate.

The INPEX Larrakia Advisory Committee is consulted on cultural heritage matters for Larrakia lands and waters.

INPEX Australia has recently signed an agreement with the Larrakia Development Corporation for the ongoing maintenance of a location known as Heritage Hill, situated alongside the Ichthys LNG onshore processing facility. This location contains culturally significant material for the Larrakia people, that will be protected for the life of Ichthys LNG Project and beyond. Signage and a new fence around Heritage Hill will be installed to further highlight the importance of this location and ensure its enduring protection.

### Larrakia Benefits Package

In November 2018, INPEX, on behalf of the Ichthys Joint Venture, agreed with the Larrakia people to a A\$24 million benefits trust being delivered over 40 years.

The agreement recognizes the important role that the Larrakia people have played in supporting Ichthys LNG Project through the construction phase and highlights the continued importance of the relationship between INPEX and the Larrakia people into the future.

The funds are held in trust and distributed based on advices of the INPEX Larrakia Advisory Committee, a group primarily comprising of Larrakia people from a range of backgrounds and experience. Funding aims to provide a range of opportunities, including economic, educational and social programs.

Prior to finalising the agreement, INPEX delivered university scholarships, grants to support school participation for youth, and the installation of air conditioners for the elderly and people with disabilities.



The INPEX Larrakia Advisory Committee

## Contributing to Local Economies

Business and job opportunities are some of the key economic benefits that our business can create in local communities.



Employees of Winnellie Hydraulics

### Ichthys Drives Local Business Growth

A family-owned Darwin business has doubled in size after successfully remodeling to target service and supply opportunities in the oil and gas sector.

“When construction of the Ichthys LNG Project started in 2012, we saw the opportunity to grow our business by targeting the resources industry,” Max Nicholson, owner of Winnellie Hydraulics, said.

Max identified gaps in the local market and implemented strategic changes in his business model to become a specialist supplier. Winnellie Hydraulics has supplied equipment to a number of businesses delivering a wide range of work on the Ichthys LNG Project, and is now supplying for its onshore and offshore facilities.

“Our business wins during the construction phase of the Ichthys LNG Project gave us an understanding of how mega projects operate but our main focus was always on the long-term opportunities and positioning the business to have a competitive edge.”

As Winnellie Hydraulics workload has grown, its workforce has doubled in size to now employ 10 people.

“In order to keep up with demand, we have invested locally in employees and equipment but we are also globally connected with specialist manufacturers worldwide who we deal with on a daily basis,” said Max.

INPEX Australia developed an Industry Participation Plan for Ichthys LNG Project to provide full, fair and reasonable opportunities for Australian suppliers. These commitments are cascaded to contractors and the Industry Capability Network is engaged to help identify local suppliers. The overall Australian content level achieved by the Ichthys LNG Project during the construction phase (2012 to mid-2018) was almost fifty percent, of which close to half was Northern Territory content.

Significant employment opportunities were also created during the construction phase, with more than 10,000 people having worked on site each day at the peak of onshore construction. A variety of training programs were delivered during the construction phase to build the skills of the local workforce, with 47 courses being delivered over a total of 6,100 hours to 434 subcontractor employees.

## Supporting Local Communities

We implement social contribution activities to support and enhance the social and economic development of host communities in response to social and regional needs. Social investment programs are undertaken to provide economic and social benefits to communities and INPEX contributed JPY 1.6 billion to communities globally in 2018. The education and training of the next generation is one of the key focus areas for our social investment activities, with 36 percent of our overall social investment funding in 2018 supporting programs in this area.

In Australia, INPEX aims to contribute to building communities that are vibrant, prosperous and resilient. We focus our community investment activities on initiatives that promote positive educational, health and wellbeing outcomes for the people in our host communities, and capacity building of local businesses. In 2018, we supported more than 70 community initiatives, ranging from small community grants to strategic partnerships with not-for-profit organizations. Since 2012, we have contributed more than A\$4 million to community programs in Australia.

At the Abadi LNG Project in Indonesia, INPEX has been conducting training for local people since 2011 with the objective of preserving, passing down, and promoting the culture of ikat, traditional woven textiles from the Tanimbar Islands in Maluku Province. This is part of the Company's programs aimed at empowering local communities. In 2017, we enhanced the program by introducing the collaboration with Bank Indonesia, the country's central bank, to jointly support the tradition and textile weavers, while in 2018 we collaborated with local governments to establish handloom workshops. With these workshops serving as their activity bases, we provide advice on not only production technologies but also promoting sales.

Since 2014, INPEX has also been offering scholarships to selected students in Maluku Province who wish to receive a university education or pursue research. With this scholarship fund, we have supported 584 students as of 2018 and are supporting an additional 130 students in 2019.

### Social Contribution Activities in Abu Dhabi

Our business activities in Abu Dhabi have entered a new phase with the acquisition of an interest in the onshore oil fields in 2015, the extension of an interest in the Upper Zakum oil field in 2017, as well as the extension of an interest in the Satah and Umm Al-Dalkh oil fields and acquisition of an interest in the Lower Zakum oil field, both in 2018. In order to foster our long-term relationship with the UAE and Abu Dhabi over the next 40 years, we strive to focus on the key task of supporting the next generation of the country.

Since 2018, with the aim of nurturing mathematical proficiency—the foundation for education in the STEM fields of science, technology, engineering and mathematics—at a young age, we have collaborated with the Kumon Institute of Education and the Abu Dhabi National Oil Company on the introduction of the Kumon method in four Abu Dhabi elementary schools. Going forward, we hope to expand the program to other schools as well. In addition, INPEX has hosted local university students on a three-week training program held in Japan every year since 1993 during summer break, in which they attend technology lectures, cultural experiences, and engagement with local university students. We also promote the sport of judo and support young athletes.



Kumon Ceremony at an Abu Dhabi elementary school

# CLIMATE CHANGE



## Our Policy

INPEX recognizes that climate change is a critical business issue. To achieve the long-term goals of the Paris Agreement, an economy wide transition to a low carbon society is under way. Global climate change response requires action by all members of the international community; governments, businesses and civil society. Governmental policy measures, technology development, industry response, and other long-term initiatives are particularly pertinent. We are committed to fulfilling our role in addressing climate change as a responsible member of the oil and natural gas industry. Furthermore, we comply with national regulations of each country in which we operate business, including those introduced to support the Paris Agreement. Our businesses will work with governments and other stakeholders to address the two societal demands of meeting increasing

energy needs and reducing greenhouse gas (GHG) emissions; to achieve a balance between the two. In our actions towards achieving a low-carbon society, we will strengthen initiatives on promoting natural gas development and renewable energy as a means to reduce the emissions associated with INPEX's value chain. In addition, we will properly manage GHG emissions from our operations and proceed with technology development for practical application of Carbon dioxide Capture Storage<sup>1</sup> to capture and sequester GHG emissions. We shall also undertake analysis and initiatives in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and seek to complete disclosure of exposure to climate-related risks as well as information on climate related opportunities. INPEX has developed a position paper, "Corporate Position on Climate Change," (issued December 2015, last revised July 2018) which is available on our website.<sup>2</sup>



**Kimihisa Kittaka**  
 Director, Managing Executive Officer  
 in charge of Corporate Strategy & Planning

### MESSAGE FROM THE DIRECTOR IN CHARGE OF CLIMATE CHANGE RESPONSE

To advance our response to climate change as a responsible oil and natural gas company, we published our position paper, "Corporate Position on Climate Change" initially in December 2015 and subsequently revised in July 2018. As detailed in INPEX's "Vision 2040" and "Medium-term Business Plan 2018-2022" announced in May 2018, we are also enhancing our systems for addressing climate change and implementing ongoing measures to disclose climate-related information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This aims to proactively contribute to a low-carbon society based on the long-term targets outlined in the Paris Agreement.

Specifically, our Board of Directors seeks to maintain its oversight and expand its involvement in governance. When developing our business strategies, we assess our ability to respond to a number of climate-related scenarios, including the IEA<sup>3</sup> WEO 2°C scenario, to examine our business portfolio. With regard to risk and opportunity assessment, we have an annual assessment and management cycle where risks and opportunities are explored in detail and implement measures and work plans developed out of that process. As for management of greenhouse gas (GHG) emissions, we are considering target setting methods in line with international standards whilst complying with each country's national regulations and GHG management frameworks. We are also improving information disclosure regarding exposure to climate change risks in line with the recommendations as set out by the TCFD. To reflect industry best practice in these activities in a timely manner, we participate as a member of the Executive Committee in IPIECA—the global oil and gas industry association for environmental and social issues to disseminate and collect relevant information.

