



# Natural Capital

## Concept of Natural Capital

Idemitsu group is committed to creating new values while maintaining harmony with the environment and society. In order to realize a sustainable society, we will improve our business value while considering various natural capital (air, water, land, etc.). As a company that handles fossil fuels, we are particularly focused on climate change, setting CO2 reduction targets, and working to reduce environmental impact.

We are also working to protect the global environment through the appropriate resource allocation and the proactive promotion of advanced initiatives to solve global warming and other environmental problems. In order to achieve this goal, we have established a policy regarding environmental conservation that positions global and regional environmental conservation as an important value in all our business activities.

### ■ Environmental Protection Policy

1. Make an effort to prevent leaks and contamination and contribute to environmental protection.
2. Actively contribute to preventing global warming and make an effort to reduce greenhouse gases emitted through our business activities.
3. Effectively use resources in all our business activities.
4. Promote green procurement when purchasing material, construction work, services, etc.
5. Be aware of the importance of biodiversity and actively contribute to its maintenance.
6. Work to develop and diffuse technologies and products that create a better environment.
7. Set environmental objectives based on the annual basic policies, and gather power from within and outside the organization to achieve those objectives.
8. Continually improve the Environmental Management System to enhance environmental performance.
9. Actively disclose environmental information and promote communication with parties outside the company to ensure the reliability of our company and improve corporate value.

## Safety & Environmental Protection Headquarters

We have positioned "Safety, Health and the Environment" as the foundation of its management, and has established the "Safety & Environmental Protection Headquarters" to promote initiatives to secure and preserve them. It is comprised of the General Manager and the Deputy General Manager of the Safety & Environmental Protection Headquarters, general managers of executive departments that manage business sites, other managers appointed by the General Manager of the Safety & Environmental Protection Headquarters and the secretariat. The executive officer in charge of safety assurance and environmental protection issues (director), who is delegated by the President and Representative Director, serves as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the person in charge of safety, health, and environment, and the Safety, Environment (HSSE) & Quality Assurance Department serves as the secretariat.

The role of the Headquarters is to determine the Medium-term Management plan, the annual basic policies and priority issues on HSSE, to assess and evaluate performance through audits, to maintain, review, and improve the Safety Management System and the Environmental Management System (Idemitsu Sustainability Report 2019 P. 16), and to

instruct all executive departments and major group companies to secure management resources necessary to establish, implement, maintain, and continually improve the Management Systems. As a general rule, the Safety & Environmental Protection Headquarters Meeting shall be held once a year in December to decide on our annual basic policies for the next fiscal year.

When establishing and reviewing the Medium-term Management Plan, the annual basic policies and priority issues on HSSE, the secretariat creates a draft proposal putting into consideration of the social environment surrounding HSSE. The secretariat holds deliberations on the draft at the Safety and Environmental Managers Meeting, and get approval at Safety and Environmental Protection Headquarters Meeting. After approval by the General Manager of the Safety & Environmental Protection Headquarters, the secretariat reports them to the Management Committee. If the instructions or opinions from the Management Committee are to be reflected, the General Manager of the Safety & Environmental Protection Headquarters approves the final version again.

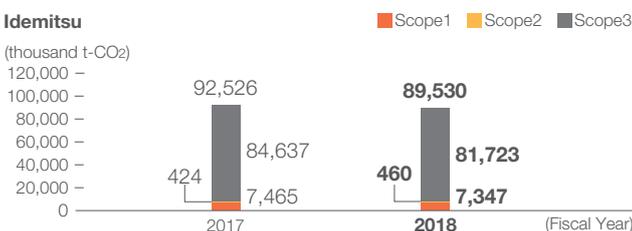
Environmental issues, including climate change, are reported to the Board of Directors as necessary and can be oversighted by the Board of Directors.

## Concept of Climate Change Mitigation

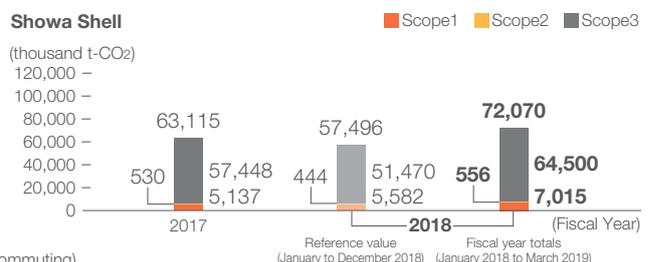
We believe it is important to reduce GHG (greenhouse gas) emis-

sions not only our Scope 1 and 2 emissions, but also throughout the value chain including Scope 3, because emissions from the con-

### ■ Our group's CO2 Emissions by Scope



\* Idemitsu's results for FY2017 do not include S3 -6 (Business Travel) and S3 -7 (Employee commuting).



sumption of our products (Scope3) are overwhelmingly larger than those from direct emissions (Scope1) of refineries, plants, and factories or emissions from electricity use (Scope2). (Refer to the figure

below left). In particular, we place top priority on reducing CO<sub>2</sub>, which accounts for more than 90% of Japan's GHG emissions.

