# Idemitsu Group's Sustainability

Sustainability Promotion Structure

To conduct management from the perspective of sustainability, we established the Corporate Sustainability Department to coordinate and manage ESG issues across departments, including climate change and human rights.

Each ESG issue is overseen by a designated department, with its progress reported to the Management Committee by the director in charge of ESG. The Management Committee discusses important policies and measures related to sustainability, reporting the details to the President and, when needed, the Board of Directors.

Under this management structure, we are committed to solve environmental and social issues and strive to achieve sustainable growth.
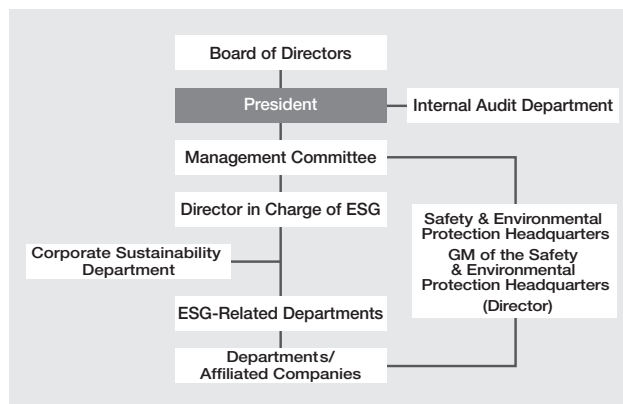
Our Efforts to Promote Understanding of the SDGs

As we pursue sustainable growth together with society, the SDGs serve as a valuable reference since they reflect the views of experts from diverse fields, member countries, and stakeholders. We are confident that by raising awareness of social issues among all our employees through SDGs-related efforts, we will enhance awareness of the linkage between business activities and social issues, prompting the creation of measures to address these issues. Specifically, we will promote the SDGs through internal communication to ensure that the key points of the SDGs are reflected in future corporate strategy and materiality. We will conduct educational activities so that our employees become fully aware that social issues also belong to them, and take initiative in solving them. Essentially, we will promote essential understanding of the SDGs through workshops and internal information media.

Dialogue with Stakeholders

The Group's Management Vision makes it clear that we continue to create new values together with stakeholders.

Through responsible dialogue with a wide range of stakeholders, we strive to sustainably improve our corporate value and contribute to social development through our business activities.

Stakeholders	Initiatives	
All	▪ Information disclosure via website	Official website
Shareholders and Investors	▪ Information disclosure to individual investors ▪ Information disclosure to analysts and institutional investors ▪ *The Idemitsu IR Newsletter* (Japanese only)	Investor Relations
Customers	▪ Customer center counters in place ▪ PR activities involving advertising	Customer center counters
Corporate Customers	▪ Holding customer seminars	
Community	▪ Holding community briefing sessions ▪ Implementation of environmental education ▪ Implementation of environmental protection activities	
Employees	▪ Next Forum ➡ P.48 ▪ Holding townhall meetings and dialogue with management ▪ Conducting an employee engagement survey ➡ P.48	

Signing of the United Nations Global Compact and Accompanying Initiatives

In July 2019, we announced its support for the 10 principles of the United Nations Global Compact (UNGC) on human rights, labor, the environment, and anticorruption. In addition, we joined the Global Compact Network Japan (GCNJ). We support the UNGC's 10 principles, which relate to protecting human rights, eliminating unfair labor practices, protecting the env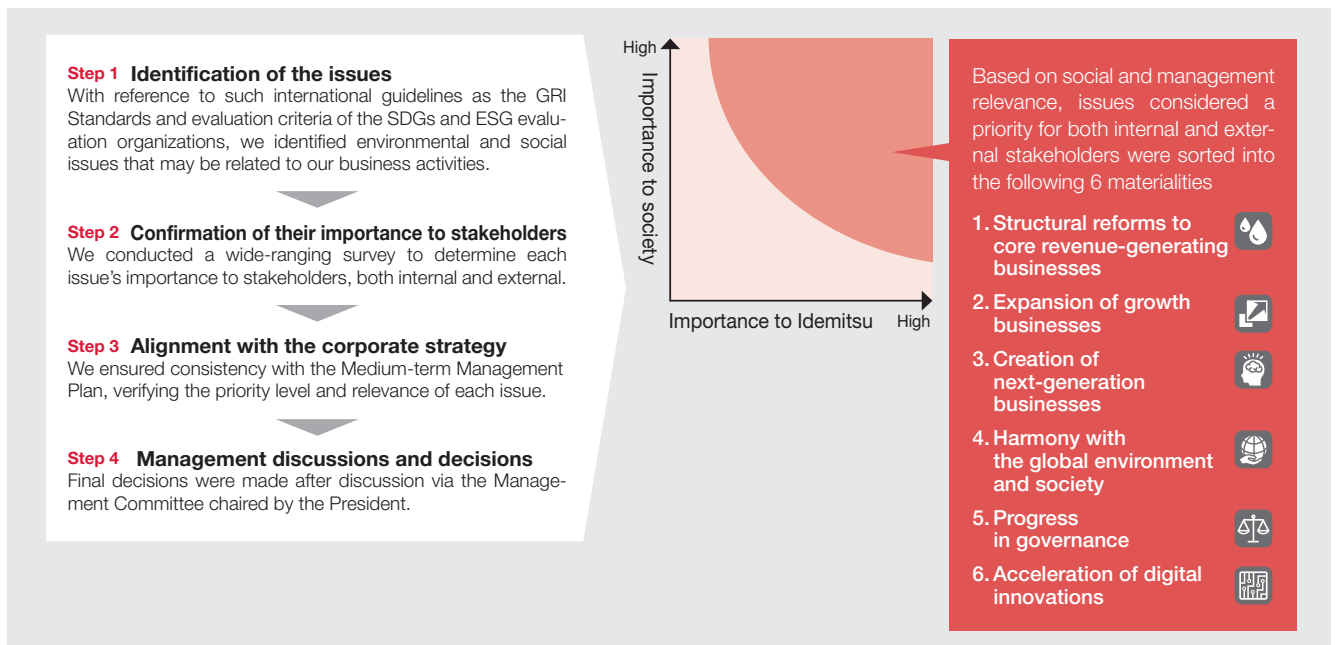ironment, and preventing corrup-tion. Furthermore, we are working to raise awareness of social issues among all employees and will continue to contribute to the realization of a sustainable society through our business operations as a global energy co-creation company.