<sup>1</sup> CCS

Carbon dioxide Capture and Storage



<sup>2</sup> Corporate Position on Climate Change

<sup>3</sup> International Energy Agency

## Sustainability Initiatives on the TCFD Recommendations

### Disclosure in Line with TCFD Recommendations

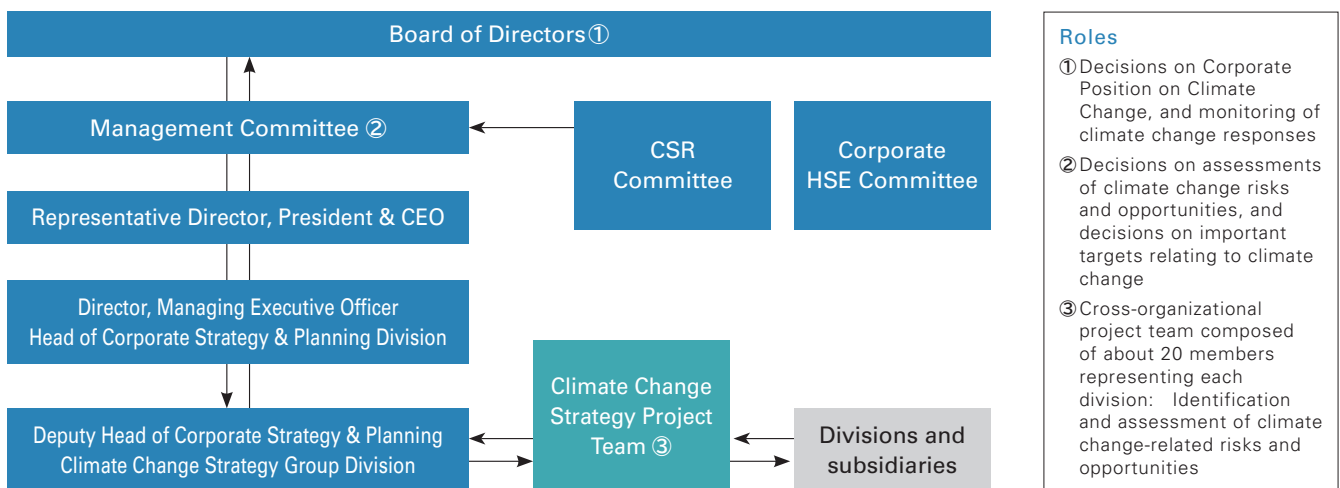
Overview of the TCFD Recommendations	Relevant section	location
<b>Governance</b> Disclose the organization's governance around climate-related risks and opportunities.		
1 Describe the board's oversight of climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>Governance framework for climate change</li> </ul>	P45
2 Describe management's role in assessing and managing climate-related risks and opportunities.	<ul style="list-style-type: none"> <li>Message from the director in charge of climate change response</li> <li>Governance framework for climate change</li> </ul>	P43 P45
<b>Strategy</b> Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.		
1 Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<ul style="list-style-type: none"> <li>Climate change-related risks and opportunities</li> </ul>	P47
2 Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> <li>Low-carbon transition plan</li> <li>Initiatives on renewable energy</li> </ul>	P50 P51-52
3 Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> <li>The INPEX low-carbon society scenarios</li> <li>Assessment of financial impacts of climate change risks</li> <li>Application of internal carbon price</li> </ul>	P49 P48 P48
<b>Risk Management</b> Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.		
1 Describe the organization's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> <li>Process for the Assessment and Management of Climate Change Risks and Opportunities</li> </ul>	P46
2 Describe the organization's processes for managing climate-related risks.	<ul style="list-style-type: none"> <li>Process for the Assessment and Management of Climate Change Risks and Opportunities</li> </ul>	P46
3 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<ul style="list-style-type: none"> <li>Risk Management System</li> </ul>	P21-22
<b>Metrics and targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		
1 Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> <li>Managing greenhouse gas emissions</li> </ul>	P50-51
2 Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<ul style="list-style-type: none"> <li>Performance Data: GHG Emissions Management</li> </ul>	Performance Data (WEB P62)
3 Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> <li>Targets of the Japan Petroleum Development Association</li> <li>Efforts to reduce greenhouse gas emission</li> </ul>	P50-51 P51

## Governance Framework for Climate Change Response

As we recognize that climate change is a critical business issue, the Board of Directors seeks to maintain its oversight and expand the Company's involvement. Specifically, our "Corporate Position on Climate Change" was resolved by the Board of Directors and then published in 2015, with a revision in July 2018. As a rule, the Board will review this

corporate position on a yearly basis. We revised the relevant rules in the 2018 financial year and created a system where assessment of climate change risks and opportunities is completed on a regular basis. The outcome of this assessment and the following target settings relating to climate change are approved by the Management Committee and then reported to the Board of Directors. Finally, we have tasked the Climate Change Strategy Group, within the Corporate Strategy & Planning Unit of the Corporate Strategy & Planning Division, to address climate change issues across the entire company.

### Governance Framework for Climate Change Response

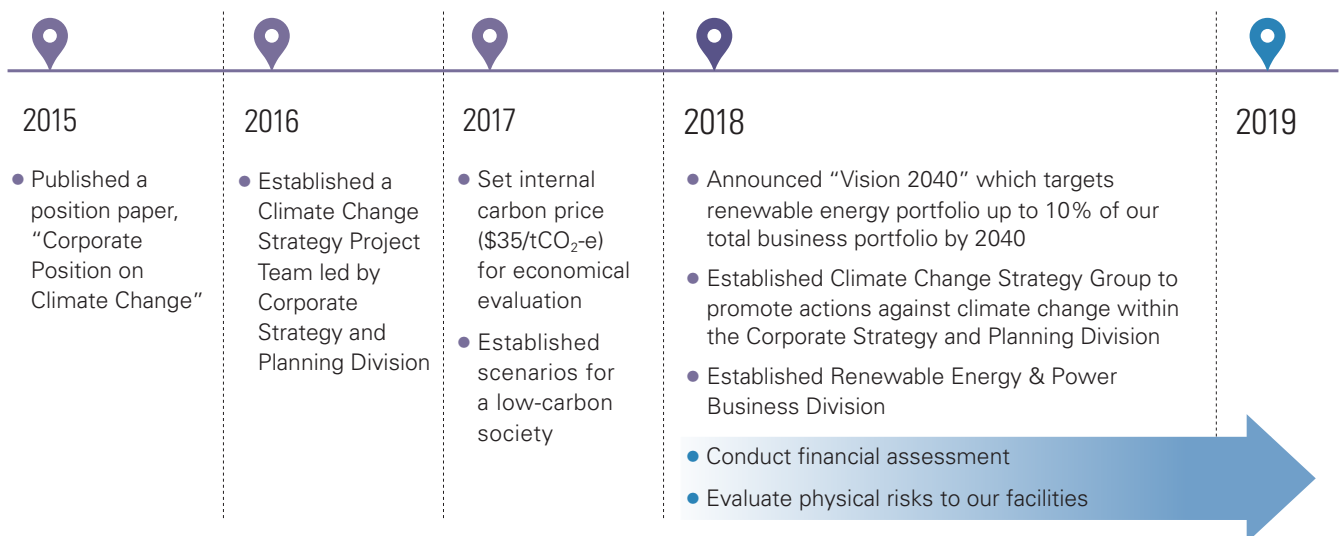


### • Climate Change Action and Director Compensation

Our "Medium-term Business Plan 2018-2022" sets out a number of climate-related targets in the areas of governance,

business strategies, risk and opportunity assessment, GHG management and disclosure. These targets are integrated into executive bonuses.

### • Climate Change Milestones

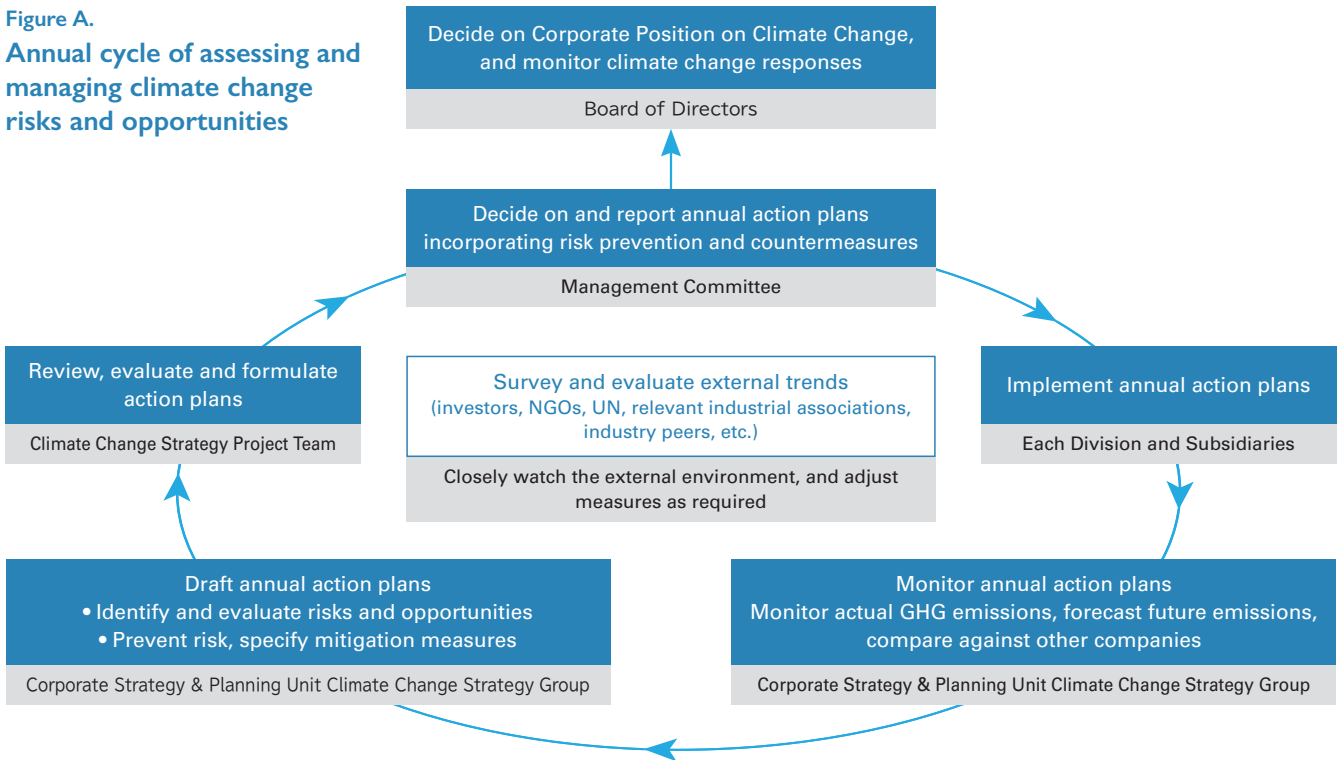


## Process for the Assessment and Management of Climate Change Risks and Opportunities

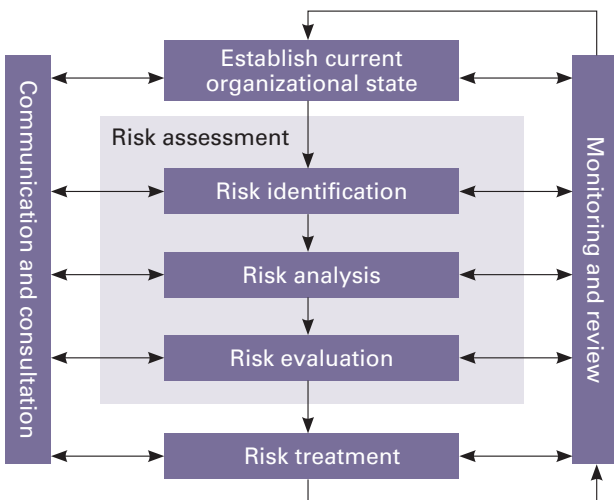
Annually, we assess and manage climate change risks and opportunities (Figure A). During the 2018 financial year, the Climate Change Strategy Group prepared a draft action plan against climate change related risks and opportunities, and the Climate Change Strategy Project Team discussed and

evaluated it. The revised action plan was reported to the Management Committee and Board of Directors. The Climate Change Strategy Project Team is a cross-organizational project team composed of about 20 members from each division. This process is planned to evolve and increase the involvement of the Management Committee during the 2019 financial year. Our risk assessment process follows the international risk management standard, ISO 31000:2009 (Figure B); identifying risks, and analyzing the causes, preventive measures, mitigation measures and the results (Figure C).

