



# Sustainability Report 2016

# Energy for a Bright Future

While achieving sustained growth through its oil and natural gas development activities, INPEX is also strongly aware of its social responsibilities, and of the rising expectations of various stakeholders in Japan and overseas. We published our vision for the future in the INPEX Medium- to Long-term Vision, which defines our growth targets and also identifies CSR as a core management priority. We want INPEX to remain essential to society, and we are working to realize this vision by managing the company in ways that contribute to the creation of a sustainable society.

## Editorial Policy

INPEX publishes an annual Sustainability Report to inform stakeholders about our CSR activities.

### Period Covered by the Report

In principle, the report covers the fiscal period from April 1, 2015 to March 31, 2016 for facilities in Japan, and from January 1 to December 31, 2015 for overseas facilities. Portions of the report contain information from before or after these periods.

### Report Scope 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.)

### Versions of Report

To help stakeholders effectively and efficiently understand the value created by INPEX, we strategically prepared different versions of the 2016 Report based on the Material Issues, which we have revised in 2015.

#### 1 Brochure, PDF Edition

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

#### 2 Web Edition

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

### Publication Date

August 2016  
(previous report: August 2015, next report: August 2017)

### Reference Guidelines

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4/ISO 26000/IPIECA  
(The GRI content index is shown only in the web edition.)

### Up-to-Date Information

#### 2 Web Edition

Obtain up-to-date or supplementary information about INPEX CSR.



#### 1 Brochure, PDF Edition

Understand INPEX CSR in detail.



### Comprehensive Information

### 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.

# Our mission to contribute to a sustainable society



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### A Message from the Sustainability Report 2016 Secretariat

We emphasize thoroughness and attention to detail in communicating with stakeholders. Hence we regard the Sustainability Report as an important communication opportunity. Our aim is to present information about the priorities that guide the activities of INPEX and our actual initiatives. We hope that you will enjoy reading the report.

### About the Cover

The cover illustration symbolizes our efforts to contribute to creating a sustainable society through businesses.



## External Assessment

INPEX was selected for inclusion in the FTSE4Good Global and Japan indices for the first time in June, 2016. The FTSE4Good Index Series is considered one of the key Socially Responsible Investment (SRI) indices. Please visit our website for more detail.  
<http://www.inpex.co.jp/english/csr/marks.html>



## Corporate Data

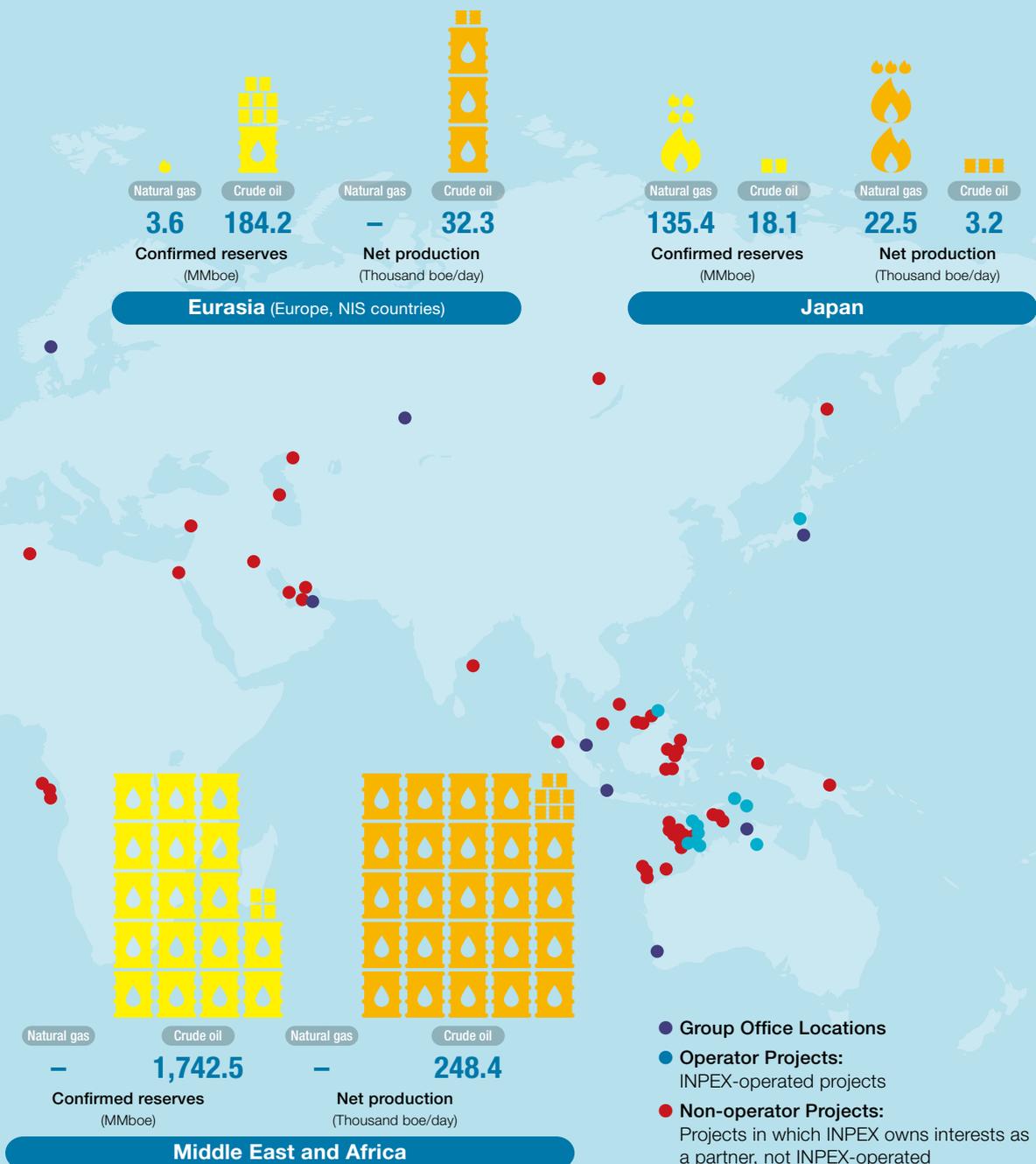
<b>Trading Name</b>	INPEX CORPORATION
<b>Established</b>	April 3, 2006
<b>Capital</b>	¥290,809,835,000
<b>Headquarters</b>	Akasaka Biz Tower, 5-3-1, Akasaka, Minato-ku, Tokyo 107-6332, Japan
<b>End of Fiscal Year</b>	March 31

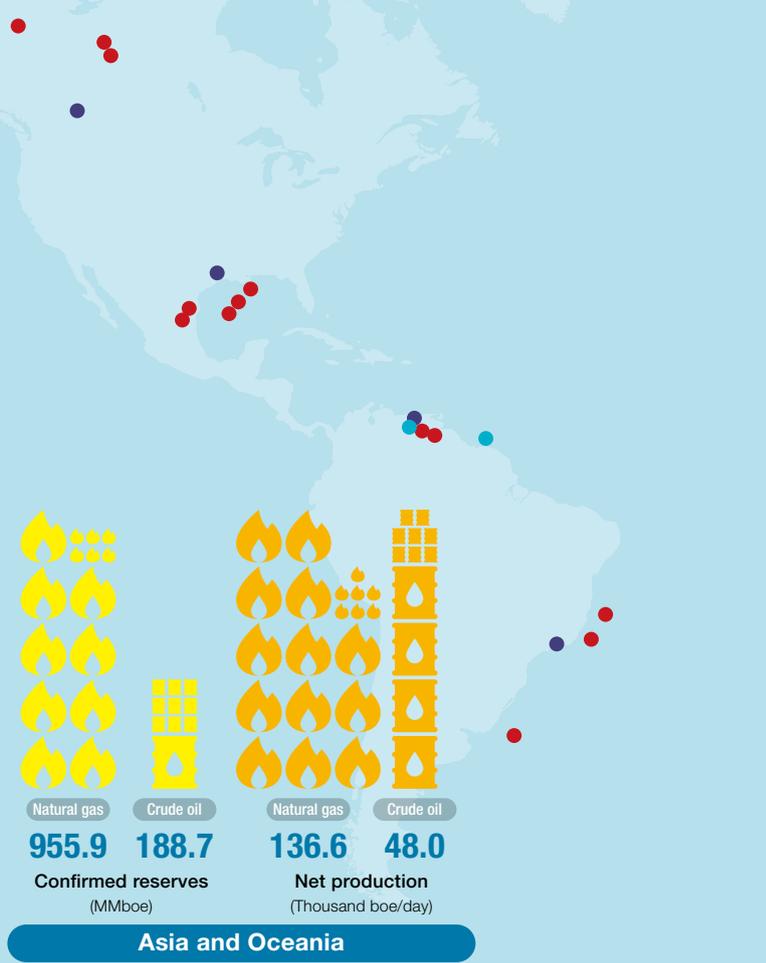
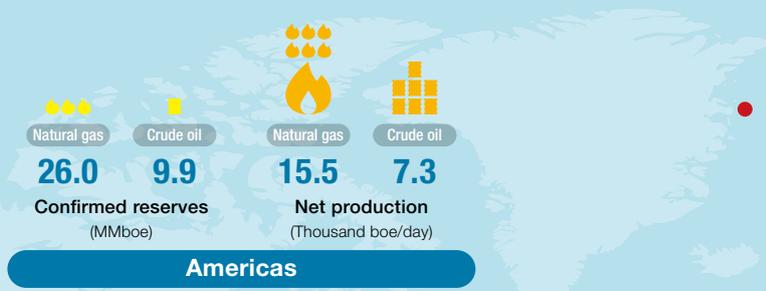
<b>Employees</b>	3,449 (consolidated) as of March 31, 2016
<b>Main Activities</b>	Research, exploration, development, production and sales of oil, natural gas and other mineral resources, and related peripheral activities, as well as investment in and lending to companies engaged in these activities

## Supplying Energy Reliably and Efficiently

INPEX projects vary widely in terms of the ratios of oil and gas, regional distribution, and the business phases (exploration, development, and production). Our aim is to diversify risk and build a balanced portfolio.