WE SUPPORT
UN GLOBAL COMPACT

Materiality Identification Process

To ensure we are able to continue working with our diverse stakeholders to generate new value as an energy co-creation company, we have identified six materialities, taking into careful consideration its long-term priorities as well as environmental and social issues.

These materialities are closely linked to company-wide and departmental strategies as well as the materialities laid out in the materialities Management Plan.

Step 1 Identification of the issues
With reference to such international guidelines as the GRI Standards and evaluation criteria of the SDGs and ESG evaluation organizations, we identified environmental and social issues that may be related to our business activities.

Step 2 Confirmation of their importance to stakeholders
We conducted a wide-ranging survey to determine each issue's importance to stakeholders, both internal and external.

Step 3 Alignment with the corporate strategy
We ensured consistency with the Medium-term Management Plan, verifying the priority level and relevance of each issue.

Step 4 Management discussions and decisions
Final decisions were made after discussion via the Management Committee chaired by the President.

High
Importance to society
Importance to Idemitsu   High

Based on social and management relevance, issues considered a priority for both internal and external stakeholders were sorted into the following 6 materialities

1. Structural reforms to core revenue-generating businesses
2. Expansion of growth businesses
3. Creation of next-generation businesses
4. Harmony with the global environment and society
5. Progress in governance
6. Acceleration of digital innovations

Correlations between Materiality and the SDGs

When considering the effect on the SDGs of key initiatives that impact materiality, we took into account the fact that each SDGs is interconnected. Rather than being confined to one specific goal, the impact of any business activity targeting materiality will, to varying degrees, extend to all the SDGs. That said, we believe we can especially contribute to the achievement of the following three SDGs through our business activities.

SDGs where we make a larger difference

7 AFFORDABLE AND CLEAN ENERGY   9 INDUSTRY, INNOVATION AND INFRASTRUCTURE   11 SUSTAINABLE CITIES AND COMMUNITIES

Our efforts to achieve these goals may lead to increased environmental burden in the form of higher resource consumption and GHG emissions. Recognizing that our business activities might impose a burden in the following five areas and keep us from achieving the goals, we realize the necessity of making serious efforts to address this.

SDGs requiring attention due to risks arising from business activities

6 CLEAN WATER AND SANITATION   12 RESPONSIBLE CONSUMPTION AND PRODUCTION   13 CLIMATE ACTION   14 LIFE BELOW WATER   15 LIFE ON LAND

We are considering measures to minimize or eliminate the negative impact of our operations on 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 solar panels and petrochemicals, including plastics.

Idemitsu Group's Sustainability

At the Idemitsu Group, we value contributing to society through our business. Our mission is to continue supplying energy, which 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 a pressing issue. Accordingly, with a long-term perspective, we have identified materialities to prioritize during the Medium-term Management Plan. The entire Group will work as one to resolve these, with the aim of achieving sustainable development with the global environment and society. We analyze the risks and opportunities when promoting our materialities from the perspective of the impact on the Group as well as on society as a whole.