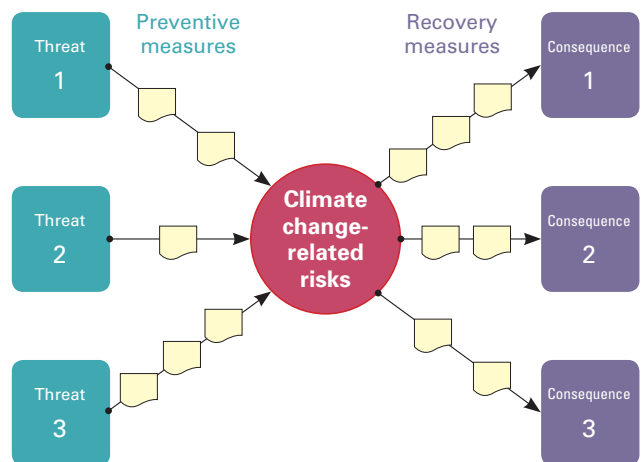
**Figure A.**  
Annual cycle of assessing and managing climate change risks and opportunities



**Figure B.**  
ISO 31000 Process



**Figure C.**  
Risk Analysis Process



## Fiscal 2018 Status of Climate Change Risks: Assessment Coverage, Expected Timing and Solutions

	Risk category	Risk description	Expected Risk Timing	Action plan
Transition risks	<b>Policies and regulations</b> (Scope 1 emissions)	Potential for increased costs as a result of regulation that applies a direct or indirect price on carbon	Medium-term	<ul style="list-style-type: none"> <li>Monitor policy frameworks in the countries in which INPEX operates business</li> <li>Include internal carbon pricing in economic evaluation of projects</li> </ul>
	<b>Reputation</b> (Scope 1 emissions)	Stakeholder concerns about increasing Scope 1 emissions	Short-term	<ul style="list-style-type: none"> <li>Ongoing management of GHG emissions and identification of emissions reduction activities</li> </ul>
	<b>Reputation</b> (Scope 3 emissions)	Stakeholder concerns and a deteriorating image of the oil and gas industry due to emissions associated with the use of key industry products by customers	Medium-term	<ul style="list-style-type: none"> <li>Promote development of natural gas as an energy source for customers as the low carbon energy option for customers</li> <li>Increasing levels renewable energy in the company energy portfolio</li> <li>Promote development of technologies for practical application of carbon capture and storage</li> </ul>
	<b>Reputation</b> (Financial impact)	Potential downside impacts on access to credit and/or equity due to a perception of insufficient information disclosure from investors and financial institutions	Medium-term	<ul style="list-style-type: none"> <li>Disclose information on climate related risks and opportunities in accordance with the recommended framework by the TCFD</li> </ul>
	<b>Market and technologies</b> (Decrease in oil and gas demand and prices)	<ul style="list-style-type: none"> <li>Continuous decrease in demand and prices for oil and gas due to changing market preference to low-carbon energy</li> <li>Decrease in the cost of renewable energy, electric vehicles or battery storage</li> </ul>	Long-term	<ul style="list-style-type: none"> <li>Conduct scenario-based monitoring of market and technology trends</li> <li>Maintain a framework enabling stable operations even in the lower oil-price environment with \$50/bbl.</li> <li>Assess financial impact of portfolio with oil prices and carbon prices according to the IEA WEO 2°C scenario.</li> <li>Conduct economic evaluation of projects using the supply cost curves.</li> </ul>
Physical risks	<b>Acute risks</b>	Risk of adverse effect on operating facilities by extreme weather events	Long-term	<ul style="list-style-type: none"> <li>Assess impacts on operating facilities due to increasing average temperatures, changing precipitation patterns, rising sea levels and other climate change factors up to the mid-21st century according to the RCP8.5 scenario in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report</li> </ul>
	<b>Chronic risks</b>	Risk of adverse effect on operating facilities by long-term increasing average temperatures, changing precipitation patterns, and rising sea levels	Medium-term	

## Fiscal 2018 Status of Climate Change Opportunities: Assessment Coverage, Expected Timing and Solutions

	Opportunities	Opportunities covered	Expected opportunity timing	Action plan
Opportunities	<b>Resource efficiency</b> (Energy conservation)	Energy efficiency improvements in production processes	Short-term	<ul style="list-style-type: none"> <li>Design facilities with high energy efficiency and follow through maintenance plan to improve energy efficiency on a routine basis</li> </ul>
	<b>Energy sources</b> (Utilization of renewable energy sources)	Utilization of renewable energy sources in production processes	Long-term	<ul style="list-style-type: none"> <li>Consider the potential of solar power generation for projects established in sunbelt regions of the world that receive high amounts of sunshine</li> </ul>
	<b>Low-carbon products</b> (Expansion of renewable energy businesses)	Enhancement of initiatives for renewable energy businesses: Increase to 10% of portfolio by 2040	Long-term	<ul style="list-style-type: none"> <li>Survey geothermal resources in Hokkaido, Akita and Fukushima Prefectures and develop investment cases for prospective resources where appropriate</li> <li>Currently participating in the Sarulla Geothermal IPP Project in Indonesia, the world's largest geothermal power generation business with an installed capacity 330 MW.</li> </ul>
	<b>Markets</b> (Expansion of natural gas sales)	Building a global gas value chain	Medium-term	<ul style="list-style-type: none"> <li>Signed Memorandum of Understanding for an LNG bunkering partnership with ADNOC Logistics &amp; Services in United Arab Emirates (December 2018)</li> </ul>
	<b>Products and services</b> (R&D and innovation)	Research and development of technologies that contribute to building electricity, hydrogen and methane value chains	Long-term	<ul style="list-style-type: none"> <li>Conduct joint industry-academia research into a Sustainable Carbon-Cycle System that converts carbon dioxide to methane for reuse as an energy source</li> <li>Participate in the Research Association of Artificial Photosynthetic Chemical Process (ARPCChem), a joint industry-academia-government project that uses hydrogen produced from sunlight and water using photocatalysts with the aim of manufacturing core chemical products from carbon dioxide, and promoting development of artificial photosynthesis technologies</li> </ul>

Short-term up to one year    
 Medium-term one to five years    
 Long-term longer than five years



## Assessment of Financial Impacts of Climate Change Risks

We use three methods to assess the potential financial impact of climate change risks. The first method is to assess the financial impact of relevant policy and regulatory risk that the introduction and enhancement of carbon pricing policies poses to our projects. According to a report from the World Bank<sup>4</sup>, 96 of the countries participating in the Paris Agreement report using or considering the introduction of carbon pricing policy (such as cap-and-trade or a carbon tax) for their Nationally Determined Contributions (NDCs). We are applying an internal carbon price (US\$35/t CO<sub>2</sub>-e) as part of the economic assessment of existing and potential future projects. The internal carbon price is applied on a project by project basis to the direct emissions from that project. The level of internal carbon price used is reviewed each year in line with IEA WEO carbon prices.

The second method is to analyze the financial impact of potential changes in oil and carbon prices resulting from the various climate scenarios and the impact those changes may have on our portfolio. By applying changes in oil and carbon prices, as presented in the IEA WEO Sustainable Development Scenario, to the net present value (NPV) formula for all projects, we can determine the overall impact to company NPV from the Sustainable Development Scenario. We have been trialing this method since 2018.

The third method is to assess financial impact of market risk that oil and LNG supply/demand forecasts according to the 2°C scenario pose to our projects. To assess this

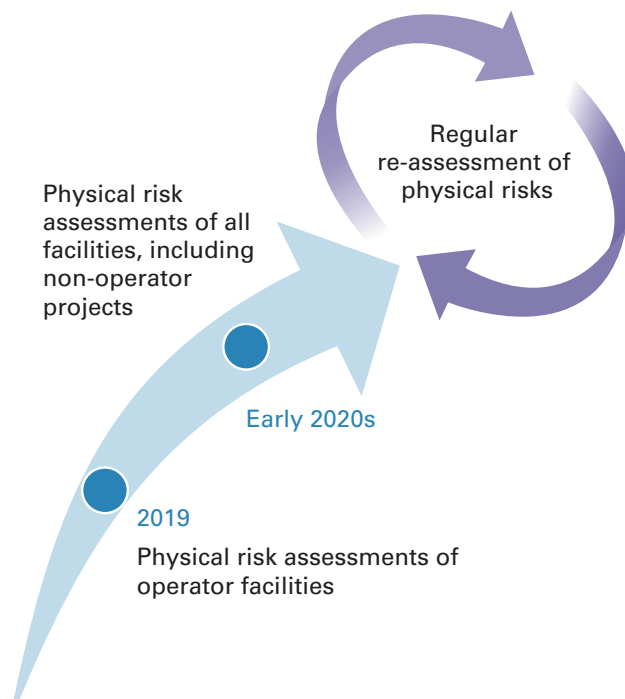
risk, We apply a supply cost curve method to predict oil and LNG supply volumes in the future impacts on oil and LNG demand resulting from climate scenarios to assess our project's competency in the future. The cost curve is drawn with 'future supply by project' on the horizontal axis and 'economic efficiency (cost) by project' on the vertical axis. The supply cost curve is a global indicator, so it is also necessary to consider the actual geopolitics, government policies, technical capabilities, commercial practices and other factors of each region. We are discussing our assessment methods, including how we take each of these factors into account.

## Development of a Physical Risk Assessment Process

During the 2018 financial year, we have examined assessment processes of our physical risks and established a road map for both operator and non-operator projects. We will undertake assessments of all facilities by the early 2020s. During the 2019 financial year, we are conducting physical risk assessments of our operator facilities. As preparation, we used external data<sup>5</sup> to specify climate variables including mid-21st century's average temperature, precipitation pattern, and sea level rises for Niigata Prefecture in Japan and Darwin in Australia. We followed the RCP8.5(Representative Concentration Pathways 8.5) scenario in the IPCC fifth Assessment Report (AR5), which is a "Business as usual" scenario.