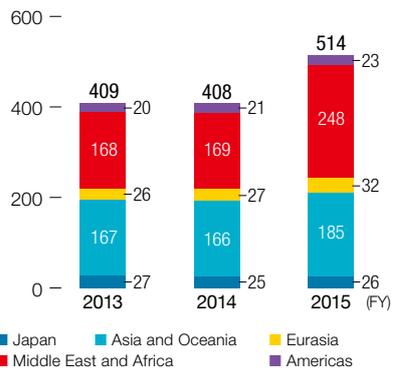
# INPEX is involved in approximately 70 projects across more than 20 countries





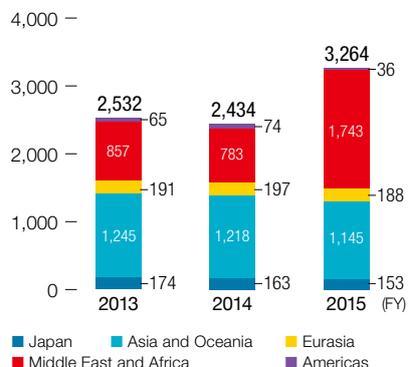
### Net Production by Region

(Thousand boe/day)



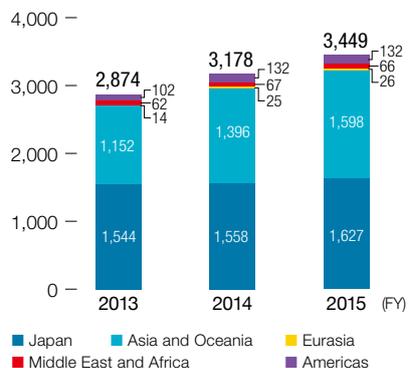
### Confirmed Reserves by Region

(MMboe)



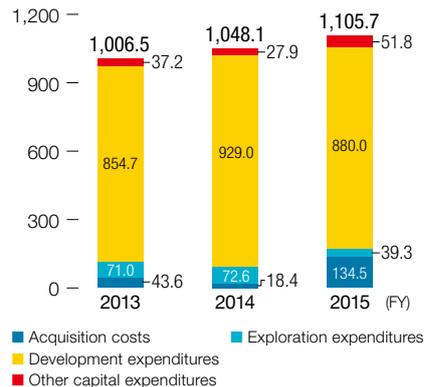
### Employees

(persons)



### Business Investment

(billion yen)





### The Business Climate Surrounding the Energy and INPEX's Corporate Mission

INPEX aspires to become an integrated energy company that contributes to building a better society by providing a stable and efficient supply of energy.

In light of the sharp decline in crude oil prices since the year before last and subsequent oil price stagnation, the energy industry is expected to continue facing an unpredictable business environment as a result of uncertainty in global energy supply and demand. We are implementing initiatives, such as rigorous short-term cost reduction measures, to build a resilient corporate structure so that it may continue to engage in business activities even in a prolonged low oil price environment. At the same time, energy demand is expected to steadily increase over the medium- to long-term as a result of economic development spurred by a population increase mainly in developing countries.

Despite the cyclical fluctuations in supply and demand, energy resources, which are inherently finite,

will continue to be indispensable to the economy and society. Through proactive dialogue with stakeholders, we seek to accurately identify the expectations of society and diligently engage in the long-term stable development and supply of energy to fulfill our corporate mission of helping build a better society.

### Recent Developments in Sustainability

In 2015, the international community took a major step forward in its commitment to sustainability. The 2030 Agenda for Sustainable Development was adopted at the United Nations in September, and the Paris Agreement, which stipulates that all nations, including developing nations, cooperate in reducing greenhouse gas emissions, was adopted at the COP21\*1 conference held in December. The setting of a global target to achieve the sustainable development of society has made it even more important that all stakeholders including governments, businesses and the public are involved.

We engage in business operations around the world where business environments as well as stakeholder interests and expectations differ from region to region. Given that our core business lies in energy development, it is essential to address the issue of climate change and any challenges specific to the communities where we operate. As a global corporate citizen, we fully recognize the international community's objectives related to sustainability and the diversity of individual regions. In this regard, we have identified six Material Issues particularly related to our business (Governance, Compliance, HSE\*2, Local Communities, Climate Change and Employees), and are promoting CSR through our business activities.

## Key Initiatives in Fiscal 2015

### 1) Ichthys LNG Project, Abadi LNG Project, and Business Activities in Japan

The Ichthys LNG Project, currently under development in Australia, has steadily achieved important milestones under a new schedule announced in September 2015, including floating its central processing facility (CPF) in September 2015 and completing the offshore pipelay of the 890-kilometer gas export pipeline that links the Ichthys Gas-condensate Field to the onshore LNG plant under construction in Darwin in November 2015. The project has reached an overall completion rate of approximately 87% as of June 2016. We will proceed with development work, placing the highest priority on safety in preparation for production that is expected to start in the third quarter of 2017.

As for the Abadi LNG Project in Indonesia, while our original development plan envisioned the adoption of a floating LNG (FLNG) plant, we received a notification on April 1, 2016 from Indonesian government authorities instructing to re-propose a plan of development based on onshore LNG. We will aim for the early start-up of development in close consultation with the Indonesian government authorities.

In Japan, a new oil column was discovered in the Minami-Kuwayama Oil Field in Niigata Prefecture, preparations were made for exploratory drilling campaigns scheduled in fiscal 2016 at the North Area of Yabase Oil Field in Akita Prefecture and a location offshore Shimane and Yamaguchi Prefectures\*3. Additionally, as part of our efforts to strengthen our gas supply chain in Japan, we proceeded with the construction of a low-temperature LPG tank at the Naoetsu LNG Terminal and the Toyama Line extension to our natural gas trunk pipeline, both of which are completed in June 2016 and further strengthen our capability to provide a stable supply of gas in Japan.

### 2) Initiatives to Strengthen Corporate Governance

The Corporate Governance Code was introduced in Japan in June 2015 as a guideline for listed companies to realize effective corporate governance. We position

corporate governance as an extremely important factor in enhancing its corporate value over the medium- to long-term. Accordingly, we added "Corporate Governance" as a Material Issue in May 2015 and instituted the Corporate Governance Guidelines in November. Pursuant to the guidelines, senior management and the Board of Directors will spearhead proactive efforts to further reinforce the corporate governance system.

### 3) Addressing Climate Change

To communicate our position on the issue of climate change to stakeholders and further promote climate change initiatives within the Group, we have developed a Position Paper\*4 that summarizes our stance on climate change and consequent concrete initiatives.

We will engage in priority initiatives organized around five key pillars articulated in the Position Paper. In particular, we will respond to energy demand by strengthening our initiatives related to natural gas, fossil fuel with the least environmental impact, and renewable energy with a focus on our geothermal power generation business. In fiscal 2015, we conducted geothermal energy development studies in Hokkaido, Akita and Fukushima Prefectures in Japan. In June 2015, we also announced our participation in the Sarulla Geothermal Independent Power Producer (IPP) Project in Indonesia, the world's largest single-contract geothermal power project.

### Our Promise to Stakeholders

We signed the United Nations Global Compact in December 2011 and declared to endorse the Ten Principles in the areas of human rights, labor, the environment and anti-corruption.

All INPEX Group executives and employees adhere to the INPEX Values including Safety, Integrity, Diversity, Ingenuity and Collaboration that represent our shared understanding of the behavior we strive to demonstrate in the way we work, transcending nationality, culture and custom. This behavior enhances individual and, by extension, organizational performance and further strengthens relationships of trust with the local communities where we operate and our many other stakeholders. To fulfill our mission as a supplier of energy, we will continue to base our activities on the six Material Issues as we work diligently to remain a company that plays a vital and essential role in society.

Representative Director,  
President & CEO  
INPEX CORPORATION

北村俊昭  
Toshiaki Kitamura

#### \*1 COP21

21st Conference of Parties to the United Nations Framework Convention on Climate Change

#### \*2 HSE

Health, Safety and Environment

#### \*3

The drilling operations are part of a project commissioned by the Agency of Natural Resources and Energy of the Ministry of Economy, Trade and Industry (METI) of Japan for the agency's "Heisei 26-28 (2014-2016) Domestic Offshore Drilling Program in Japan," and will involve exploratory drilling to determine the presence of hydrocarbon deposits and conduct geological studies

#### \*4 Position Paper

The Position Paper, which summarizes our stance on climate change and concrete initiatives, is based on The Paris Puzzle, an opinion statement issued by the International Petroleum Industry Environmental Conservation Association (IPIECA) that indicates the industry's recognition of climate change risk and response policy

## Achieving Sustainable Growth through Oil and Natural Gas Development Activities

In the “INPEX Medium- to Long-term Vision—Ichthys and the Next 10 Years” INPEX defined growth targets based on sustainable development over the medium- to long-term future and identified priority initiatives for the realization of those targets.

The Vision includes “Three Growth Targets” to be achieved in the 2020s, together with the “Three Management Policies” that will help us to reach those targets. One of those management policies is CSR. We are monitoring our progress each year and working to strengthen our CSR management from a medium- to long-term perspective.

Three  
Growth  
Targets

### Continuous Enhancement of Our E&P Activities

Becoming a top class  
international oil  
and gas E&P company

### Strengthening Our Gas Supply Chain

Globalizing  
our gas business

Three  
Management  
Policies

1

#### Securing / Developing Human Resources and Building an Efficient Organizational Structure

- Establish a department for new project development and reinforce coordination among the headquarters, regional project divisions and overseas offices
- Utilize overseas offices proactively to collect new project information, to promote discussions on new projects and marketing activities
- Recruit and utilize personnel inside and outside of Japan to develop global professionals
- Establish an efficient business execution system to facilitate decision-making

2

#### Investment for Growth and Shareholder Return

- Secure funds for medium- to long-term investment from our project cash flows and loans
- Maintain financial strength
- Realize return for shareholders and management efficiency befitting a top class international oil and gas E&P company

## Our Vision

We position ourselves to become a top class international oil and gas exploration and production company through sustainable growth in the oil and gas development business.