## CO<sub>2</sub> Reduction Targets and Monitoring Indicators

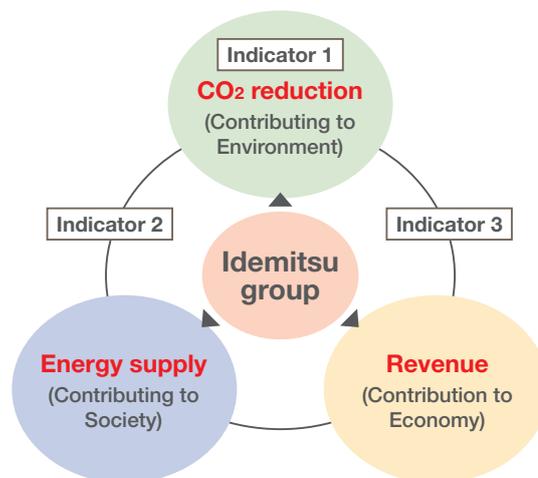
We recognize that environmental contribution by reducing own CO<sub>2</sub> emissions is not enough in the light of corporate sustainability. At the same time, we believe it is important to contribute to society by providing low-carbon energy with a view to the transition to a low-carbon society in the future, and to contribute to the economy by continuing to generate profits while transforming our business portfolio.

In addition to its fossil fuel business, we conduct business related to the development of renewable energy and environmentally friendly products, as well as research aimed at solving social issues. These activities contribute to the reduction of CO<sub>2</sub> emissions on a global scale throughout our value chain. We recognize that this concept will become even more important in the future along with the reduction of CO<sub>2</sub> emissions by the Group.

Based on this recognition, our group will accelerate its efforts to reduce CO<sub>2</sub> emissions by establishing 3 indices.

The CO<sub>2</sub> reduction targets in Indicator 1 are set in Japan's 2030 Nationally Determined Contribution of GHG reduction targets in a way that greatly surpasses the targets of industry associations to which we belong. Indicator 2 is based on the assumption that energy demands of customers are stably supplied. At present, indicator level is set in a manner that is consistent with the levels required by society as outlined in our company's scenario "Prism." However, we will revise the indicator level as needed while monitoring trends in low carbon energy demand by society.

To achieve the following target and indicator level, we will work to develop renewable energy using abiotic services derived from natural capital, such as solar, geothermal, and wind power. We aim to contrib-



### Specific areas of action

- Promotion of energy conservation and zero emission of power consumption
- Provision of environmentally friendly products and services
- Expansion of renewable energy power generation
- Expanding supply of biomass fuels
- Development and social implementation of innovative technologies

ute to the reduction of CO<sub>2</sub> emissions through the supply of low-carbon energy.

#### Target value

**Indicator 1** **Scope1 + 2 Reduction of Our group**  
 (An indicator of the extent to which "Scope1 + 2 emissions" has been reduced through promotion of energy conservation activities at refineries, plants, and factories, etc.)

**2030 Target (compared to 2017 levels): 2 million ton-CO<sub>2</sub> (▲15%)**

**Calculation formula** = CO<sub>2</sub> emissions in target year (Scope1 + 2) - CO<sub>2</sub> emissions in base year (Scope 1 + 2)

#### Monitoring indicator

**Indicator 2** **Low carbon level of supplied energy**  
 (Indicator of the extent to which an energy company can reduce the "CO<sub>2</sub> emissions per unit of energy" supplied to society)

**2050 Indicator Level (compared to 2017 level):▲30%**

**Calculation formula** = 
$$\frac{\text{CO}_2 \text{ emissions (Scope1 + 2 + 3) - CO}_2 \text{ avoided emissions}^*}{\text{Amount of energy supplied to society}}$$

**Indicator 3** **Degree of carbon exit from corporate earnings**  
 (Indicator of how the "Revenue level per unit of CO<sub>2</sub>" emitted by the company as a whole is being raised)

**Calculation formula** = 
$$\frac{\text{Revenue}}{\text{CO}_2 \text{ emissions (Scope1 + 2 + 3) - CO}_2 \text{ avoided emissions}^*}$$

\* CO<sub>2</sub> reduction contribution through the entire value chain