### Three Approaches to Financial Assessment Response

	Risks assessed		
	Policy and regulatory risks that carbon pricing policies pose to projects	Market risks that 2°C scenario index prices pose to portfolio	Market risks that 2°C scenario supply/demand forecasts pose to projects
Financial assessment method	Economic assessment of projects using internal carbon price (US\$35/t CO <sub>2</sub> -e)	Financial assessment of portfolio using oil and carbon prices according to the IEA WEO 2°C scenario	Economic assessment of projects using supply cost curves for oil and LNG
Metric	Change in company NPV (against base NPV)	NPV rate of change (against base NPV)	Break-even cost
Status	Method used since October 2017	Method trialed in 2018 and used since March 2019	Examining method during the 2019 financial year

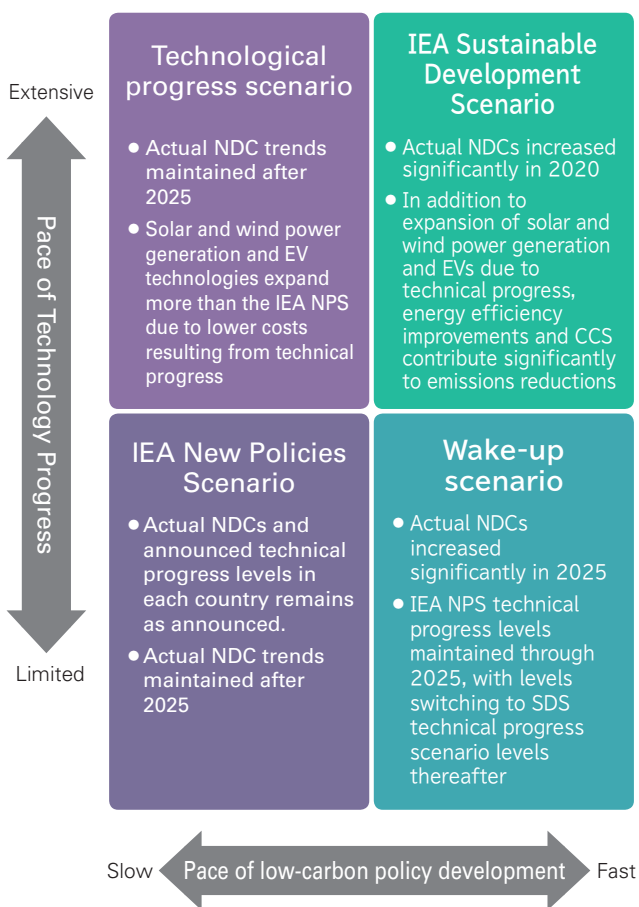


<sup>4</sup> World Bank – State and Trends of Carbon Pricing 2019 (June 2019)

<sup>5</sup> Climate in Japan at the End of 21st Century, Ministry of the Environment (2015); Global Warming Projection Volume 9, Japan Meteorological Agency (2017); Monsoonal North Cluster Report, Climate Change in Australia (2015)

## The INPEX Low-carbon Society Scenarios

We are conducting scenario analysis using four different scenarios to reflect climate-related trends in our strategy and business planning. Our base case assumptions are derived from the New Policy Scenario (NPS) of the International Energy Agency's World Energy Outlook (IEA WEO). In the "Technological progress scenario", we assume a rapid growth in demand for renewables and electric vehicles (EV), spurred by cost reductions around the globe. In the "Wake up scenario" the frequent occurrence of climate-related disasters pushes governments to address climate change more seriously, then society switches to low-carbon economy after 2025.



The IEA WEO revises the scenarios once a year to reflect changes in society. We conduct a signpost analysis regarding the main indicators of the IEA scenarios and actual events as signposts<sup>6</sup> to assess which one of our scenarios has already started to play out. The outcome of this analysis is used to review the consistency of our future strategic direction with society.

### 6 Signposts

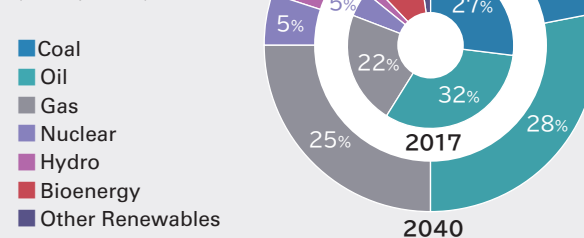
Signposts are early indicators of future scenario directions. INPEX identifies multiple elements as signposts including the energy mix, advances in electrification, and the spread of EV and low-carbon technologies. We closely watch these trends and the likelihood of certain developments.

## • Overview of IEA scenarios

### IEA WEO New Policies Scenario (NPS)

The NPS is the central scenario of the International Energy Agency's World Energy Outlook, which assumes implementation of all currently announced policies. According to the NPS in WEO 2018, world's primary energy demand will continue to grow through 2040, with oil and natural gas together accounts for 53% of the total demand. Although the share of renewables (excluding hydropower and biomass) in the energy mix is smaller than that of oil and natural gas, they grow five-fold in the period from 2017 to 2040.

IEA WEO New Policies Scenario Energy Mix (2017 / 2040)

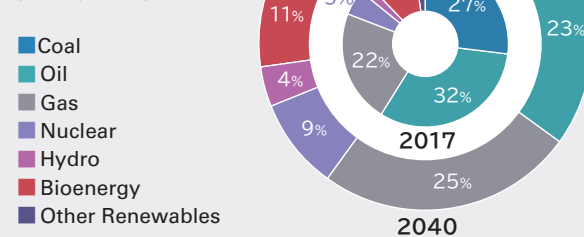


### IEA WEO Sustainable Development Scenario (SDS)

The Sustainable Development Scenario is the IEA's most rigorous low-carbon scenario which integrates the objectives of three Sustainable Development Goals (SDGs). Under this scenario, electrification and steep reductions of GHG emissions contribute to achieve the Paris Agreement's target (average global temperature rise kept below 2 degrees Celsius and efforts pursued to limit temperature increase to 1.5 degrees Celsius).

Energy efficiency will be improved significantly with broad implementation of strong low-carbon policies as its backdrop. Primary energy demand will decrease by about 10% towards 2040. On the other hand, the share of oil and natural gas in the total demand will remain at 48%. Also, demand for renewable energies will increase about eight times the 2017 level by 2040.

IEA WEO Sustainable Development Scenario Energy Mix (2017 / 2040)



## Low-carbon Transition Plan

For this scenario entailing a further shift from the IEA New Policies Scenario to a low-carbon society, we acknowledge the uncertain prospects for a large increase in oil prices. Under these conditions, we assume in the Medium-term Business Plan 2018-2022 that oil prices will trend within the \$50 to \$70/bbl range with a gradual increase to \$70/bbl. During this time, our target is to reduce production costs to \$5/bbl (excluding royalties) for oil and natural gas upstream businesses, and we maintain financial and corporate resilience even if the crude oil price drops to US\$50/bbl.

Meanwhile, we aim to reduce our carbon footprint. In addition to manage emissions from our operations appropriately, promoting the development of natural gas, for which robust demand is anticipated under both the NPS and the SDS, is an important mean to drive down the emissions. In parallel, we enhance renewable energy initiatives and participate in Proof of Concept trials for CCS, which captures and stores CO<sub>2</sub>.

In Vision 2040 we will further promote a low-carbon footprint in operations. We aim to be a key player in natural gas development and supply, mainly focusing on Asia and Oceania, as well as Japan to expand the company's domestic gas supply chain, on which our development and supply of natural gas has so far been focused, and create

a global gas value chain. In the field of renewable energy, we aim for renewable energy projects to account for 10% of our project portfolio in the long term. For CCS, we will develop technologies for the practical application of CCS. Accordingly, while reducing our carbon footprint in each of our business activities, we will work to continuously increase corporate value by maintaining a business portfolio with the flexibility to respond to changes in the business environment towards 2040.

## Supply Chain Initiatives

In our Health, Safety and Environmental (HSE) Policy, we have pledged that we will pursue every effort to reduce our carbon footprints and adhere to the GHG emissions management process. In our Contractor HSE Management Manual and Domestic Procurement Guidelines, we have included articles requiring compliance with this pledge in both work and procurement contracts, with compliance extending to the contractors and suppliers as well.

For example, we are tracking emissions from LNG carriers, chartered by our wholly-owned subsidiary INPEX Shipping for better understanding of our overall emissions and future improvement, and disclose the information as our Scope 3 emissions<sup>7</sup>. These carriers are used primarily for shipping LNG from Ichthys LNG project.

# Managing Greenhouse Gas Emissions

## Efforts to Reduce Greenhouse Gas Emissions

Our overall GHG emissions in fiscal 2018 were approximately 5.091 million tons-CO<sub>2</sub>e, increasing approximately 4.462 million tons-CO<sub>2</sub>e from the previous fiscal year. This change is attributed to increased fuel consumption of offshore and onshore production facilities for the Ichthys LNG Project. Another factor in increasing GHG emissions has been the flaring<sup>8</sup> of natural gas that cannot be processed during the commissioning and start-up period to confirm the

operation of facilities and equipment properly when starting production. About half of the increase in fiscal 2018 is attributable to this flaring, and while overall emission amounts will increase along with the increase in production, we estimate that the amount of flaring will decrease as operations stabilize.

While our overall GHG emissions will increase as LNG production of the Ichthys Project proceeds, 70 percent of the LNG produced from the Ichthys Project will be supplied to Japanese electricity or gas providers as an energy source supporting a stable energy supply in Japan.

When used as an energy source, natural gas emits less GHG during its lifecycle than other fossil fuels. Natural gas is also recognized as an excellent energy source for serving as a backup during fluctuations in power generation by renewable energy, and can contribute to global GHG reductions.

Our actions to manage methane emissions of the Ichthys LNG Project are as follows:

- Selection of equipment/facility that avoids methane leaks as much as possible
- Regular inspection for leaks from equipment/facility
- Vent gas recovery and recycling
- Zero routine flaring during normal operations

In our Health, Safety and Environmental Policy, we have declared that we will pursue every effort to reduce GHG emissions and adhere to the GHG emissions management process. To achieve the goals of this declaration, we were involved in the following programs in fiscal 2018.

- Compilation, analysis, and reporting of GHG emissions
- Construction of an aggregation and reporting framework for methane loss

In addition to GHG emissions compilation, we started to collect and report statistics on methane fugitives from domestic and overseas business sites in fiscal 2018 based on international methods. We will continue to carry on the emission management in accord with international practice.

We participate in the Japan Business Federation's (Nippon Keidanren) "Commitment to a Lower Carbon Society Plan" as a member of the Japan Petroleum Development Association (JPDA). In this commitment, JPDA has set targets of reducing GHG emissions by 5% from the fiscal 2005 level by 2020 and by 28% from the fiscal 2013 level by 2030. These 2020 and 2030 reduction targets exceed the most recent reduction target indicated by the Japanese government.

As of fiscal 2017, JPDA GHG emissions were reduced by 9.0% compared to the fiscal 2005 level and by 20.3% compared to the fiscal 2013 level. We will continue to cooperate with other JPDA members and undertake further GHG emissions reduction to achieve the 2020 and 2030 targets.