With natural gas as the core of our business, we will grow into an integrated energy company by making contributions to a stable energy supply to broader communities.

We will continue to play a significant role in boosting the capability of supplying energy to Japan while contributing to global economic growth and social development.

Through these efforts, we intend to further advance our reputation among our shareholders and more broadly our stakeholders as a company playing an essential role in the global community.

### Reinforcement of Our Renewable Energy Initiatives

Becoming an integrated energy company that contributes to global community

## 3

### Ensuring Responsible Management as a Global Company

- Reinforce CSR management continuously by establishing a companywide CSR promoting system including the CSR Committee
- Implement specific measures to continuously reinforce corporate governance from a global perspective
- Promote continuous improvements in corporate compliance and HSE initiatives
- Build trust-based working relationships with stakeholders through interactive communications

### Key Achievements in Fiscal 2015

#### Implementing CSR Management

The CSR Committee met twice. The Committee reviewed and revised the Material Issues, reported the results of SROI (Social Return on Investment) analysis accompanying the establishment of the North Australian Centre for Oil & Gas (NACOG) at Charles Darwin University, and discussed and implemented measures to build CSR awareness within the company (CSR training).

We also reported to the Board of Directors about the company's sustainability activities.

#### Continual Reinforcement of Corporate Governance

The INPEX Advisory Committee convened twice and played an important role in reflecting the views of outside experts in management policies.

We also formulated the Corporate Governance Guidelines.

#### Strengthening Compliance and HSE Systems

##### Compliance

We have constructed global compliance systems and strengthened implementation of the Anti-Bribery and Anti-Corruption (ABC) Guidelines.

We also amended the Help-Line Procedures to strengthen our Internal Notification System.

##### HSE

We have formulated the Corporate HSE 3rd Phase Mid-Term Plan.

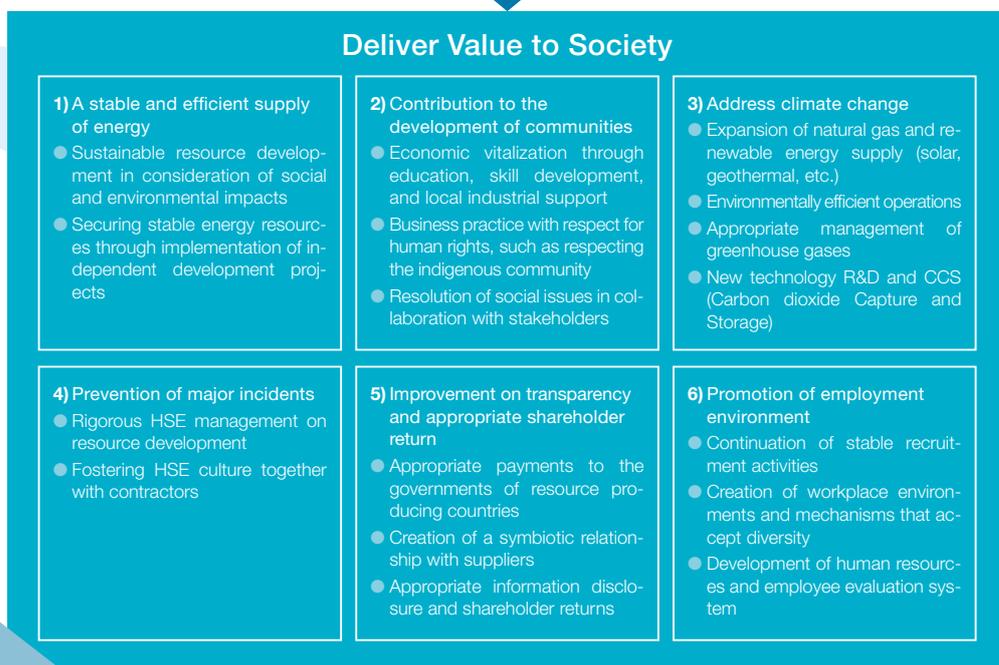
We implemented activities based on Corporate HSE Program and HSE Objectives.

#### Improving Stakeholder Communications

We are continually engaging in communication activities, including dialogue with outside experts, and environmental and social impact surveys in areas where we operate.

We are also actively expanding our public relations and investor relations, including disclosure to research organizations, and working to improve external evaluations.

# Resolving Social Issues through our Business Activities



**Contributing to solve social issues through business activities**



INPEX contributes to solving social issues using value created through business activities, starting with the stable and efficient supply of energy. At the same time, we will continue to invest in the group's growth and to make contributions to society.

### INPEX's Business Resources

- |   |  |   |
|---|--|---|
| 1) A well balanced portfolio, abundant reserves and resources | 2) Relationships with stakeholders built on trust        | 3) Strong gas reserves and R&D expertise of geothermal power / alternative energy |
| 4) A corporate culture management system that emphasizes HSE  | 5) A sound management structure and financial foundation | 6) A global and diverse workforce   |

to solve social issues

### INPEX Medium- to Long-term Vision

#### Three Management Policies

Securing/Developing Human Resources and Building an Efficient Organizational Structure

Investment for Growth and Shareholders Return

Ensuring Responsible Management as a Global Company



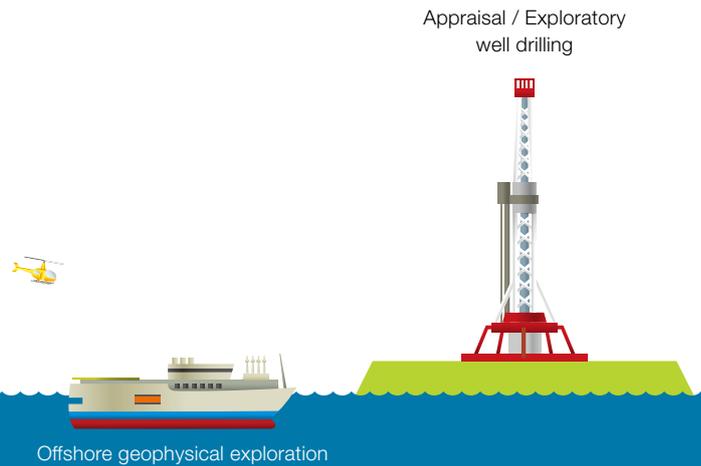
### Create Value for the Company

- |  |   |   |
|--|---|---|
| <p><b>1) New business opportunity acquisition and growth</b></p> <ul style="list-style-type: none"> <li>Increases in reserves and productions</li> <li>Sustained growth in the gas business through gas supply chain</li> <li>Relationships of trust with customers</li> </ul> | <p><b>2) INPEX brand enhancement</b></p> <ul style="list-style-type: none"> <li>Business opportunity expansion through increased recognition of the INPEX brand</li> <li>Acquire stable operation through building relationships of trust with stakeholders</li> </ul>                        | <p><b>3) Expansion of natural gas supply and promotion of energy development</b></p> <ul style="list-style-type: none"> <li>Enhancement and diversification of earnings</li> <li>Promotion of technology development through greater collaboration with external R&amp;D organizations</li> </ul> |
| <p><b>4) Maintenance of stable operations</b></p> <ul style="list-style-type: none"> <li>Stable operations over the long term</li> <li>Efficient project implementation through excellent HSE performance</li> </ul>   | <p><b>5) Improvement on management efficiency, transparency, and soundness</b></p> <ul style="list-style-type: none"> <li>Improve trust of our business management</li> <li>Securing of investment funds over the medium- to long-term and the realization of efficient management</li> </ul> | <p><b>6) Securing competent workforce and organizational vitalization</b></p> <ul style="list-style-type: none"> <li>Acquisition and leverage of a competent workforce</li> <li>Organizational vitalization through fostering of a rewarding organizational culture</li> </ul>                    |



# Creating a Sustainable Society by Fulfilling Social Responsibilities throughout the Entire Value Chain

INPEX strives to maintain respectful communications and build trust with local communities where we operate, and all other stakeholders. Our responsibility to society and stakeholders grows with the scale of our operations, and we fulfill these responsibilities in each part of our value chain. These responsibilities include securing safety, conserving the environment, creating jobs, ensuring human rights, respecting different cultures and customs, and contributing to host communities. While fulfilling these responsibilities, we will continue to contribute to creating a sustainable society.