Relationship Between Priority Topics (Materiality) and SDGs

Materiality	Major initiatives	Main relevant SDGs
Structural reforms to core revenue-generating businesses Build a strong supply chain and further strengthen stability and competitiveness through collaboration with partners in the core revenue-generating businesses centered on petroleum products and chemicals.	■ Pursuing profits in the petroleum business (maximizing integration synergies, making refineries more reliable) ➡ P.23-26 ■ Enabling Nghi Son Refinery to contribute to profits ➡ P.23-24 ■ Utilizing the Pacific Rim supply chain to capture growing demand in Asia ➡ P.23-24 ■ Gas development in Southeast Asia ➡ P.39-40	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
Expansion of growth businesses 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.	■ 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 ➡ P.29-34 ■ Increasing total power generated from renewable energy overseas to 5GW by 2030 (of which, 4GW is renewable energy) ➡ P.36 ■ Transformation of solar-power business ➡ P.35-36 ■ Black pellet development (biomass fuel) ➡ P.40 ■ Strengthening development of functional materials utilizing open innovation ➡ P.51	3 GOOD HEALTH AND WELL-BEING 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
Creation of next-generation businesses Accelerate technological innovation and innovation beyond organizational frameworks to create new businesses with an eye to the future.	■ Creating new businesses with an eye on social changes, diversifying customer needs, and lessening environmental impact ➡ P.25, 41-42 ■ Development of next-generation service stations business ➡ P.25, 42 ■ Distributed energy business ➡ P.35-36 ■ Circular business ➡ P.28, 38	9 INDUSTRY INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER
Harmony with the global environment and society Promote measures to realize a low-carbon and circular economy in consideration of climate change risks, and promote diversity and inclusion in partnership with business partners, communities, and employees.	■ Efforts to reduce GHGs (2030: ▲2 million t-CO_2 compared to 2017) ➡ P.55-56 ■ Contributing to the areas where we operate business ➡ P.25, 36-38, 40 ■ Implementing diversity and inclusion initiatives ➡ P.46-47 ■ Making work more rewarding for employees ➡ P.48 ■ SDGs educational activities ➡ P.17	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION
Progress in governance Strengthen governance functions to maintain the trust of shareholders and all other stakeholders.	■ Enhancing the roles and functions of the Board of Directors ➡ P.61-66	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Acceleration of digital innovations Capitalize on evolving digital technologies to transform existing business processes and management in response to the business environment and customer needs.	■ Utilizing digital technologies to create new value ➡ P.25-26, 41-42	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY INNOVATION AND INFRASTRUCTURE

Risks and opportunities (●: Impact on society; ■: Impact on the Idemitsu Group)

Risks
- ● Increased use of resources (energy, water, materials and land) by businesses may lead to the consumption of natural capital
- ■ Stagnant energy demand and lower resource prices due to greater energy conservation and economic deceleration caused by, for example, U.S.-China trade tensions
- ■ Unforeseeable events, such as large-scale disasters or pandemics, impacting the supply chain
- ■ Lower profitability due to higher social demand for climate change action

Opportunities
- ● Reduced GHG emissions through the development and promotion of renewable energy
- ● Contribution to local communities through the stable supply of energy and the job creation on a global scale
- ■ Increasing energy demand in Asia region backed by population growth and economic development
- ■ Higher demand for petrochemical products due to lifestyle changes in Japan and expansion of new markets
- ■ Enhanced competitiveness and realization of stable energy supply through the business integration

Risks
- ● Consumption of food and plant resources due to development and promotion of biofuels derived from edible sources
- ■ Delayed development of renewable energy due to changes in government policies and programs in Japan and overseas
- ■ Delayed adaptation to changes in the demand structure due mainly to technological advancements and the emergence of new products

Opportunities
- ● Changes in consumption reflecting the creation of high-performance and environmentally friendly products attributable to government policy incentives and technological innovation
- ■ Growing need for energy-efficient products against the backdrop of climate change
- ■ Growing demand for functional materials geared toward EVs, electronic components, AI, and IoT devices

Risks
- ● Delayed action on social issues due to increasing difficulty of market entry by changes in government policy and programs in Japan and overseas
- ● Potential inability to contribute to industrial and social transformation due to delayed action on technological development and open innovation
- ■ Deterioration in value of new investments due to rapid changes in the business environment

Opportunities
- ● Solutions to social issues through new products and services created through revolutionary R&D and innovation
- ● Launch of regional revitalization activities leveraging the growing social need for distributed energy, such as a more resilient energy supply in Japan, local production for local consumption, and home energy generation and consumption
- ■ New business development at service stations in Japan that serve as local hubs for day-to-day life
- ■ Ensuring employee growth and job opportunities

Risks
- ● Delayed response to drastically stronger environmental regulations, including on GHG reduction
- ● Possible difficulty in ensuring a stable supply of energy due to supply chain disruptions caused by large-scale disasters
- ■ Delayed environmental action due to stalled international cooperation and the increased cost of addressing social division
- ■ Impact of increasingly competitive labor market on challenges the Company faces in hiring and retaining employees

Opportunities
- ● Promoting solutions to social issues by advancing the SDGs
- ● Creating businesses and contributing to solutions through cooperation with local communities
- ■ Expanding business opportunities due to social demand for low carbonization
- ■ Seizing business opportunities by acquiring excellent personnel who support the Group's vision and policies

Risks
- ■ Potential reputational damage if efforts to introduce appropriate governance functions are abandoned

Opportunities
- ■ Enhanced corporate value through highly transparent and fair management
- ■ Business expansion enabled by swift business execution seizing various opportunities
- ■ Appropriate promotion of sustainable growth and the medium-term management plan

Risks
- ■ Growing risk of data leaks due mainly to computer viruses and hacking
- ■ Rising initial investment costs due to the introduction of new systems and troubles during the transition

Opportunities
- ● Solutions to social issues through technological innovation
- ■ Lower costs through more efficient operations and higher added value by freeing up time