



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	Mainly related SDGs	Risks and opportunities (impact on society and Idemitsu group)
<p>Structural reform to core revenue base businesses</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"> Pursuing profitability in the petroleum business (maximizing integration synergies, making refineries more reliable) Enabling Nghi Son Refinery to contribute to profits Using the pacific rim supply chain to meet growing demand in Asia Southeast Asia gas development 		<p>Risk</p> <ul style="list-style-type: none"> Resource (energy, water, materials and land) use may increase due to business expansion Reputation decline and increased costs for environmental measures <p>Opportunity</p> <ul style="list-style-type: none"> GHG emissions reductions from energy efficiency improvements that could lead to cost savings in our company 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
<p>Expansion of growth businesses</p> <p>Expand business scale and scope by strengthening R&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"> Expansion of business scale and domains (M&As on a scale of ¥100 billion during the medium-term management plan period) Increasing the share of functional materials business to 30% by 2030 Increasing total power generated from renewable energy to 5GW by 2030 (of which, 4GW is renewable energy) ➡P.20 Transformation of solar-power business Development of black pellets (biomass fuel) ➡P.20 Strengthen development of functional materials through open innovation 		<p>Risk</p> <ul style="list-style-type: none"> Resource (energy, water, materials and land) use may increase due to business expansion Reputation decline and increased costs for environmental measures <p>Opportunity</p> <ul style="list-style-type: none"> Promoting R&D can create new products and services that simultaneously create technological innovation, solve social issues, and increase our profits Opportunities to expand low-carbon products and services Opportunities to expand agribio businesses that contribute to safe and secure food
<p>Creation of next-generation businesses</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"> Creating new businesses with an eye on social changes, diversifying customer needs, lessening environmental impact ➡P.22 Development of next-generation service stations Distributed energy business development, etc. Circular business ➡P.23-24 		<p>Risk</p> <ul style="list-style-type: none"> Resource (energy, water, materials and land) use may increase due to business expansion Reputation decline and increased costs for environmental measures <p>Opportunity</p> <ul style="list-style-type: none"> Promoting R&D can create new products and services that simultaneously create technological innovation, solve social issues, and increase our profits Opportunities to expand the renewable energy business New business establishments and reputation improvement through reduction of environmental impact and effective use of resources
<p>Harmony with the global environment and society</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"> Efforts to reduce GHGs (2030: Down 2 million t-CO₂ vs. 2017 (down 15%)) ➡P.19 Contributing to areas in which we conduct business ➡P.26, 45-48 Practice of diversity and inclusion ➡P.31, 34 Improving employee satisfaction ➡P.35 SDGs educational activities ➡P.12 		<p>Risk</p> <ul style="list-style-type: none"> Risk of increased costs such as capital investment to achieve GHG reductions <p>Opportunity</p> <ul style="list-style-type: none"> Practices of specific measures to climate change can lead to improvement of our company's reputation Opportunities for co-creation with partners through new initiatives Opportunities for regional revitalization, invigorating local economic cycles, and strong partnership between our company and the region Opportunities to promote understanding of diversity among employees, which can lead to improvements in the workplace environment and the creation of diversified innovations
<p>Progress in governance</p> <p>Strengthen governance functions to maintain the trust of shareholders and all other stakeholders.</p>	<ul style="list-style-type: none"> Enhancing roles and functions of the Board of Directors ➡P.52-55 		<p>Opportunity</p> <ul style="list-style-type: none"> Transparency and fairness enhancement. Initiatives promotion support.
<p>Acceleration of digital innovations</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"> Utilizing digital technologies to create new values Digitalization of core businesses (established in January 2020 "Digital Innovation Department") 		<p>Risk</p> <ul style="list-style-type: none"> Increased initial investment costs associated with the introduction of new systems and the risk of problems during the transition period <p>Opportunity</p> <ul style="list-style-type: none"> Opportunities to reduce costs and create time by improving operational efficiency. Opportunities to solve social problems through technological innovation

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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."

Step 1 Extraction the issues

We extracted environmental and social issues that may be related to our business activities by referring to international guidelines such as GRI Standards and evaluation criteria of SDGs and ESG evaluation organizations.

Step 2 Confirming how important the issues are to the stakeholders

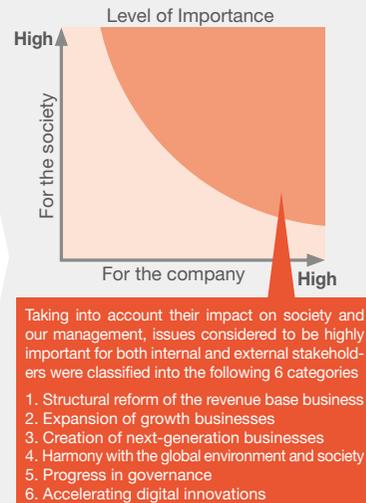
We conducted a survey of a wide range to stakeholders; both internal and external, to assess the importance of each issue.

Step 3 Alignment with the company-wide strategy

We ensured consistency with the medium-term management plan and verify priorities and appropriateness of the issues.

Step 4 Discussions and decisions by management

The final decision was made after discussion by the Management Committee chaired by the President.



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.

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 business 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



Areas where goals can especially be achieved



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



On April 3, as part of the new employee education program, we held "SDGs Workshop," in which 181 new employees participated and experienced the essence of SDGs by using card games.



On August 8 and 9, we held "Children's Visit & SDGs Workshop" for employees' children (elementary school students) to promote understanding of SDGs among employees through parent-child communication.

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.



