

# Idemitsu Group's Sustainability

At Idemitsu group, we value contributing to society through our business. Our mission is to continue supplying energy that supports people's lifelines while contributing to social development. In recent years, the environmental impact of energy use has become a major social issue, and we recognize that harmony with the global environment and society is an important and urgent issue. Accordingly, with

a long-term perspective, we have identified priority topics that it should prioritize during the medium-term management plan as materiality. The entire our group will work as one to resolve issues of materialities, with the aim of achieving our sustainable development with the global environment and society.

## Relationship Between Priority Topics (Materialities) and SDGs

Materiality	Major initiatives
<p><b>Structural reform to core revenue base businesses</b></p> <p>Build a strong supply chain and further strengthen stability and competitiveness through collaboration with partners in the revenue base business centered on petroleum products and chemicals.</p>	<ul style="list-style-type: none"> <li>■ Pursuing profitability in the petroleum business (maximizing integration synergies, making refineries more reliable) ➡ P.21-23, 41</li> <li>■ Enabling Nghi Son Refinery to contribute to profits ➡ P.22</li> <li>■ Using the pacific rim supply chain to meet growing demand in Asia ➡ P.21-24</li> <li>■ Southeast Asia gas development ➡ P.31</li> </ul>
<p><b>Expansion of growth businesses</b></p> <p>Expand business scale and scope by strengthening R&amp;D in growth fields such as functional materials and renewable energy, which are becoming increasingly necessary in the world.</p>	<ul style="list-style-type: none"> <li>■ Expansion of business scale and domains (M&amp;As on a scale of ¥100 billion during the medium-term management plan period)</li> <li>■ Increasing the share of functional materials business to 30% by 2030 ➡ P.25-28</li> <li>■ Increasing total power generated from renewable energy to 5GW by 2030 (of which, 4GW is renewable energy) ➡ P.29-30</li> <li>■ Transformation of solar-power business ➡ P.29-30</li> <li>■ Development of black pellets (biomass fuel) ➡ P.32</li> <li>■ Strengthen development of functional materials through open innovation</li> </ul>
<p><b>Creation of next-generation businesses</b></p> <p>Accelerate technological innovation and innovation beyond organizational frameworks to create new businesses with an eye toward the future.</p>	<ul style="list-style-type: none"> <li>■ Creating new businesses with an eye on social changes, diversifying customer needs, lessening environmental impact ➡ P.39</li> <li>■ Development of next-generation service stations ➡ P.23</li> <li>■ Distributed energy business development, etc. ➡ P.42</li> <li>■ Circular business ➡ P.24, 30</li> </ul>
<p><b>Harmony with the global environment and society</b></p> <p>Promote measures to realize a low-carbon and recycling-oriented society in consideration of climate change risks, and promote diversity and inclusion in partnership with business partners, communities, and employees.</p>	<ul style="list-style-type: none"> <li>■ Efforts to reduce GHGs (2030: Down 2 million t-CO<sub>2</sub> vs. 2017 (down 15%)) ➡ P.43-44</li> <li>■ Contributing to areas in which we conduct business ➡ P.23</li> <li>■ Practice of diversity and inclusion ➡ P.33-35</li> <li>■ Improving employee satisfaction ➡ P.36</li> <li>■ SDGs educational activities ➡ P.18</li> </ul>
<p><b>Progress in governance</b></p> <p>Strengthen governance functions to maintain the trust of shareholders and all other stakeholders.</p>	<ul style="list-style-type: none"> <li>■ Enhancing roles and functions of the Board of Directors ➡ P.51-54</li> </ul>
<p><b>Acceleration of digital innovations</b></p> <p>Capitalize on evolving digital technologies to transform existing business processes and management in response to the business environment and customer needs.</p>	<ul style="list-style-type: none"> <li>■ Utilizing digital technologies to create new values</li> <li>■ Digitalization of core businesses (established in January 2020 "Digital Innovation Department")</li> </ul>