## Initiatives on Renewable Energy

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### Initiatives on Domestic Geothermal Power Business

Japan's geothermal resources are the third largest in the world after those of the US and Indonesia, so there are high expectations for geothermal power generation in Japan from the perspectives of clean, home-grown energy and base-load power. However, it takes a considerable amount of time and investment to assess development risks specific to geothermal resources, in addition to the required coordination with onsen (hot spring) operators and other interest groups, complex licensing procedures and environmental assessments. Construction of geothermal power plants is a long-term proposition, so the speed of commercialization is an issue.

Since 2011, we have been working with Idemitsu Kosan on geothermal resource exploration in the Amemasudake region in Hokkaido and the Oyasu region in Akita Prefecture. For Fukushima Prefecture, we are currently working with 10 other companies on geothermal resource exploration. After conducting geological surveys, gravity surveys, and electromagnetic surveys in the Amemasudake and Oyasu areas, we drilled geothermal exploratory wells and confirmed steam and hot water production through flow tests, and we began an environmental assessment of the Oyasu region in 2018.

Given the expectations of a transition to a low-carbon society in the future, we see opportunities to improve our corporate value while fulfilling our corporate social responsibilities through initiatives to develop geothermal power generation in Japan. Going forward, we will seek to become a geothermal development operator in Japan and help tackle a variety of challenges.

## Initiatives in Overseas Geothermal Power Production

### (Sarulla Geothermal IPP)

In June 2015, we joined the Sarulla Geothermal Independent Power Producer (IPP) Project, in the Sarulla district in North Sumatra Republic of Indonesia. This operation will sell electricity over a span of 30 years to Perusahaan Listrik Negara, Indonesia's government-owned electricity company (PLN). Power will be generated from a 330 MW geothermal plant, among the world's largest. Plant construction started in 2014. In 2017, Unit 1 (110 MW) came online in March, Unit 2 (110 MW) in October, and finally Unit 3 (110 MW) in May 2018.

This project is also one of our CSR initiatives: we are making contributions in response to the needs of the local community by building infrastructure for the region, including roads, bridges, and waterworks, introducing English classes for local students, and supporting the lifestyles of local residents. This project contributes to meeting the electric power demands of Indonesia, which has achieved remarkable economic development and is expected to make a significant contribution to the growth of the Indonesian economy.

## Solar Power

INPEX Mega Solar Joetsu is a solar power generation facility with a maximum output of approximately 2,000 kW (2 MW). The facility, which started generating electricity in March 2013, occupies a part of wholly owned subsidiary INPEX Logistics (Japan) Co., Ltd., located in Joetsu City, Niigata Prefecture. Our second 2 MW solar power generation facility, located on a neighboring site, started operation in July 2015. These two solar power facilities are expected to annually generate electricity equivalent to the electricity consumption of approximately 1,600 households.

## Wind Power Generation Initiatives

In 2015, the annual volume of electricity generated throughout the world from renewable energies exceeded that which was generated from fossil fuels and nuclear power. Wind power generation is also becoming the lowest cost choice for many regions adopting new power sources over recent years, largely due to the increased size and efficiency of wind generators. Despite the Japanese market facing many challenges, including site restrictions, wind power generation is being promoted through feed-in tariff system with conditions

that are competitive by international standards.

At the end of 2017, we took our first step toward developing a wind power generation business in Japan to help address local needs and challenges. We are currently building experience in this business field, and by giving our utmost focus to developing our offshore wind power business, we will work towards developments that contribute to Vision 2040.

## Low-carbon Technology

In our efforts toward achieving a low-carbon society, we are participating in an artificial photosynthesis project and technology development projects for utilization of CO<sub>2</sub> being run by the New Energy and Industrial Technology Development Organization (NEDO). The artificial photosynthesis project is one of revolutionary R&Ds that contributes to a reduction in CO<sub>2</sub> emissions via a basic chemical manufacturing process using CO<sub>2</sub> and clean hydrogen converted from water through photocatalysis using solar energy. This project involves the three R&D steps, and of these three R&D steps, we have been participating in the development of photocatalysts that produce hydrogen by water splitting with sunlight, with the aim of achieving a solar energy conversion rate of 10% by the end of fiscal 2021.

The technology development projects for utilization of CO<sub>2</sub> aim to convert CO<sub>2</sub> into fuel, chemical raw materials, and other valuable materials to reduce CO<sub>2</sub> emissions. Among these efforts, our company is engaged in technological development of methanation, which causes CO<sub>2</sub> and hydrogen to react to generate methane. Starting this fiscal year, we plan to start a testing operation that uses the raw CO<sub>2</sub> gas to be removed at the Koshijihara plant at our Nagaoka Field in Niigata. To convert CO<sub>2</sub> to methane as a energy resource and make a sustainable recycling-oriented society a reality, we are working towards future commercialization.



CO<sub>2</sub> methanation test facility currently under construction

# MATERIALITY EMPLOYEES



## Our Policy

In order to constantly strengthen responsible management, INPEX, as a global organization, values workforce diversity and the development of global employees who share common values. To achieve the goals, the HR Division formulated the INPEX HR VISION, which is comprised of four key elements. HR activities based on these elements are implemented from a global perspective, linking employee

development to team performance to contribute to a globally competitive organization.

In fiscal 2018, to further enhance efforts toward diversity, one of the INPEX Values, INPEX communicated the diversity and inclusion (D&I) policy to all stakeholders.<sup>1</sup> Going forward, it plans to push ahead with D&I and improve capabilities across the organization to raise its general appeal as a company receiving higher evaluation from the global community.

## INPEX HR VISION

### 1 Talent Attraction and Engagement

Make INPEX the best place to work – “employer of choice”

- Job satisfaction and opportunity for growth
- Competitive reward programs– “Total Reward”

### 2 Organization Effectiveness

Maximize organizational performance through HR Management Process

- Workforce planning and organization review
- Appropriate placement within the organization

### 3 Focus on People Development

Future leaders and global workforce capability

- Recognize and invest in future leaders
- Proper talent management cycle
- Access to diverse development programs

### 4 HR Excellence

Support business strategy with world-class functional expertise

- Effective, innovative, and trusted HR processes and systems
- Develop HR professionals
- Collaborate globally and share best practices

## Human Resource Development and Utilization

### Human Resource Development

INPEX conducts training to enhance the overall skill level of employees so that the employees can constantly contribute to its business over the long term. INPEX provides not only level-based employee training based on personnel requirements, anticipated future roles, and required capabilities of each employee category but also a range of other programs to rapidly develop employees who can thrive in an international business environment. Those programs include training at overseas offices and study at overseas specialized training institutions.

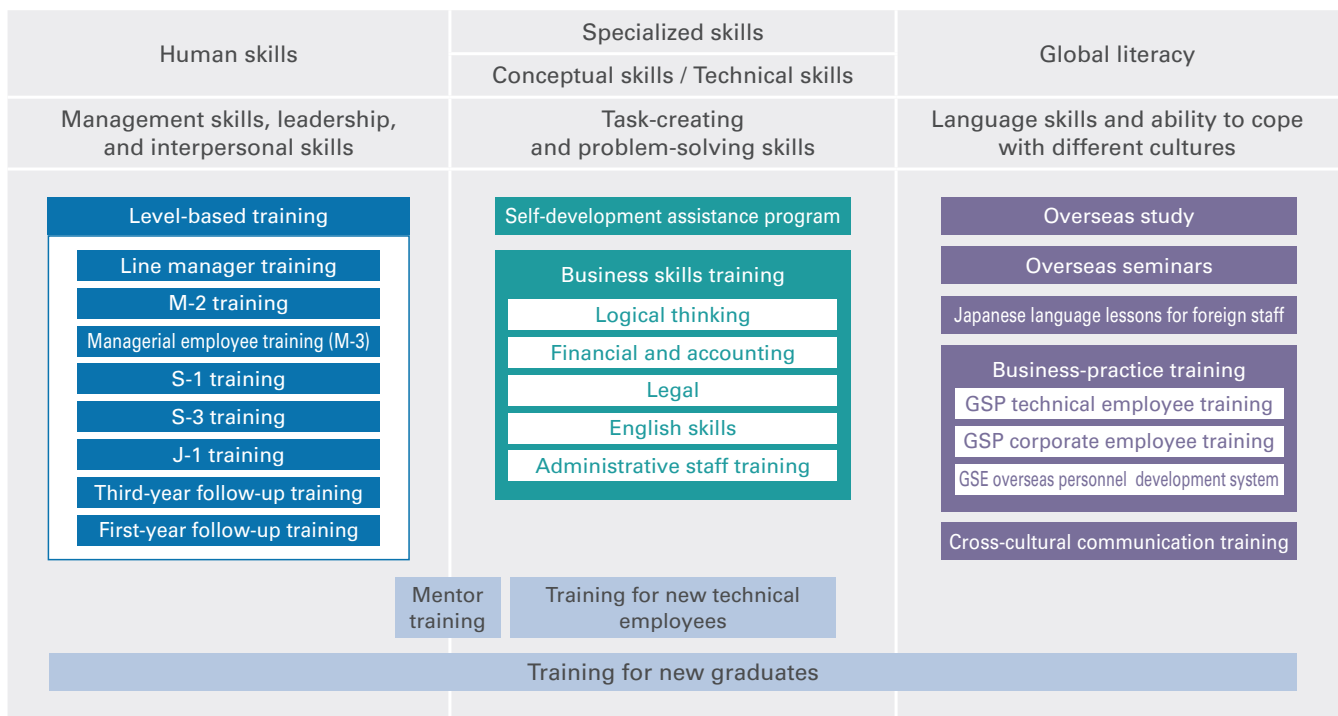
In addition to company-wide group training for new graduates, a mentoring system was introduced whereby an experienced employee is assigned to each graduate for one year to provide work-related guidance and moral support, helping the new graduate adjust to working life. Moreover, INPEX supports career development of each employee. Opportunities are offered for each employee to consider career development. Development plans are created through a three-party career consultation system, which comprises the employee, HR and a superior from his/her own division, and skill maps designed for each specific field.

## HR Evaluation and Placement Structure

To steadily and efficiently accomplish the organizational goals, INPEX aims to maximize the motivation of each employee by enabling employees to establish and implement concrete processes toward their own annual objectives. An INPEX Values-based evaluation system is also implemented at all sites, including Australia and Indonesia, with the degree to which INPEX Values are demonstrated in operations being

an important assessment criterion. In this way, employees with diverse backgrounds and values can go about their tasks with an understanding of the values expected of INPEX employees. Not only will the employees achieve their individual goals, but they are also encouraged to deliver results for the entire organization. Furthermore, employees are given the opportunity once a year to report desired work contents or transfer requests, and a new internal application system, which facilitates appropriate staffing and appointment, was also introduced in fiscal 2017.