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

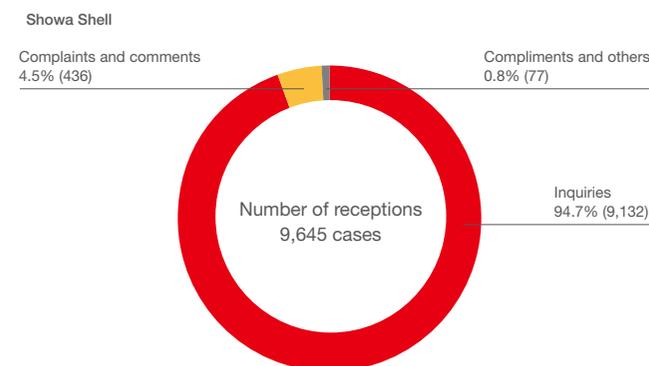
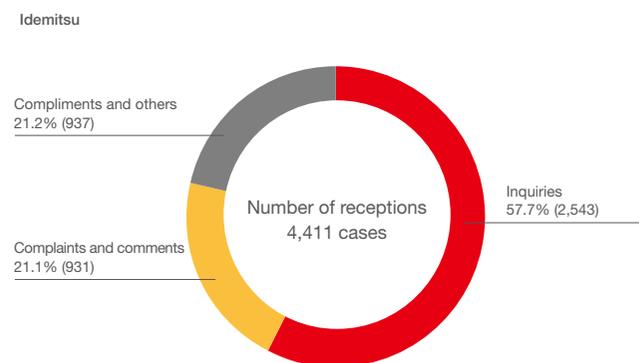
Stakeholders	Initiatives	Details
All	Information disclosure via website	<ul style="list-style-type: none"> We have an official website to provide the latest information on our group in a timely manner. The website has various contact points to promote active communication.  Official Website
	Information disclosure to individual investors	<ul style="list-style-type: none"> We participate in corporate briefings and IR events for individual investors across Japan, where the executive officer in charge of IR and the general manager of the Finance Department explain the business outline, management strategies and business conditions. The Shareholders' Meeting is held every June, and the "Idemitsu IR Communications" (Japanese only) is issued twice a year.
Shareholders and investors	Information disclosure to analysts and institutional investors	<ul style="list-style-type: none"> In addition to quarterly financial results briefings, we hold individual IR meetings and small meetings with analysts. Top management visit institutional investors in Europe, North America, and Asia to explain our management strategies and business conditions.
	Maximizing the role of customer center counters ➡ P.14	<ul style="list-style-type: none"> Customer center counters promptly responds to customer inquiries. For inquiries of a nature, including those related to petroleum products, lubricants and other products, or complaints about customer service at service stations, the quality of gasoline, the driving manners of tanker truck drivers and other matters, the Center works in cooperation with responsible departments to respond appropriately and ensure that necessary improvements are made.  Customer center counters
Customers	Public relations activities through advertising	<ul style="list-style-type: none"> We continue advertising and publicity campaigns to gain a better understanding of its business operations and other initiatives.
Corporate customer	Holding customer seminars ➡ P.14	<ul style="list-style-type: none"> We maintain close communication with corporate clients and promotes the development of products and solutions suited to their needs. Our Branches throughout Japan hold seminars for corporate clients to deliver information on the latest technical trends in the energy-saving and environment-related fields as well as on regulatory conditions and other topics directly useful to their operations.
Community	Holding regional explanatory meetings (report on safety and environmental activities)	<ul style="list-style-type: none"> We hold explanatory meetings once a year or more to which we invite local community representatives, such as heads of neighborhood associations in the vicinity of refineries, complexes and plants. We explain our safety and environment-related efforts and hear the opinions of community members.
	Implementation of environmental education ➡ P.16, 26, 46	<ul style="list-style-type: none"> We conduct classes mainly for elementary school students in the vicinity of refineries, complexes and plants to promote their better understanding of climate change issues such as global warming.
Employee	Implementation of environmental protection activities ➡ P.16, 26	<ul style="list-style-type: none"> We participate in cleanup activities in the vicinity of refineries, complexes and plants, as well as local forest and beach conservation activities, contributing not only to the local community but also to interaction among employees.
	Next Forum ➡ P.35	<ul style="list-style-type: none"> Aiming to become a better company, we hold a company meeting twice a year to provide opportunities for both employees and management to directly communicate, exchange opinions and make proposals to each other on company-wide issues. Forum members selected from each department directly have dialogue with management by delivering candid opinions from workplaces.
	Conducting an employee engagement survey ➡ P.35	<ul style="list-style-type: none"> The survey is conducted once a year to quantitatively and continuously analyze employees' engagement, mutual trust, and unity. The first survey after the business integration was conducted from late July to early August 2019, covering a total of 10,344 employees from our company and affiliated companies, and receiving responses from 9,970 employees or 96.4%.



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Dialogue with Stakeholders

■ Number of inquiries and complaints received by Customer center counters (FY2018)



■ Major seminars for customers (FY2018)

	Venue	Frequency (times)	Participants	Number of participating organizations	Number of participants (people)
The 15th Apollo Energy Meeting	Tokyo	1	Customers in the coal and petroleum products fields	158	381
Seminar on the Environment and Energy-Saving	Nationwide	28	Customers in the petroleum products field	324	757
Study Session on Cutting Oil	Tokyo and Osaka	2 (1 for each)	Customers in the lubricants field	90	160
Study Session on Thermal Treatment	Tokyo and Osaka	2 (1 for each)		156	283
Practical Seminar on Lubricant Engineering	Chiba	1		9	9
Seminar on Lubricants Basics	Chiba	1		16	22

Status of inclusion in the ESG Index



In recognition of its efforts in the ESG (Environment, Society and Governance) business, Idemitsu has been selected as a "SNAM Sustainability Index" by Sompo Japan Nipponkoa Asset Management Co., Ltd., for 8 consecutive years since 2012.