## Phase 1

### Acquisition of Blocks

Number of projects: as of June 30, 2016

## Phase 2

### Exploration and Appraisal

Number of exploration and appraisal projects

31  
9

Operator projects

### Relative Material Issues



### Main Business Activities

- Preliminary regional survey
- Bidding negotiations for exploration rights contract
- Acquisition of exploration, development and other rights

- Ground/geological survey (seismic survey, subsea survey)
- Exploratory wells to confirm oil and gas reserves
- Production test, discovery of crude oil and gas
- Appraisal wells to determine oil/gas field size
- Determination of the size of reserves
- Comprehensive decision about the feasibility for commercial development

### Key Stakeholders

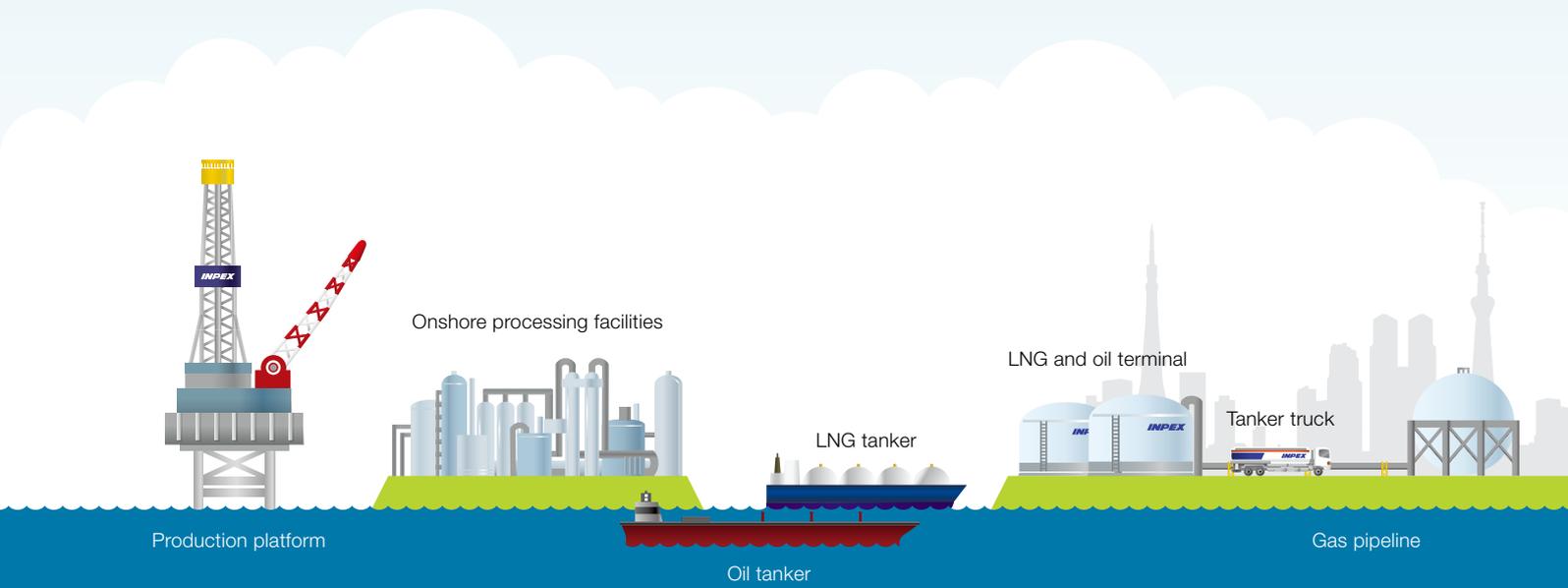
- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Employees

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

### CSR-Related Matters

- Compliance with local laws and regulations
- Prevention of bribery and corruption in oil-producing countries when acquiring rights
- Extensive disclosure of information concerning the exploration rights

- Environmental and social impact assessments, acquisition of environmental approvals
- Secure safety and reduce social and environmental impacts in drilling operations
- Communications with stakeholders where we operate



Phase 3 Phase 4 Phase 5

Development and Preparation for Development

Number of development projects **4**  
Operator projects **2**



- Development preparation
- Production wells for the production of crude oil and natural gas
- Construction of production and shipping facilities (plants, pipelines, etc.)

Production

Number of production projects **34**  
Operator projects **2**



- Supervision of production and other operations
- Oil and Gas Producing Countries
- Project Partners
- Contractors
- Local Communities
- NGOs
- Employees

Transport and Sales

Number of transport projects **1**  
Operator projects **0**



- Supervision of shipments and transport
- Marketing and sales (crude oil, condensates, LPG, natural gas, LNG, etc.)
- Contractors
- Local Communities
- NGOs
- Customers
- Employees

- Continuing environmental and social impact assessments and conduct monitoring
- Ensure safety and reduce social and environmental impacts in development operations
- Fair procurement of materials
- Create jobs for local residents
- Proposals of social contribution programs for stakeholders in the regions where we operate

- Ensure safety and reduce social and environmental impacts during production
- Management of greenhouse gas emissions
- Workplace safety and health measures for employees and contractors
- Implementation of social contribution programs for stakeholders in the regions where we operate
- Assessment of environmental and social impacts and communication with local residents when we withdraw from business

- Stable and efficient energy supply
- Quality and safety of products
- Ensure safety and reduce social and environmental impacts in transport operations
- Dialogue with customers and consumers
- Energy-related education and discovery activities through tours of our facilities

# Coexisting with the Society and Environment through Stakeholder Engagement

INPEX seeks to maintain continuous dialogue with a wide range of stakeholders in our businesses to achieve sustained growth and enhancement of corporate value while fulfilling its social responsibility of providing a stable and efficient supply of energy.

In this section, we discuss the interactive communication opportunities with stakeholders and our main activities in fiscal 2015.



Relationship with Stakeholders

<p><b>Project Partners</b></p> <p>We aim to build a sustainable society together with project partners through fair and impartial project operation with a focus on compliance.</p>	<p><b>Local Communities</b></p> <p>We seek to coexist with local communities as a good corporate citizen through respectful dialogues.</p>
<p><b>Contractors</b></p> <p>We engage in day-to-day regular communication with contractors to carry out construction and operation with maximum consideration for safety and the environment.</p>	<p><b>NGOs</b></p> <p>We strive to build a network of NGOs in wide-ranging fields including environment, human rights, and social contribution and seek to create partnerships to solve environmental and social problems.</p>
<p><b>Customers</b></p> <p>We contribute to the growth and development of our customers by providing a stable and efficient energy supply.</p>	<p><b>Employees</b></p> <p>We provide opportunities for employees to grow into professionals who can thrive in an international business environment through wide-ranging work experience and interaction with people from diverse backgrounds in a global corporation.</p>
<p><b>Shareholders and Investors</b></p> <p>We strive for highly transparent information disclosure and aim to increase corporate value by securing stable supplies of energy and meeting the expectations of shareholders and investors.</p>	<p><b>Oil and Gas Producing Countries</b></p> <p>We develop long-term relationships based on mutual trust with oil and gas producing countries and contribute to mutual development by serving as a bridge between the producing countries and Japan.</p>

## Main Opportunities for Dialogue with Stakeholders and Measures in Fiscal 2015

Key stakeholders	Main opportunities for dialogue	Key INPEX measures (FY2015)	Stakeholder expectations and requirements
<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 to reduce OPEX/CAPEX</li> </ul>	<ul style="list-style-type: none"> <li>Smooth project management</li> <li>Fair business practices</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 and equitable participation opportunities to prospective suppliers</li> <li>Facilitated the understanding of our HSE activities by holding HSE forums</li> <li>Held an HSE contractor meeting</li> <li>Conferred annual HSE awards</li> </ul>	<ul style="list-style-type: none"> <li>Provision of participation opportunities</li> <li>Occupational health and safety</li> <li>Creation of open and transparent workplace environments</li> <li>Contractor education</li> <li>Environmentally friendly construction and operation</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>1</sup></li> <li>Improved service station operation by analyzing customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Stable supply of energy</li> <li>Product safety and efficiency</li> <li>Highly transparent sales activities</li> <li>Legal compliance</li> </ul>
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>Holding of the Ordinary General Meeting of Shareholders, briefings and exhibitions, IR meetings, etc.</li> <li>Issuance of reports (securities report, annual report, presentation slides, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Held the Ordinary General Meeting of Shareholders, results briefings (semi-annual), IR meetings (200-300 times), exhibitions and presentations for individual investors, etc.</li> <li>Engaged in timely, appropriate, and fair information disclosure through the corporate website and improved website content (approx. 1,600 website access per day and 43 press releases)</li> </ul>	<ul style="list-style-type: none"> <li>Prompt and respectful information disclosure</li> <li>Concern for human rights and the environment</li> <li>Involvement with new energy sources</li> <li>The diversification of the Board of Directors</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 contribution activities adapted to local areas (total expenditure: 1.71 billion yen)</li> <li>Conducted briefings for local residents in Japan (Hokkaido, Akita, Niigata) and overseas (Australia [approx. 200 times], Indonesia [249 times])</li> <li>Formulated and implemented the Reconciliation Action Plan (RAP) outlining the commitments to ATSI in Australia</li> </ul>	<ul style="list-style-type: none"> <li>Environmentally friendly construction and operating activities</li> <li>Hiring of local residents</li> <li>Social contribution activities</li> <li>Response to health and hygiene problems</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 held dialogues with NGOs</li> <li>Participated in NGO-hosted seminars</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to solving global social issues</li> <li>Disclosure of information on initiatives</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>In-house newsletter</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 (80.1 hours / person)</li> <li>Dispatched employees on study abroad programs for clerical and technical positions (6 persons)</li> <li>Issued an in-house newsletter (4 times)</li> </ul>	<ul style="list-style-type: none"> <li>Development of globally competent human resources</li> <li>Creation of employee-friendly work environments</li> <li>Promotion of diversity</li> <li>Occupational health and safety</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>Fair business practices</li> <li>Rejuvenation of local economies</li> </ul>

## \*1 SDS (Safety Datasheets):

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

Web



Our Commitment to Stakeholders

<http://www.inpex.co.jp/english/csr/stakeholders.html>

# Growing Together with Stakeholders through CSR Management

## Basic Policy

INPEX considers CSR to be the foundation of management. We aspire to grow together with our stakeholders by accurately identifying society's expectations for us through dialogue with stakeholders, and continuously engaging in a variety of CSR activities focused on initiatives to address Material Issues closely connected to our business.

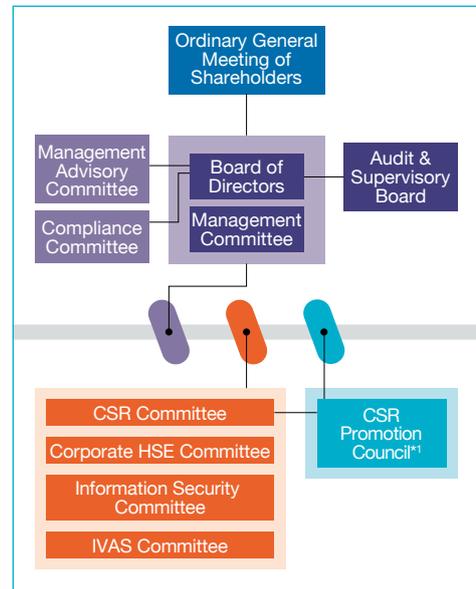
## CSR Promotion System

We have clearly expressed the CSR stance of executive management and established the CSR Committee, chaired by the Representative Director, President & CEO in order to promote companywide and systematic CSR activities. 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 attend CSR Committee meetings to facilitate collaboration with their respective committees.