Mainly related SDGs	Risks and opportunities (impact on society and Idemitsu group)
   	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Resource (energy, water, materials and land) use may increase due to business expansion</li> <li>Reputation decline and increased costs for environmental measures</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>GHG emissions reductions from energy efficiency improvements that could lead to cost savings in our company</li> <li>Contributions to the improvement of accessibility to basic services such as energy infrastructure, employment, and income distribution in new business areas. With those contributions, it is expected that we will strengthen its ties with the local regions</li> </ul>
   	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Resource (energy, water, materials and land) use may increase due to business expansion</li> <li>Reputation decline and increased costs for environmental measures</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>Promoting R&amp;D can create new products and services that simultaneously create technological innovation, solve social issues, and increase our profits</li> <li>Opportunities to expand low-carbon products and services</li> <li>Opportunities to expand agri-bio businesses that contribute to safe and secure food</li> </ul>
   	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Resource (energy, water, materials and land) use may increase due to business expansion</li> <li>Reputation decline and increased costs for environmental measures</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>Promoting R&amp;D can create new products and services that simultaneously create technological innovation, solve social issues, and increase our profits</li> <li>Opportunities to expand the renewable energy business</li> <li>New business establishments and reputation improvement through reduction of environmental impact and effective use of resources</li> </ul>
   	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Risk of increased costs such as capital investment to achieve GHG reductions</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>Practices of specific measures to climate change can lead to improvement of our company's reputation</li> <li>Opportunities for co-creation with partners through new initiatives</li> <li>Opportunities for regional revitalization, invigorating local economic cycles, and strong partnership between our company and the region</li> <li>Opportunities to promote understanding of diversity among employees, which can lead to improvements in the workplace environment and the creation of diversified innovations</li> </ul>
	<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>Transparency and fairness enhancement</li> <li>Initiatives promotion support</li> </ul>
 	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>Increased initial investment costs associated with the introduction of new systems and the risk of problems during the transition period</li> </ul> <p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>Opportunities to reduce costs and create time by improving operational efficiency</li> <li>Opportunities to solve social problems through technological innovation</li> </ul>

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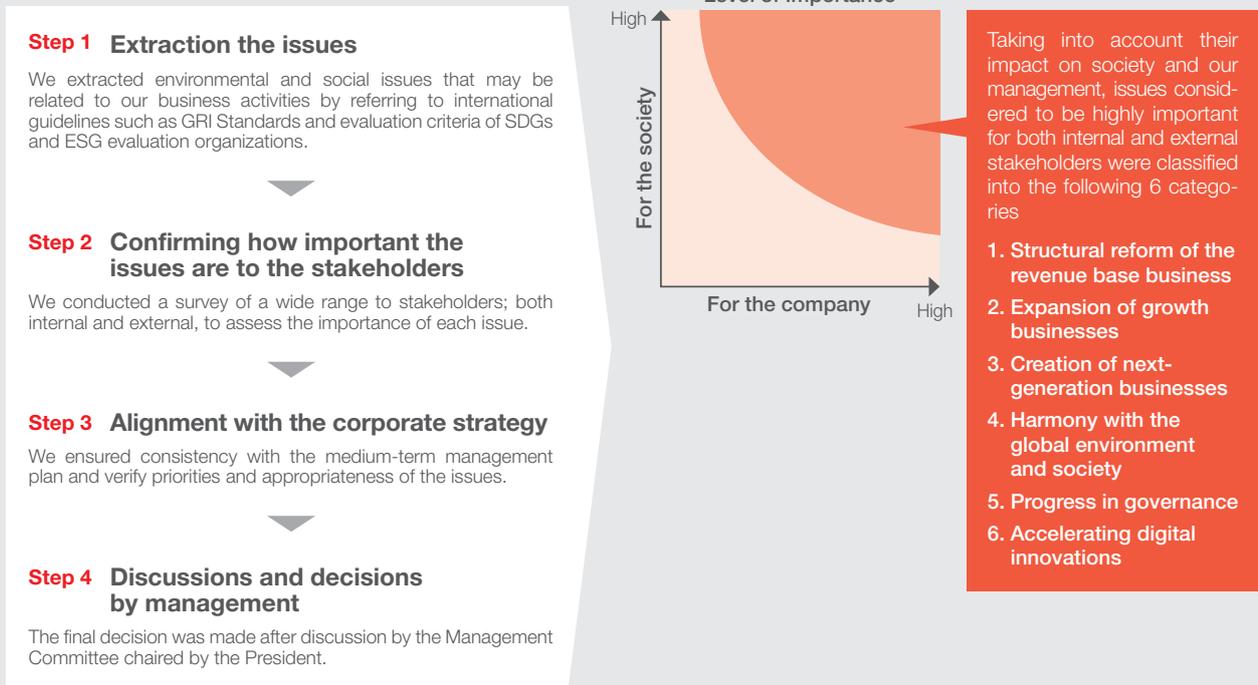
## Materiality Identification Process

In determining materiality, we identified issues to be considered by referring to international guidelines such as the GRI Standards and ISO26000, as well as research items from SDGs and ESG evaluation organizations. Idemitsu group's business activities and environmental and social issues that could be affected by these activities were identified and sorted out into 38 categories. We also conducted a questionnaire survey of internal and external stakeholders, including

customers, business partners, shareholders, investors, and group employees, to confirm their expectations.