### Diagram of Human Resource Development



## Promoting Diversity

### ● Promoting the Advancement of Female Employees

In accordance with the basic policy on diversity and inclusion, INPEX is actively working on creating an environment in which female employees can fully utilize their abilities. A main action plan for general business in Japan was created under Japan's Act of Promotion of Women's Participation and Advancement in the Workplace. INPEX aims to increase the percentage of women in management roles to above 3% and raise the proportion of women among new graduate hires to about 25% within a 5-year period starting in April 2018. INPEX was named a Nadeshiko Brand company in fiscal 2018 in recognition of the initiatives which have been

implemented so far. The office in Australia also launched an INPEX International Women's Day Award to coincide with the March 8 International Women's Day, as part of its efforts to further empower female employees.

### ● Promoting Employment of Persons with Disabilities

INPEX has been proactive in hiring persons with disabilities, considering factors such as job content and workplace environment. As of the end of fiscal 2018 (March 31, 2019), the number of employees with disabilities was 35 (rate of person with disabilities employed: 2.2%). In fiscal 2019, the Japanese offices adopted a speech-to-text app called UD Talk to assist hearing impaired employees. INPEX is taking proactive and reasonable steps to accommodate disability, more than ever.

## Promoting Work-life Balance

In accordance with the basic policy on diversity and inclusion, INPEX is promoting work-life balance, aiming to create an environment where all the employees can work and demonstrate their full potential according to respective circumstances and lifestyles.

As part of efforts to promote work-life balance, a company-wide flextime work system for all employees was introduced in April 2019, which was previously limited to employees involved in childcare and nursing care. INPEX also encourages employees to take consecutive summer holidays and designates days on which they are encouraged to take paid leave. In fiscal 2018, the percentage of paid leave taken was 81.7%.

As a measure to reduce overtime work, every Wednesday is designated as a work-life balance day when employees are encouraged to go home early. Furthermore, if an employee's overtime continuously exceeds a certain number of hours, the supervisor and the HR Division will communicate with the employee to understand the situation, share issues and figure out solutions.

Not only does the company focus on working hours and holidays, but INPEX also respects diversity. A year-round "business casual" work wear policy was introduced in fiscal 2018 to make the work environment even more motivating for employees.

### • Support for Child Raising and Nursing Care

INPEX supports work-life balance for employees who are either raising children or providing care to family members. A variety of support mechanisms that go beyond the legal

requirement have been created for all employees. Child-raising is an important life event, so managers who have child-raising subordinates have been receiving training since fiscal 2017 to ensure that employees can care for their children while continuing to work. The participation of male employees in child raising is also being promoted by the company that has published clear information to summarize the benefits for male employees who take parental leave.

Through those initiatives, INPEX, as "a company that supports child-raising", obtained the Next Generation Support Certification (known as Kurumin Mark) from the Tokyo Labor Bureau for the third time in recognition of the measures taken from fiscal 2015 to 2017.

## Promoting Health Management

### • INPEX Group Health Statement

With the mental and physical health of all employees at the core of the INPEX Group, the company regards health management as a business management topic. In September 2018, the INPEX Group Health Statement was formulated to clarify the company's efforts to support and improve the health of employees and their families, under the supervision of the President, who is also Chief Health Officer.

The statement is a declaration that the company will maintain and improve the physical and mental health of employees as well as their families; that the company aims to build a vibrant corporate culture by creating a work environment which maximizes the potential of all employees; and that employees should improve their lifestyles with the awareness of health self-management and proactively maintain physical and mental health.

## Activities for the Global Promotion of INPEX Values among Employees

Since 2014, INPEX has been carrying out activities to promote its corporate values, known as INPEX Values. Through company-wide surveys, the HR unit has collected nominations for "Values People" - executives, employees and contractors who put the INPEX Values into practice. The fourth survey, conducted in 2018, identified 749 Values People. Each year, in addition to interviews with those who receive the most nominations, a selection of case studies collected from a follow-up survey among all Values People candidates of how they are considering and carrying out INPEX Values in their daily lives, known as "Case studies of INPEX Values", is also published on the intranet. Especially outstanding cases will be granted "INPEX Values Award", as part of the efforts to increase the penetration of INPEX Values.



Winners presenting at the INPEX Values Award ceremony in Australia



## ● Operation of Health Management

Under the leadership of the INPEX President as Chief Health Officer, INPEX is working with its labor union and health insurance union to maintain and improve the health of its employees and create healthy workplaces. For this reason, a health management implementation committee was established, and necessary frameworks are being built. The committee attempts to understand employee health issues and investigate relevant solutions, while implementing ongoing improvements through the PDCA cycle. With the headquarters medical officer also on the committee, INPEX is working to improve the level of expertise among the committee members.

## ● Initiatives to Maintain and Improve Health

In addition to centralized database management of the results of employee health checks, headquarters as well as all offices above a certain size will have a permanent nurse on staff. As part of a structured program of mental and physical health management, the medical staff in each office collaborate on delivering health guidance and dealing with mental health issues.

Starting with a 100% participation in annual health checks, INPEX has implemented a range of measures, from measures related to mental health and overwork to isolation of smoking areas, to maintain and improve the health of employees. To further enhance those initiatives, INPEX is establishing and working toward concrete targets for participation in health checks, participation in stress checks, average overtime work hours, proportion of paid leave taken,

participation in specific health checkups, and implementation of specific health guidance.

The Japanese employees working overseas are provided with immunization against infectious diseases and health checks in Japan once a year. They receive details on medical care in their destination countries, and are covered by an emergency transport system which includes international transport in case of accidents or sickness.

## ● INPEX was selected in the White 500 Category of Certified Health & Productivity Management Outstanding Organizations Recognition Program of 2019

INPEX has been selected in the large enterprise category (White 500) of the 2019 Certified Health & Productivity Management Outstanding Organizations recognition program operated by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, an organization promoting public health. The Certified Health & Productivity Management Outstanding Organizations recognition program awards small, medium and large enterprises for outstanding health management on the basis of their initiatives addressing health issues.

Recognition was received for the efforts to understand employee health issues and implement necessary measures, creating the foundations for health management practice and implementing specific measures for work engagement as well as mental and physical health of employees.



## Building an Environment in which a Diverse Workforce can Flourish

INPEX is building an environment which enables employees from a wide variety of backgrounds to work to their fullest potential. One initiative in Australia and Japan relates to the LGBT community. LGBT training for all employees in Japan has been held since fiscal 2018, enabling participants to understand the concerns held by LGBT people and learn what they should do if an LGBT person “comes out” to them. Training participants have responded with such comments as “It is helpful to have learned basic terminology as well as important points in using the terminology.” In the same year, an internal network of LGBT allies that holds events with external speakers was created, along with other policies, to develop an LGBT-friendly workplace.

In Australia, the Diversity Council of Australia was

invited to the Perth Office to give a presentation, called “Coming Out in the Workplace”, on the latest findings about LGBT people at work. With participants from 40 related institutions and companies, the event offered a great opportunity to positively exchange opinions about cultivating an understanding of LGBT people in the workplace.



LGBT seminar in Japan

# Corporate Data

Trading Name	INPEX CORPORATION
Established	April 3, 2006
Capital	¥290,809,835,000
Headquarters	Akasaka Biz Tower, 5-3-1, Akasaka, Minato-ku, Tokyo 107-6332, Japan
End of Fiscal Year	December
Employees	3,118 (consolidated) as of March 31, 2019
Main Activities	Research, exploration, development, production and sales of oil, natural gas and other mineral resources, other related businesses, and investment and lending to the companies engaged in these activities, etc.

## Reports and publications

Financial information and initiatives not included in this report, as well as the Independent Assurance Report for a portion of the data, are available on the following website.

### Vision 2040

<https://inpx.co.jp/english/company/vision.html>

### Medium-term Business Plan 2018-2022

<https://inpx.co.jp/english/company/midterm.html>

### Annual Report

[https://inpx.co.jp/english/ir/library/annual\\_report.html](https://inpx.co.jp/english/ir/library/annual_report.html)

### Earnings Report

<https://inpx.co.jp/english/ir/library/result.html>

### Securities Report (Japanese only)

<https://inpx.co.jp/ir/library/securities.html>

### Corporate Governance Report

<https://inpx.co.jp/english/company/governance.html>

### Sustainability Report (This report)

<https://inpx.co.jp/english/csr/csr.html>

### Performance Data and Independent Assurance Report

<https://inpx.co.jp/english/csr/data/csldata.html>



※ We have obtained limited assurance of the environmental and social performance indicators marked with ✓ in the Performance Data included in the Sustainability Report 2019 (web edition).

## External Recognition

As of September 2019, INPEX has been selected for inclusion in the following major ESG Indexes.

- FTSE4Good Developed Index
- FTSE4Good Japan Index



- S&P/JPX Carbon Efficient Index



- FTSE Blossom Japan Index



- STOXX Global ESG Leaders Index



- MSCI ESG Leaders Indexes



- SNAM Sustainability Index



- MSCI Japan ESG Select Leaders Indexes



- Nadeshiko Brand



- MSCI Japan Empowering Women Index (WIN)



- Certified Health and Productivity Management Organization 2019 (White 500)



### DISCLAIMER

This report contains not only historical and current facts about INPEX CORPORATION and its affiliates (INPEX), but also forward-looking statements based on forecasts, estimates and plans, etc. Because these forecasts, estimates and plans, etc., are based on information available at the time of reporting, they are subject to uncertainties. Actual future business results and events may differ from these forecasts, estimates and plans. We will accept no liability with regard to such situations. Readers should be aware of this when reading this report.



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We use a font with a universal design in an effort to convey information to more people in an appropriate manner.