### \*1 CSR Promotion Council:

A subordinate organization of the CSR Committee that comprised by working-level members from various divisions. By creating this link between top management and the divisions, we engage in CSR activities on a common ground of understanding.

## CSR Promotion System

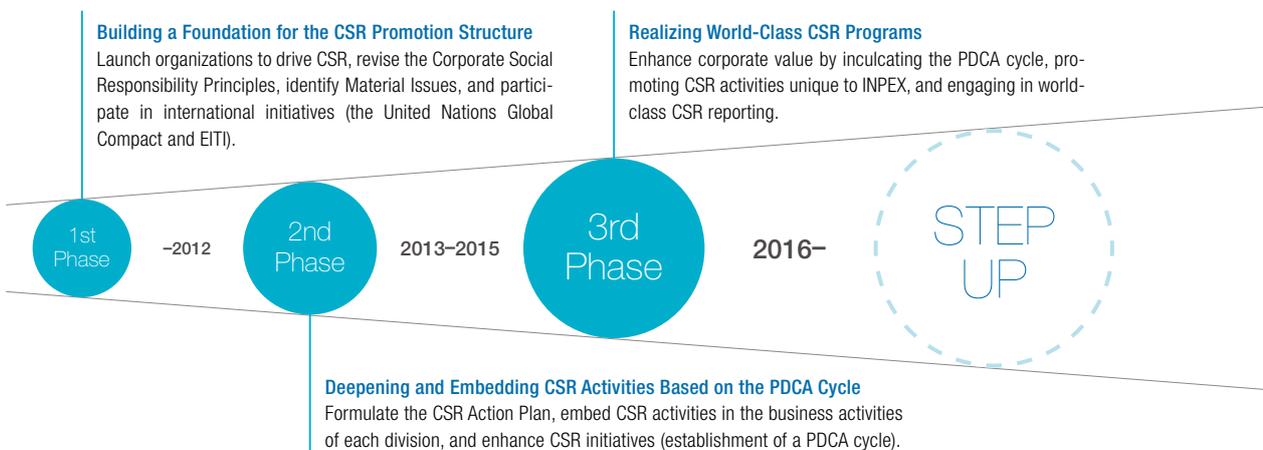


## Outside Initiatives Participated by INPEX

In response to the demands of global society, we promote CSR activities and participation in both domestic and overseas initiatives.



## CSR Road Map



### Priority Target in Fiscal 2016



### Identification of the Material Issues

In April 2012, we identified five key issues from among the seven core social responsibility subjects in ISO 26000 as Material Issues of importance to INPEX and our stakeholders that we should address in order to continuously expand upstream businesses, and earn the trust of stakeholders as a globally operating energy company.

In May 2015, three years after we identified the Material Issues, we reviewed the initiatives conducted over the three-year period for each Material Issue and reexamined the Material Issues in light of factors such as events that affect the business activities associated with the progress of our main projects and changes in the stakeholder's area of concern. As a result, we redefined the Material Issues to include "Governance."

Furthermore, CSR actions that should be prioritized for each Material Issue have been defined as Key Tasks, and are identified in the four steps to the right. All of these Key Tasks have been incorporated into our PDCA cycle in order to achieve continuous improvement. We plan to conduct regular reviews of the Key Tasks according to circumstances, as we do with the Material Issues.



### Map of Key Tasks



### Material Issues

	Concept	Main Initiatives
<b>Governance</b>	Strive to improve management efficiency, transparency, and soundness, and engage in responsible management as a global company.	<ul style="list-style-type: none"> <li>● Development of a governance framework</li> <li>● Appropriate information disclosure and improvement of transparency</li> <li>● Development of a risk management system</li> </ul>
<b>Compliance</b>	In conducting of business activities, observe laws, regulations, and international norms, including those related to human rights, and the social norms in areas where we operate.	<ul style="list-style-type: none"> <li>● Observance of laws, regulations, and social norms</li> <li>● Respect for human rights</li> <li>● Prevention of bribery and corruption</li> </ul>
<b>HSE</b>	Strive to continuously strengthen safety assurance, environmental preservation, and health management in operations.	<ul style="list-style-type: none"> <li>● Safety management in operations</li> <li>● Prevention of major incidents</li> <li>● Mitigation of environmental impacts</li> <li>● Conservation of biodiversity</li> </ul>
<b>Local Communities</b>	Strive to reduce impacts on local communities where we operate and contribute to the development of local communities through respectful communication.	<ul style="list-style-type: none"> <li>● Evaluation and reduction of impact on local communities</li> <li>● Contribution to local economies</li> <li>● Consideration for the indigenous community</li> </ul>
<b>Climate Change</b>	Appropriately manage greenhouse gas emissions, strive to commercialize renewable energies, and reinforce new technology R&D activities.	<ul style="list-style-type: none"> <li>● Management of greenhouse gas emissions</li> <li>● Promotion of renewable energy businesses</li> <li>● Promotion of new technology R&amp;D</li> </ul>
<b>Employees</b>	Develop human resources appropriate for global operations and pursue business development through a corporate culture of respect for individual values and diversity.	<ul style="list-style-type: none"> <li>● Development of globally competent human resources</li> <li>● Promotion of diversity</li> <li>● Creation of employee-friendly workplace environments</li> </ul>

# Governance



**\*1 COSO**

The Committee of Sponsoring Organizations of the Treadway Commission

**\*2 Operational Organizations**

INPEX headquarters and organizations that implement operator projects

**\*3 Business Continuity Plan (BCP)**

The selection of key operations for continuation in the event of a disaster in order to prevent interruption. Prepare a system making it possible to continue such operations

### Basic Policy

● **Corporate Governance**

Based on our Mission, 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 decision-making.

● **Risk Management**

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. In addition to large-scale natural disasters and pandemics, business risks include changes in the economic situation, social

situation, laws and regulations, and other factors in the business environment as well as risks that exist in business processes such as exploration, production, transportation, and sales. We have implemented internal controls under Japan's Financial Instruments and Exchange Law (known as "J-SOX") based on the COSO\*1 framework. Each Operational Organizations\*2 also performs risk management related to occupational health and safety and environmental conservation under the HSE Management System. Additionally, we analyze the impact of fluctuation in oil prices and exchange rates and disclose the information in result briefings.

### Targets and Results

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>Strengthen our corporate governance system to comply with the Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>Established Corporate Governance Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate the effectiveness of the Board of Directors as a whole and disclose a summary of the evaluation results</li> </ul>
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Review the HQ Business Continuity Plan (BCP)*3 for Earthquakes and provide relevant training to employees.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed and provided training on the HQ BCP for Earthquakes to all employees</li> </ul>	<ul style="list-style-type: none"> <li>Review the HQ BCP for Earthquakes and provide relevant education and training to employees</li> </ul>



Case Study 1

### Corporate Governance Guidelines

Corporate Governance Guidelines were formulated on November 27, 2015.

These guidelines lay out the provisions and basic views for the company's corporate governance initiatives including relationships with shareholders and other stakeholders, full disclosure of information, the adoption of a corporate governance structure and constructive dialogue with shareholders.

In order to achieve sustainable growth and increase corporate value over the medium- to long-term, the company 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 decision-making.

Year	Development of INPEX Corporate Governance System
2008	<p><b>[Full Business Integration]</b></p> <ul style="list-style-type: none"> <li>Adopted the structure of a Company with an Audit &amp; Supervisory Board (Company with <i>Kansayaku</i> Board)</li> <li>Appointed four Outside Directors</li> </ul>
2012	<p><b>[Enhancement of Corporate Governance of Directors and Executive Officers]</b></p> <ul style="list-style-type: none"> <li>Reduced the office terms of directors and executive officers from two years to one year</li> <li>Appointed additional Outside Directors (The total number of Outside Directors was increased from four to five.)</li> <li>Set up the Management Advisory Committee (The Committee seeks multifaceted and objective feedback from domestic and foreign expertise)</li> <li>Established a guideline for the purchase of the shares by directors and executive officers</li> <li>Accelerated the delivery of Ordinary General Meeting of Stakeholders invitations (three weeks prior to the meeting)</li> </ul>
2015	<p><b>[Response to Corporate Governance Code]</b></p> <ul style="list-style-type: none"> <li>Established the "Corporate Governance Guidelines" (with English translation)</li> <li>Developed "Independence Standards for Outside Directors and Outside Audit &amp; Supervisory Board members" and "Policy Concerning the Development of a System and Initiatives for Promoting Constructive Dialogue with Shareholders"</li> </ul>



Case Study 2

### Board of Directors Performance Evaluation

INPEX has evaluated, (by means of a self-evaluation survey) the overall effectiveness of the Board of Directors, in order to regularly verify that the Board of Directors is functioning appropriately as a whole, and strives to identify issues and continue measures for improvement based on the results of such verification. The latest survey was conducted from March to early April 2016 as an evaluation of the fiscal 2015.

Through the survey form, responses were obtained from all directors and Audit & Supervisory Board members regarding matters including the operations, constitution, roles and responsibilities of the Board of Directors.

The secretariat of the Board of Directors aggregated the responses, and the Board of Directors sufficiently discussed and analyzed such responses after exchanging opinions between Outside Directors/Audit & Supervisory Board members and representative directors.

As a result of this evaluation process, the Board of Directors has ensured a certain level of board effectiveness and confirmed the following matters.