In the end, we identified six materialities by aligning them with our medium-term management plan, which is our corporate strategy, and taking into account discussions at the management level. Materiality is closely linked to corporate and departmental strategies, and is priority topics in our medium-term management plan.

As an energy co-creation company, we continue to challenge new values creation with various stakeholders. In order to do so, we considered priorities from a long-term perspective, taking into account environmental and social issues, and set them as our priority topics "Materialities."



## Relevance Between Materialities and SDGs

We considered the impact on the SDGs through the promotion of key initiatives that are classified as materiality and linked to materiality. We realize that all goals of the SDGs are connected to each other. Therefore, our business activities will bring impact, not only to one specific goal, but also the SDGs as a whole, although the impact itself may vary from one goal to another. In particular, we believe that the following three areas can contribute to the achievement of goals through our business activities.

### Areas where goals can especially be achieved



While working to achieve the goals, there are also aspects in which promoting the achievement of the goals leads to increased use of resources and GHG emissions. We recognize that our busi-

ness activities might impose burden to the following areas and keep us away from achieving the goals. Therefore, it is necessary to make serious efforts to address them.

### Areas that especially need to be addressed due to possibility of risks arising from business activities



We are considering measures to minimize or eliminate the impact of these social issues. Specifically, we will set reduction targets for GHG emissions related to the use of petroleum resources and the risk of climate change, and will consider measures to achieve them. The entire group will also work together to promote the recycling of plastics and other petrochemical products and solar panels.

## Our Group's Efforts to Promote Understanding of SDGs

We will use the SDGs as an opportunity to raise the awareness of each employee so that they can see social issue as their own issues and take initiative in solving them. We will essentially promote the SDGs understanding through workshops and internal information media. The SDGs, which combine the views of experts from various fields, member countries, and various stakeholders, serve as a valuable reference for us in pursuing sustainable growth together with

society. We are confident that by raising each employee's awareness of social issues through the SDGs, we will be aware of the link between our business activities and social issues and will create measures to solve them. We will promote understanding of the SDGs through internal communication so that the key points of the SDGs are reflected in future corporate strategy and materiality.

At present, we consider the following to be important points of SDGs.



- Acknowledging from multiple perspectives
- Having a sense of connectedness and inclusiveness
- Thinking in an integrated manner and deriving a solution
- Visualizing and taking action

### Examples of initiatives in FY2019



181 new employees participated in the "SDGs Workshop" held on April 3 as part of the new employee education program.



For employees' children (elementary school students), "Children's Visit & SDGs Workshop" was held on August 8 and 9.

## Signing of the United Nations Global Compact

Idemitsu announced its support for the United Nations Global Compact (UNGC) in July 2019. The 10 principles on human rights, labor, the environment, and anticorruption represent the most fundamental aspects of corporate compliance. Idemitsu group will promote

responsible management from a global perspective, respond to requests from stakeholders, and contribute to the creation of a sustainable society.



## Support for TCFD Recommendations

Idemitsu expressed its support for the TCFD (Task Force on Climate Financial Disclosures) recommendations in February 2020. Considering and implementing the risks and opportunities of climate change and their countermeasures in line with the TCFD recommendations are the very essence of our business strategy and we

believe that these will lead to contributions to a sustainable society. We will use the TCFD framework to appropriately disclose information to stakeholders and make sincere efforts to address climate change.

## Dialogue with Stakeholders

Our group's Management Vision is to continue to create new values together with stakeholders.

Through responsible dialogues with a wide range of stakehold-

ers, we strive to contribute to sustainable improvement of corporate value and social development through our business activities.

Stakeholders	Initiatives
All	<ul style="list-style-type: none"> <li>■ Information disclosure via website</li> </ul>  Official website
Shareholders and investors	<ul style="list-style-type: none"> <li>■ Information disclosure to individual investors</li> <li>■ Information disclosure to analysts and institutional investors</li> </ul>
Customers	<ul style="list-style-type: none"> <li>■ Maximizing the role of customer center counters</li> <li>■ Public relations activities through advertising</li> </ul>  Customer center counters
Corporate customer	<ul style="list-style-type: none"> <li>■ Holding customer seminars</li> </ul>
Community	<ul style="list-style-type: none"> <li>■ Holding regional explanatory meetings (report on safety and environmental activities)</li> <li>■ Implementation of environmental education</li> <li>■ Implementation of environmental protection activities</li> </ul>
Employee	<ul style="list-style-type: none"> <li>■ Next Forum ➡ P.36</li> <li>■ Conducting an employee engagement survey ➡ P.36</li> </ul>