# Performance Data

## Governance

Boundary	Item	FY2016	FY2017	FY2018	Unit		
Consolidated	Directors and Executive Officers *1	Domestic *2	Male	40	39	41	persons
			Female	0	1	1	
			Total	40	40	42	
		Overseas	Male	0	0	0	
			Female	0	0	0	
			Total	0	0	0	
	Total Number of Directors and Executive Officers		40	40	42		
	Outside Directors (Figures in parentheses denote the ratio of Outside Directors)		5 (35)	6 (40)	6 (40)	persons (%)	
Outside Auditors (Figures in parentheses denote the ratio of Outside Auditors)		4 (80)	4 (80)	3 (75)			

## Compliance

Boundary	Item	FY2016	FY2017	FY2018	Unit	
Japan, Australia, Indonesia	Number of Internal Reports	Japan	4	6	8	cases
		Australia	6	6	3	
		Indonesia *3	53	62	59	
Japan	Human Rights Training	Attendance Ratio *4	—	98	100	%
		Training Hours	—	659	16	hours
Australia	Equal Employment Opportunity Training	Attendance Ratio *5	—	—	84.2	%
Japan, Australia, Indonesia	Anti-Bribery and Anti-Corruption (ABC) Training	Japan	1,345	918 *6	116 *6	persons
		Australia	1,633	1,641	616	
		Indonesia	185	196	245	

Boundary	Item	Year	Amount	Unit	
Consolidated	Payment Amounts to Governments (EITI)	Kazakhstan	2011	31,282	thousand USD
		Iraq	2013	10,000	
		East Timor	2017	26,569	
		Indonesia	2016	286,766	
		D.R. Congo	2016	23,950	

## HSE (Environmental Data)

Boundary	Item		FY2016	FY2017	FY2018	Unit		
Emissions to the Atmosphere	VOC <sup>#8</sup>	Domestic ✓	523	443	531	tons		
		Overseas	19	82	11,429			
		Total	542	525	11,960			
	NO <sub>x</sub>	Domestic ✓	159	171	154			
		Overseas	53	2,507	3,891			
		Total	212	2,678	4,045			
	SO <sub>x</sub>	Domestic ✓	6	7	6			
		Overseas	1	3	5			
		Total	7	10	11			
Water Consumption <sup>#9</sup>	Domestic ✓	Tap Water	192,202	178,671	170,182	m <sup>3</sup>		
		Water for Industrial Use	177,627	178,983	180,536			
		Groundwater	806,868	837,153	780,154			
		Total	1,176,697	1,194,807	1,130,872			
	Overseas	Tap Water	7,325	7,410	6,541			
		Water for Industrial Use	0	0	0			
		Groundwater	0	0	708			
		Total	7,325	7,410	7,249			
	Total		1,184,022	1,202,217	1,138,121			
Discharge of Produced Water	Domestic ✓	Discharged into Public Water Areas	112,407	121,380	115,297	m <sup>3</sup>		
		Injection Return to Groundwater	809,802	561,213	438,696			
		Total	922,209	682,593	553,993			
	Overseas	Discharged into Public Water Areas	0	0	105,205			
		Injection Return to Groundwater	18,625	2,688	0			
		Total	18,625	2,688	105,205			
	Total		940,834	685,281	659,198			
Waste <sup>#10</sup>	Domestic ✓ <sup>#11</sup>	Non-hazardous Waste (Recycle)	6,889	2,284	1,090	tons		
		Non-hazardous Waste (Final disposal)	611	687	818			
		Hazardous Waste (Recycle)	0	0	0			
		Hazardous Waste (Final disposal)	282	589	586			
		Total	7,782	3,560	2,494			
	Overseas	Non-hazardous Waste (Recycle)	10	4	2			
		Non-hazardous Waste (Final disposal)	39	69	79			
		Hazardous Waste (Recycle)	0	0	0			
		Hazardous Waste (Final disposal)	9	5	0			
		Total	58	78	81			
	Total		7,840	3,638	2,575			
	Oil Spills	Number of Spills		1	9		3	cases
		Quantity of Spills		0.2	0.5		14	bbl

## HSE (Health &amp; Safety)

Boundary	Item			FY2016	FY2017	FY2018	Unit	
Consolidated	Incident Frequency	LTIF <sup>#12</sup>	By Contract ✓	Employees	0.12	0.54	0.42	—
				Contractors	0.10	0.23	0.16	
				Total	0.11	0.28	0.23	
			By Region	Japan	0.39	0.49	0.48	
				Australia	0.10	0.24	0.19	
				Indonesia	0.00	0.00	0.00	
		TRIR <sup>#13</sup>	By Contract ✓	Employees	1.11	1.74	1.55	—
				Contractors	0.95	1.74	1.96	
				Total	0.97	1.74	1.85	
			By Region	Japan	1.96	0.98	0.96	
				Australia	0.89	1.81	2.12	
				Indonesia	0.00	2.20	0.00	
	Fatalities	By Contract	Employees	0	0	0	persons	
			Contractors	0	1	0		
			Total	0	1	0		
			By Region	Japan	0	0		0
		Australia		0	1	0		
		Indonesia		0	0	0		
		Venezuela		-	0	0		
		Lost Time Injury	By Contract	Employees	1	4		3
	Contractors			6	7	3		
	Total			7	11	6		
	By Region			Japan	1	2	2	
			Australia	6	8	4		
Indonesia			0	0	0			
Venezuela			0	1	0			
Restricted Workday Injury	By Contract		Employees	1	0	6	cases	
		Contractors	5	13	14			
		Total	6	13	20			
Medical Treatment of Injury	By Contract	Employees	7	9	2	cases		
		Contractors	44	40	20			
		Total	51	49	22			

## Local Communities

Boundary	Item		FY2016	FY2017	FY2018	Unit
Consolidated	Social Investment	Education and Fostering Future Generations	831.2	774.8	581.0	million yen
		Support for Local Communities	233.4	208.8	679.3	
		Health, Medicine and Sports	17.8	19.1	15.2	
		Support for Disaster-affected Areas	1.1	2.0	11.4	
		Environment	244.3	391.6	320.5	
		Culture and Arts	12.9	10.2	7.4	
		Others	4.4	1.8	0.0	
		Total	1,345.0	1,408.3	1,614.7	
	Percentage of Senior Executives Appointed from Local Communities <sup>#14</sup>	Jakarta office	63.6	63.6	58.3	%
		Perth office	52.7	52.1	59.1	
Total		54.5	54.2	58.9		

## Climate Change (GHG Emissions Management)

Boundary	Item		FY2016	FY2017	FY2018	Unit		
Consolidated <sup>*7</sup>	Direct GHG Emissions (Scope 1) <sup>*15, 16, 17</sup>	Emissions Source	Domestic ✓	Energy Use <sup>*18</sup>	166,248	173,900	171,837	tons-CO <sub>2</sub>
				Flaring	3,308	4,689	3,455	
				Other Ventings & Fugitives	15,678	8,158 <sup>*18</sup>	20,375	
			Raw-CO <sub>2</sub> Venting	169,505	194,068 <sup>*18</sup>	177,700		
			Overseas	Energy Use <sup>*18</sup>	19,466	199,936	1,715,918	
				Flaring	3,221	3,557	2,083,359	
		Other Ventings & Fugitives		0	0	52,916		
		Gas Types	Domestic ✓	Raw-CO <sub>2</sub> Venting	0	0	825,039	
				CO <sub>2</sub> <sup>*18</sup>	339,025	366,891	348,016	
				CH <sub>4</sub>	15,679	13,892	25,317	
			Overseas	N <sub>2</sub> O	36	33	35	
				CO <sub>2</sub> <sup>*18</sup>	22,540	202,566	4,444,865	
	CH <sub>4</sub>			134	525	208,704		
	Total			13	402	23,663		
	Total			377,426	584,309	5,050,600		
	GHG Intensity <sup>*15, 16, 17, 19</sup>			3.03	3.20	16.08	tons-CO <sub>2</sub> /TJ	
	Indirect GHG emissions (Scope 2) <sup>*15, 16</sup>		Domestic ✓	41,405	42,010	38,321	tons-CO <sub>2</sub>	
			Overseas	3,112	2,185	2,328		
			Total	44,517	44,195	40,649		
	Scope 3 GHG Emissions	Purchased Goods and Services		213,864	306,164	170,958	tons-CO <sub>2</sub>	
		Upstream/Downstream Transportation and Distribution <sup>*20</sup>		-	-	100,598		
		Use of Sold Products <sup>*21</sup> ✓		4,584,985	63,308,685	55,950,795		
	Energy Consumption <sup>*22</sup>		Domestic	3,899,154	4,101,809	4,052,740	GJ	
Overseas			739,045	3,234,691	31,907,987			
Total			4,638,199	7,336,500	35,960,727			
Domestic <sup>*7</sup>	Energy Consumption ✓		Natural Gas	73,974	77,596	76,690	thousand Nm <sup>3</sup>	
			Gas Oil	213	68	60	KL	
			Fuel Oil A	0	0	0		
			Kerosene	13	9	9		
			Gasoline	301	274	286		
			Jet Fuel	0	0	0		
			Condensate	0	0	0	tons	
			LPG	7	21	11		
			Purchased Electricity	65,481	70,739	69,693	MWh	
			City Gas	430	444	429	thousand Nm <sup>3</sup>	
Outside Heat Supply	8,380	8,671	9,302	GJ				

## Climate Change (Renewable Energy)

Boundary	Item		FY2016	FY2017	FY2018	Unit
Consolidated	Electricity Generated Using Renewable Energy	Domestic	5,850	5,711	5,809	MWh
		Overseas	6,439	231,649	441,668	
	Total Investment in Renewable Energy <sup>*23</sup>		560	536	1,368	million yen

## Employees (Employment)

Boundary			Item	FY2016	FY2017	FY2018	Unit			
Consolidated	Overall Employees	By Gender (Figures in parentheses denote the ratio)	Male	General Employees	1,906 (78.6)	1,854 (78.6)	1,792 (78.0)	persons (%)		
				Managerial Employees	774 (96.3)	788 (95.1)	779 (94.9)			
				Total	2,680 (83.0)	2,642 (82.8)	2,571 (82.5)			
			Female	General Employees	518 (21.4)	506 (21.4)	505 (22.0)			
				Managerial Employees	30 (3.7)	41 (4.9)	42 (5.1)			
				Total	548 (17.0)	547 (17.2)	547 (17.5)			
			Total	3,228	3,189	3,118				
			By Employment Contract	Permanent Employees	Male	2,680	2,642		2,571	persons
					Female	548	547		547	
		Total			3,228	3,189	3,118			
		Temporary Employees		Male	943	909	572			
				Female	219	194	185			
				Total	1,162	1,103	757			
		By Region	Japan	Permanent Employees	1,639	1,616	1,609	persons		
				Temporary Employees	269	267	273			
				Total	1,908	1,883	1,882			
			Asia and Oceania	Permanent Employees	1,374	1,362	1,297			
				Temporary Employees	845	788	425			
				Total	2,219	2,150	1,722			
			Eurasia	Permanent Employees	34	37	35			
				Temporary Employees	11	14	12			
				Total	45	51	47			
			Middle East and Africa	Permanent Employees	68	65	82			
				Temporary Employees	2	4	5			
				Total	70	69	87			
			Americas	Permanent Employees	113	109	95			
				Temporary Employees	35	30	42			
				Total	148	139	137			
			Unconsolidated	Employees <sup>*24</sup>	Male	1,097	1,016		975	persons
					Female	226	215		219	
					Total	1,323	1,231		1,194	
		Average Length of Service		Male	16.6	16.9	16.7	years		
Female	11.0			11.2	11.4					
Total	15.7			15.9	15.8					
Number of Staff Turnovers	Male	29 and under		6	2	6	persons			
		30-60		15	6	8				
		Total		21	8	14				
	Female	29 and under		0	2	3				
		30-60		4	6	3				
		Total		4	8	6				
Number of Staff Turnovers		25		16	20					
Staff Turnover Rate <sup>*25</sup>		1.99		1.31	1.68	%				
Recruitment	New Graduate Hires	Male		57	33	44	persons			
		Female		13	15	12				
		Total		70	48	56				
	Mid-career Hires	Male		2	1	0	persons			
		Female	5	3	4					
		Total	7	4	4					
Ratio of Standard Minimum Salary to Local Minimum Wage <sup>*26</sup>		1.19	1.17	1.17	times					
Number of Employees Working under Re-employment Contracts		49	55	49	persons					
Labor Union Participation Rate <sup>*27</sup>		70.8	71.2	60.7	%					