- In the operations of the Board of Directors, with respect to the deliberations and the provision of information, there are active discussions and information is readily provided, and thus a certain level of effectiveness is ensured. With a view to further improve effectiveness going forward, more opportunities for advance explanations to Outside Directors are needed and efforts are required with regard to establishing appropriate proposals and efficient reporting, etc.
- With regard to the constitution of incumbent directors, greater diversity needs to be ensured (in terms of gender, variety of experience in other industries, academic expertise, etc.), and we should accelerate the consideration of this matter.
- The Board of Directors should ensure more time for discussion related to broad corporate strategies, including medium- to long-term vision and management policies. In addition, the Board should further enhance the involvement of Outside Directors in those discussions with a view to increase corporate value over the medium- to long-term.

We will make necessary improvements with the aim of ensuring greater effectiveness and enhancing the functions of the Board of Directors.

**Web** 

Corporate Governance Guidelines  
<http://www.inpex.co.jp/english/company/pdf/e-guidelines.pdf>

Corporate Governance Report  
<http://www.inpex.co.jp/english/company/pdf/e-report.pdf>

## Corporate Governance

### State of Corporate Governance

In accordance with our Mission, INPEX is committed to sustainability and stability in its business operations. We have adopted an organizational structure of a Company with an Audit & Supervisory Board. In this model, each of the Audit & Supervisory Board member supervises the executive actions of directors who possess strong knowledge of business operations. To ensure that we can respond quickly and effectively to rapid changes in our business environment and to the expansion of the scope of our activities, we have further strengthened our operational systems by adopting an executive officer system to enhance flexibility and efficiency of our management organization.

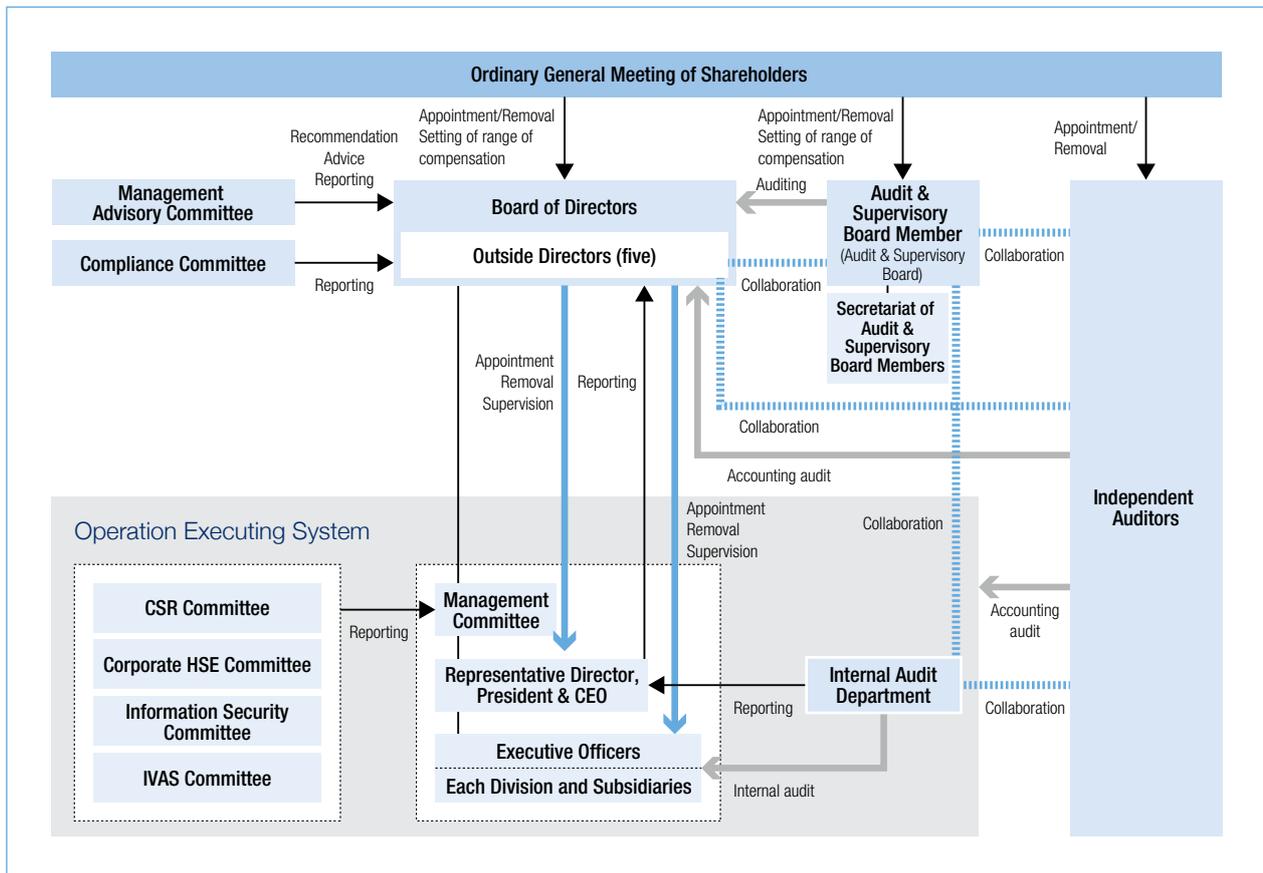
We have many opportunities to negotiate with oil-producing countries and state-owned oil companies in those countries, as well as with international oil companies and other organizations. We believe that these negotiations require directors as well as executive officers who have a thorough knowledge 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 structure allows the Board of Directors to implement our business operations more efficiently while also effectively supervising management.

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 fourteen Board Members) who are expected to objectively monitor management processes, prevent conflicts of interests, provide expert advice, and incorporating the feedback of stakeholders. The appointed Outside Directors include corporate leaders, academics or other specialists who possess rich experience and knowledge in the fields of energy and resources, finance, law, or other related disciplines.

Four of the 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 member, we have assigned dedicated employees in the Audit & Supervisory Board members' Office, thus strengthening the coordination between internal audit department and independent auditors.

### Corporate Governance Chart



## ● Overview of the Corporate Organization

### (1) Directors and Board of Directors

- Five of the fourteen members of the Board are Outside Directors
- Meets regularly once a month and holds special meetings as necessary
- Deliberates and makes decisions on important matters relating to business operations, and supervises the directors in the performance of their duties
- Term of office for directors has been set at one year

### (2) Audit & Supervisory Board and its Members

- Four out of five members are Outside Auditors
- Assesses performance of directors and executive officers in the management of general and specific projects by attending the Board of Directors and Executive Committee meetings, as well as through reports and hearings given by related department heads
- Receives audit reports from independent auditors on a regular and as-needed basis, as well as pertinent internal audit data from internal audit department

### (3) Management Committee

- Meets weekly or as required
- Makes flexible decisions on matters for which resolutions from the Board of Directors are not required, and engages in deliberations to assist the Board with its decision-making

### (4) Executive Officer System

- Supports effective and timely adaptation to rapid changes in the business environment and to the expansion of our business operations
- Creates a more clearly defined operational executive structure by delegating authority to executive officers, while enhancing the flexibility and efficiency of our management systems
- Term of office for executive officers is one year

## ● Committees

### (1) Management Advisory Committee

- Established in October 2012
- Spearheads measures to increase corporate value, based on the expertise and recommendations of outside experts regarding issues such as international political, economical and an outlook of energy conditions, as well as the enhancement of corporate governance
- Consists of four domestic and international experts (three male and one female), such as university professors highly knowledgeable in the field
- Met twice in fiscal 2015

### (2) Compliance Committee

- Established in April 2006
- Chaired by the Director in charge of compliance, the committee is comprised by the head of permanent organizational units, the Director in charge of HSE, and the General Manager of the Audit Unit
- Met three times in fiscal 2015

### (3) CSR Committee

- Established in April 2012
- Chaired by the President, the committee also includes the Representative Directors, the Head of the General Administration Division, the Head of the Corporate Strategy & Planning Division, the Chair of the Compliance Committee, and the Chairperson of the Corporate HSE Committee
- Determines basic policies and important matters as related to CSR, including Corporate Governance
- Met twice in fiscal 2015

### (4) Corporate HSE Committee

- Established in October 2007
- The Corporate HSE Committee develops HSE policies and annual goals, and promotes cross-organizational HSE activities.
- Met nine times in fiscal 2015

### (5) Information Security Committee

- Established in November 2007
- Deliberates and makes decisions on all basic policies related to the use and management of information assets for business operations, and facilitates initiatives to systematically maintain a high level of information security
- In the case of an information security incident, the committee decides how to respond and prevent any similar occurrence
- Met twice in fiscal 2015

### (6) INPEX Value Assurance System Committee

- Established in May 2014
- Contributes to INPEX's decision-making process for the enhancement and promotion of project value and confirms preparation at important milestones in all oil and natural gas E&P projects
- Met fourteen times in fiscal 2015

## ● Internal Audits

- Ensures that business operations are conducted appropriately and efficiently, acting independently of the operational executive organization and reporting directly to the President
- Tests operation and maintenance efficiencies of internal control across all business operations, as well as business processes. Identifies issues, reports as necessary, and conducts follow-up audits to monitor the progress of remedial actions. Shares feedback as needed with independent auditors, Audit & Supervisory Board members, contributing to the improvement of the internal control system

## Web



Structure for Corporate Governance:

1. Management System
2. Monitoring of Management by Outside Directors and Audit & Supervisory Board Members
3. Director Compensation
4. Internal Control Systems

<http://www.inpex.co.jp/english/company/governance.html>



## Risk Management

### Risk Management System

INPEX recognizes that preventing the occurrence or spread of loss or damage and maintaining and bolstering the trust of customers, business partners, and investors by appropriately managing risks inherent in business operation is important for increasing corporate value in a rapidly changing business environment and constantly strives to strengthen risk management. INPEX operates its risk management system in accordance with resolutions of the Board of Directors. The Board has resolved that directors shall ensure that they maintain regular and close contact with the departments for which they are responsible, undertake the identification, analysis and evaluation of risks, and conduct risk management activities on the basis of internal regulations, guidelines, and other rules in order to address the various risks related to corporate activities. The Board has also resolved that the operational status of risk management pertaining to day-to-day operations shall be examined and assessed through means such as audits by an internal audit organization reporting directly to the President as well as audits by other internal divisions or external experts, and that regular reviews shall be undertaken in response to changes in the operating environment. The Board has further resolved that the Company shall conduct risk management for the Group as a whole on the basis of mutual collaboration with subsidiaries in accordance with the Internal Rules on Group Management. We have also established "standards for evaluation and selection of independent auditors," which mandates the criteria for the Audit & Supervisory Board to follow when evaluating quality management, independence and remunerations of independent auditors. The Audit & Supervisory Board evaluates independent auditors annually, based on these standards.