## Employees (Work-life Balance)

Boundary	Item		FY2016	FY2017	FY2018	Unit	
Unconsolidated	Monthly Average of Overtime Work		19.8	18.2	18.2	hours	
	Average Days of Paid Leave Taken ( ) Average Rate of Paid Leave Taken <sup>*28</sup>	Male	14.1 (75.2)	14.7 (77.8)	15.1 (80.6)	days (%)	
		Female	17.0 (92.0)	16.3 (88.4)	15.9 (86.7)		
		Total	14.6 (78.2)	15.0 (79.7)	15.2 (81.7)		
	Rate of Receipt of Physical Examinations and Checkups		99.7	100	100	%	
	Number of Employees Taking Maternity Leave		20	16	21	persons	
	Number of Employees Taking Advantage of Parental Leave System <sup>*29,30</sup>	Male	Number of Employees	12	11	20	persons
			Rate of those returning to work <sup>*31</sup>	100	100	100	%
			Retention Rate <sup>*32</sup>	100	100	91.7	
		Female	Number of Employees	23	30	31	persons
			Rate of those returning to work <sup>*31</sup>	100	100	100	%
			Retention Rate <sup>*32</sup>	100	100	100	
		Total	Number of Employees	35	41	51	persons
			Rate of those returning to work <sup>*31</sup>	100	100	100	%
		Retention Rate <sup>*32</sup>	100	100	95.5		
	Number of Employees Taking Advantage of Shortened Working Hours for Childcare, and Flextime Work System	Male	17	27	37	persons	
		Female	29	41	44		
		Total	46	68	81		
	Number of Employees Taking Child Healthcare Leave	Male	28	38	40	persons	
		Female	36	39	41		
		Total	64	77	81		
	Number of Employees Taking Advantage of Childcare, Nursery, and Babysitter Subsidies	Male	40	40	45	persons	
		Female	10	16	18		
Total		50	56	63			
Number of Employees Taking Advantage of Nursing Care Leave System	Male	0	0	0	persons		
	Female	1	1	0			
	Total	1	1	0			
Number of Employees Taking Advantage of Shortened Working Hours for Nursing Care System	Male	0	0	0	persons		
	Female	0	0	1			
	Total	0	0	1			
Number of Employees taking Special Leave for Family Care	Male	4	5	8	persons		
	Female	5	7	6			
	Total	9	12	14			
Number of Employees with Disabilities (Figures in parenthesis denote the percentage in total employment)		30 (1.9)	33 (2.1)	35 (2.2)	persons (%)		
Number of Employees Utilizing Volunteer Leave System		14	4	27	persons		

## Employees (Human Resource Development)

Boundary	Item		FY2016	FY2017	FY2018	Unit	
Unconsolidated	Number of Participants in Training Programs	Level-specific Training <sup>*18</sup>	428	356	447	persons	
		Business Skill Training	113	135	132		
		Language Training	6	1	0		
		Overseas and Domestic Office Training <sup>*18</sup>	24	21	28		
		Overseas Specialized Training	22	54	47		
		Study Overseas Program	8	10	9		
		HSE Training <sup>*33</sup>	85	2,446	1,504		
	Training Hours per Person	By Gender	Male	58.7	62.0	86.8	hours / person
			Female	56.9	62.6	67.0	
		Total	58.3	62.2	82.7		
	Training Expenditure per Person		192,501	205,250	193,368	yen	
	Employees who Seek Personal and Career Development Reviews Regularly	By Gender	Male	100	100	100	%
			Female	100	100	100	
		Total	100	100	100		
		Category of Employee	Managerial Employees	100	100	100	
			General Employees	100	100	100	
Total		100	100	100			

## Notes

### ■ Scope of Report

- INPEX CORPORATION and its 65 consolidated subsidiaries.
- HSE and GHG Emissions Management data: Headquarters, Technical Research Center, overseas offices and domestic and overseas Operational Organizations.

### ■ Third-Party Assurance

The data marked with the symbol ✓ are provided an independent third-party assurance in this report.

### ■ Notes

(The total amount may not match the sum of each figure due to rounding)

- ※1 Number of persons who are elected by resolutions at Ordinary General Meeting of Shareholders every June.
- ※2 In fiscal 2018, the percentage of female executive officers was 2.3%.
- ※3 The number of internal reports at the Indonesia office includes consultation on the procedures for ABC (anti-bribery and anti-corruption) measures.
- ※4 In fiscal 2017, the training was provided for all directors, officers and domestic employees; in fiscal 2018, the training was provided for only new employees.
- ※5 The training was provided for employees at all Australia locations (Group employees/Temporarily transferred employees/Fixed-term employees).
- ※6 The data includes the number of participants in training at overseas locations excluding Australia and Indonesia.
- ※7 Does not include contractor / subcontractor data.
- ※8 VOC emissions are calculated using the "PRTR Release and Transfer Calculation Manual for Oil Refineries and oil storage depots, etc." published by the Petroleum Association of Japan.
- ※9 The quantity of seawater usage is not included.
- ※10 Waste are defined as hazardous waste in accordance with the laws of each country. Within Japan, "specially controlled industrial waste" as stipulated in the Act on Waste Disposal and Public Cleansing are set as "hazardous waste" and other waste (including "industrial waste" and "municipal waste") are set as "non-hazardous waste."
- ※11 Since general waste discharge volume by disposal category is uncertain, the entire discharge volume of general waste has been included in the final disposal amount.
- ※12 The rate of injuries resulting in fatalities or lost time per million hours worked (LTIF: Lost Time Injury Frequency).
- ※13 The rate of total fatalities, lost work day cases, restricted work day cases, and medical treatment cases per million hours worked (TRIR: Total Recordable Injury Rate).
- ※14 Executive management means the managerial positions at senior manager grade or higher.
- ※15 This includes energy-related GHG emissions and non-energy GHG emissions, such as CO<sub>2</sub> emissions caused by flaring of natural gas, etc. (flare dispersal), methane emissions (CO<sub>2</sub> equivalent) caused by venting of natural gas, etc. (vent dispersal), and amounts dispersed when CO<sub>2</sub> contained in natural gas is separated and removed (dispersal of separated CO<sub>2</sub>).
- ※16 Domestic GHG emissions produced by INPEX are calculated using the unit calorific values and emission coefficients in accordance with calculation standards stipulated in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. GHG emissions resulting from electric power purchased are calculated using the adjusted emission coefficients. In other countries, calculations are carried out in accordance with local laws and regulations and rules for HSE-related data.
- ※17 "Direct GHG Emissions (Scope 1)" and "GHG Intensity" do not include "Scope 3 GHG Emissions from Use of Sold Products".
- ※18 The revision of the calculation method resulted in a change in the data disclosed in Sustainability Report 2018.
- ※19 The unit described here shows the GHG emissions of the heat production rate per consolidated production of oil and natural gas. The revision of the calculation method resulted in a change in the data disclosed in Sustainability Report 2017.
- ※20 From fiscal 2018, emissions from LNG carriers chartered by our wholly owned subsidiary INPEX Shipping are disclosed.
- ※21 For scope 3 GHG emissions from use of sold products, results are calculated under the assumption that the oil, natural gas and LPG sold in fiscal 2016 in Japan and sold in fiscal 2017 and 2018 both domestically and overseas was completely combusted. The emissions are calculated by multiplying total sales volume by a CO<sub>2</sub> emissions coefficient. In fiscal 2015, results were calculated according to the emissions factor of the Japanese Energy Conservation Act and Global Warming Countermeasure Act, while in fiscal 2017 and 2018, emissions were calculated using emission factors from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.
- ※22 The calculation method and conversion coefficients are set in accordance with the laws and regulations of each country (including the Act on the Rational Use of Energy [Energy Conservation Act] in Japan).
- ※23 Only the amount of total investment in renewable energy in Japan is disclosed. Amounts of our overseas investment are confidential, and thus, not disclosed.
- ※24 Data of Japan and the Jakarta, Houston and London offices is included, but due to the revision of the calculation method, the Jakarta Office is excluded from fiscal 2017 and the Houston Office is excluded from fiscal 2018.
- ※25 Calculated based on the number of resignees. Resignees here exclude retirees and resigned executive officers.
- ※26 The Ministry of Health, Labour and Welfare lists the minimum value among all companies based on the most recently published minimum wage per region.
- ※27 Fixed-term employees are not included.
- ※28 Some fixed-term employees equivalent to employees are included.
- ※29 Employees have the right to apply for parental leave if they wish to take leave for the purpose of childcare, live in the same residence as a child under the age of one year and are raising that child.
- ※30 States the cumulative number of people .
- ※31 Returned employees in the current fiscal year / employees expected to return in the current fiscal year × 100.
- ※32 The total number of employees retaining employment 12 months after return from leave / number of employees returning to work in the previous fiscal year × 100.
- ※33 From fiscal 2017, the number of e-learning training participants is included.

# Independent Assurance Report



## Independent Assurance Report

To the President and CEO of INPEX CORPORATION

We were engaged by INPEX CORPORATION (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ✓ for the period from April 1, 2018 to March 31, 2019 (the "Indicators") included in its Sustainability Report 2019 (the "Report") for the fiscal year ended March 31, 2018.

### The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Domestic Exploration & Production Division East Japan Regional Office Nagaoka Field Office selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

### Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

### Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

A handwritten signature in blue ink that reads 'S. Futaba'.

SOCOTEC CERTIFICATION JAPAN

Tokyo, Japan

July 19, 2019

***INPEX***  
***INPEX CORPORATION***

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