### Operational Risk Management System

To cope with various risks related to business projects, first, the New Ventures Division carries out a centralized analysis/evaluation on whether to adopt or reject a new project, and operates the "INPEX Value Assurance System" as a structure for conducting cross-sectoral technical evaluation at each phase of exploration, evaluation, development, etc.

Also, in order to handle country risks in the countries where we operate, we have set guidelines which include the establishment of a maximum target amount for

accumulated investment balance for high-risk countries.

Further, we have been conducting financial risk control by identifying risks of fluctuation of currency exchange rates, interest rates, crude oil/natural gas prices and securities prices, and establishing corresponding managing/hedging method.

With regard to HSE risks, Corporate HSE Committee was established in order to promote continuous improvement of the environment and occupational health and safety associated with the development of crude oil and natural gas. Based on the Risk Management Procedures established under the HSE Management System, each business location identifies, analyzes and evaluates HSE risks, and establishes and practices risk countermeasures. Such risk management situation is to be reported to the headquarters for its monitoring and grasping HSE risks. Further, with regard to health and security related risks, we engage in companywide management based on resources and guidelines.

### Climate Change Risk

In response to climate change, an issue of concern on the global level, we have published a Position Paper in December 2015 summarizing our basic views towards, and the efforts being made to address these issues. Future challenges are under review on an ongoing basis.

If greenhouse gas (GHG) emissions continue to increase at the current rate, further climate change will result. This is expected to have serious effects on human health and socioeconomic activities, including increased flooding, storm surges, and other natural disasters in many global regions, ecosystem degradation, harmful effects on forests and grain production, and increased risk of communicable diseases and heat stress.

We take full measures against such risks to prepare against the impacts that these phenomena would have on our business activities. At the Ichthys LNG Project, offshore facilities are designed and located to withstand large-scale cyclones or potential rise in sea level. We take various measures for reducing GHG emissions, considered to be a cause of climate change: promoting increased use of LNG, a low-environmental-impact fuel; installing energy-efficient systems; managing GHG emissions and intensity; and engaging in technical development of CCS and methanation technology, which contribute to CO<sub>2</sub> reduction. Furthermore, in the field of renewable energy, we are implementing mega solar projects as well as geothermal power generation.

## Large-Scale Natural Disaster and Pandemic Countermeasures

### ● Large-Scale Natural Disaster Countermeasures

We are preparing a Business Continuity Plan (BCP) and response manual in the event that the Tokyo metropolitan area is at an earthquake's epicenter, taking into account the damage estimation for such an earthquake conducted by the Cabinet Office's Central Disaster Management Council. First, our business continuity policy is to clearly express groupwide values prioritizing matters such as the maintenance of a stable energy supply while ensuring human safety and environmental preservation, and to stipulate in BCP the emergency response practice in the event of an earthquake on a holiday or at night, and rules for returning home from the office. 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.

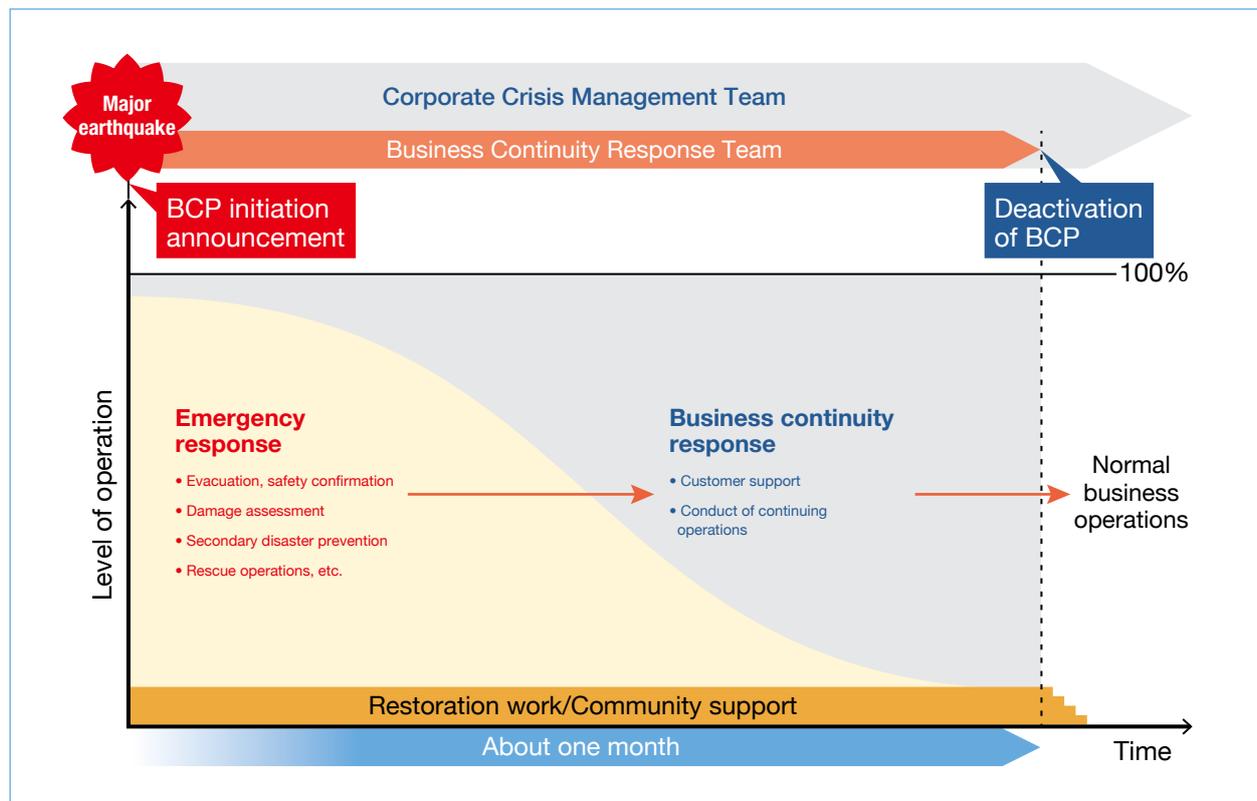
In terms of projects, we postulate oil spills and other project-specific worst-case scenarios and conduct emergency and crisis response training.

### ● 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 increase. 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.

## Emergency Response and Business Continuity Response Overview



# Compliance



**\*1 EITI**

The EITI is a global initiative to realize good governance and economic development in resource producing countries through the eradication of political corruption and poverty by improving the transparency of the flow of funds from oil, gas, and mineral resource exploration industries to the governments of producing countries and increasing responsibility in the management of funds through methods conforming to international standards

**\*2 IPIECA**

International Petroleum Industry Environmental Conservation Association

### Basic Policy

**● Compliance**

INPEX is systematically developing a compliance system, an indispensable requirement for the sustained development of a company, and strives to ensure compliance with laws and regulations and adherence to corporate ethics. Specifically, we have instituted the Compliance Committee which deliberates basic policies, plans, and significant matters pertaining to compliance, and manages the status of compliance practice to promote unified compliance initiatives throughout the Group.

In addition, in accordance with the Corporate Social Responsibility Principles, we have instituted the Code of Conduct, which prescribes matters to be observed 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 Initiatives**

The Code of Conduct stipulates the building of sound and appropriate relationships with government and

administrative authorities (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. We make no donations relating to political activities.

We have participated in the United Nations Global Compact since December 2011. We have expressed our commitment to prevent corruption and issued the Anti-Bribery and Anti-Corruption (ABC) Guidelines in May 2014 for the purpose of further reinforcing measures to prevent bribery, corruption, and other improper behavior.

**● Respect for Human Rights**

We support international norms relating to human rights, such as the Universal Declaration of Human Rights, the International Labor Standards of the International Labor Organization (ILO), and the United Nations Guiding Principles on Business and Human Rights and participates in the United Nations Global Compact, which promotes voluntary activities by companies as good corporate citizens.

### Targets and Results

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Strengthening of Compliance Management</b>	<ul style="list-style-type: none"> <li>Promote global compliance activities (establishment and support of compliance systems at overseas offices) and enhance cooperation between the headquarters and overseas offices</li> <li>Continue to conduct ABC training</li> <li>Continue to conduct CSR training</li> </ul>	<ul style="list-style-type: none"> <li>Conducted ABC risk assessment at the headquarters and three overseas offices</li> <li>Revised the ABC Guidelines and prepared to institute implementation procedures</li> <li>Conducted compliance training for new graduates and mid-career hires</li> <li>Conducted CSR training (e-learning) with a human rights component (participation rate: 82%)</li> </ul>	<ul style="list-style-type: none"> <li>Continue ABC risk assessment at overseas offices</li> <li>Widely disseminate and strengthen implementation of the ABC Guidelines</li> <li>Engage in activities for development of global compliance systems</li> <li>Continue to conduct CSR training</li> </ul>
<b>Participation in CSR Initiatives</b>	<ul style="list-style-type: none"> <li>Participate in the United Nations Global Compact, EITI*, and IPIECA*2</li> <li>Co-host the IPIECA Social Responsibility Working Group meeting in Perth</li> </ul>	<ul style="list-style-type: none"> <li>Participated in the Global Compact Network Japan working groups</li> <li>Co-hosted the IPIECA Social Responsibility Working Group meeting and participated in Human Rights Task Force activities</li> <li>Disclosed information on payments to EITI member countries</li> </ul>	<ul style="list-style-type: none"> <li>Participate in the United Nations Global Compact, EITI and IPIECA</li> <li>Disclose information on payments to EITI member countries</li> </ul>

## Case Study

### Risk Assessment against Anti-bribery and Anti-corruption

At a time of substantial tightening of laws and regulations pertaining to bribery and corruption worldwide, INPEX has prohibited bribery and corruption without exception in the Code of Conduct. In May 2014, we instituted the Anti-Bribery and Anti-Corruption (ABC) Guidelines applicable to the entire Group to further reinforce the prohibition. The Guidelines were implemented in October 2014.

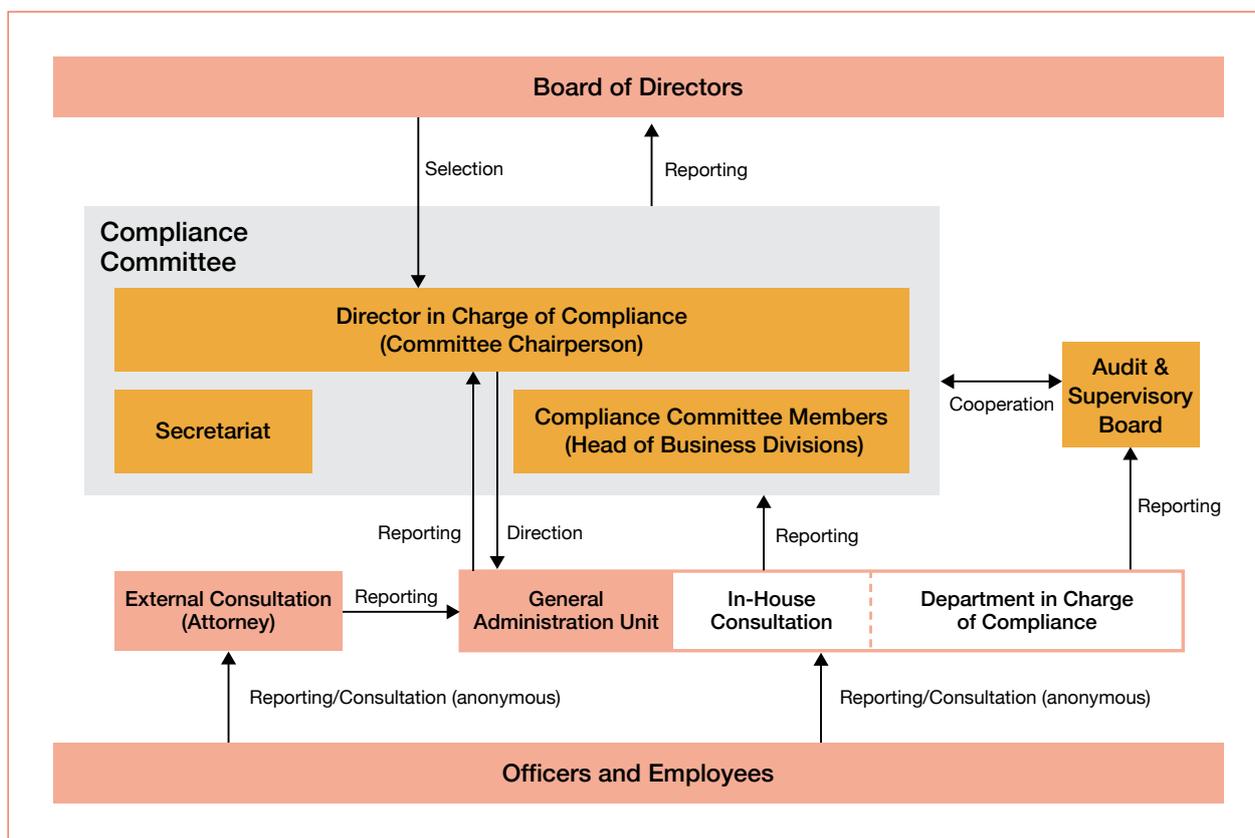
In implementing systems to prevent bribery and corruption within the Group in accordance with the ABC Guidelines, we have positioned the institution of internal regulations that support risk assessment and the Guidelines as a high-priority task and have engaged the services of an external law firm with expertise in the implementation of such systems.

Risk assessment is said to be an effective and fundamental approach to building a strong compliance program, and in fiscal 2015 we conducted advanced risk assessment at each divisions in headquarters and three overseas offices in countries and regions where we operate.

The assessment process involves collecting information on the frequency of negotiations with government workers, types of administrative acts, approval processes and other matters through responses to preliminary questions and interviews with our executives and employees at the headquarters and overseas offices conducted by an anti-bribery and anti-corruption secretariat set up under the Compliance Committee. The external law firm prepared a risk assessment report that summarized degrees of risk and matters requiring improvement on the basis of the responses to these questions and interview results. We plan to make use of the report in instituting internal regulations and implementing internal systems.

Future plans call for continued risk assessment at overseas offices, efforts to minimize risks associated with bribery and corruption through implementation of e-learning and other general compliance training, including ensuring familiarity with instituted internal regulations and their efficient and effective implementation, as well as efforts to improve anti-bribery and anti-corruption programs.

## Compliance Framework



**Web** 

CSR Principles  
<http://www.inpex.co.jp/english/company/philosophy.html>

Business Principles  
<http://www.inpex.co.jp/english/company/policy.html>

Code of Conduct  
<http://www.inpex.co.jp/english/company/policy.html>

## Compliance and Human Rights Initiatives

### System for Promoting Compliance

INPEX has established a system by which the Compliance Committee promptly considers and implements countermeasures if a serious compliance-related incident occurs. The Director in charge of compliance issues and the Compliance Committee cooperate with the Audit & Supervisory Board and its members, independent auditors, the Audit Unit –internal audit division, as well as equivalent bodies or departments in our subsidiaries in (1) developing and implementing compliance measures, (2) monitoring their implementation, (3) raising compliance awareness, (4) receiving reports on and investigating cases of violations, (5) issuing warnings and taking measures against violations, and (6) instituting measures to prevent the recurrence of violations.

### Compliance Training

We distribute copies of the Code of Conduct and Code of Conduct Guidance\*1 to each employee and periodically conduct training to ensure that all employees engage in compliance activities. Major overseas offices are instituting and implementing their own Codes of Conduct, taking into account the laws, regulations and cultures of host countries. In this way, we are strengthening our global compliance systems.

### Whistle-Blower System

In April 2006, we instituted a Help-Line that uses a Whistle-Blower System that complies with the Whistle-blower Protection Act. The Help-Line is accessible to our executives and employees. Contact points are offered both inside and outside the company (a law firm), reports can be submitted anonymously, and rigorous measures have been taken to protect individuals who submit reports from any negative consequences. In fiscal 2014, we revised the INPEX Help-Line Procedures to ensure that the Whistle-Blower System functions more effectively by strengthening cooperation with the Audit & Supervisory Board members. We promptly report the content of reports from whistle-blowers and the results of investigations and responses to the Audit & Supervisory Board members.

One report to the internal Help-Line and four to the external Help-Line were submitted during fiscal 2015.

The Compliance Committee responded to each report by taking appropriate actions in accordance with the Help-Line Procedures, taking into consideration the advice of attorneys and other experts.

### Anti-bribery and Anti-corruption Initiatives

In fiscal 2015, we engaged in concrete initiatives to strengthen implementation of the Anti-Bribery and Anti-Corruption (ABC) Guidelines, mainly the conduct of risk assessment at the headquarters and three overseas offices, and the institution of internal regulations that support the Guidelines. To ensure familiarization with the Guidelines, we continuously conduct compliance training for new graduates and mid-career hires and have recently added training at overseas offices. Training is also conducted in Australia for local employees and Japanese expatriates. In addition, we periodically share information and exchange views on compliance activities with the Perth and Jakarta Office to develop global compliance systems. There was no major compliance violation related to bribery and corruption in fiscal 2015.

### Heightening Transparency through EITI Participation

We have participated in the Extractive Industries Transparency Initiative (EITI) since October 2012. As of April 30, 2016, EITI participants include 51 resource countries, many supporting countries including Japan, and many companies in extractive industries and non-governmental organizations (NGOs).

Among countries where we operate projects, we provide project data relevant to EITI in Azerbaijan, Iraq, Kazakhstan, East Timor, D.R. Congo, and Indonesia.

### Our Approach to Tax Compliance

We strive to ensure tax compliance and transparency. We realize that by paying taxes appropriately and in accordance with laws and regulations of each respective country we operate in, we contribute to local economic development, thus fulfilling one of our most important social responsibilities.

Not only do we comply with the Japanese tax laws and make appropriate tax payments, but since most of our operations are located in foreign jurisdictions, we also constantly strive to expand our expertise in relevant local tax legislation in order to minimize the risk of uncertainty or dispute, and also to timely recognize transfer pricing risks associated with cross border transactions. We seek to ensure that our tax payments are performed in an appropriate manner, by building constructive relationships based on mutual trust with local tax authorities, for example, through applying for advance pricing agreements.

As a global company, we will closely follow the development of international taxation framework and related changes in local legislation, spurred by the publication of the final reports of the OECD/G20's BEPS project\*\*2 in October 2015, and strive to address new taxation trends in international transactions in a timely and appropriate manner.

Furthermore, we promote tax compliance throughout the entire group by providing education not only to tax and accounting division members, but to all group employees.

#### \*1 Code of Conduct Guidance

To prevent compliance violations in the workplace, in April 2014 INPEX issued the Code of Conduct Guidance, which combines and updates the previous Compliance Manual and the Compliance Q&A Booklet. The Code of Conduct Guidance is a compilation of day-to-day conduct guidelines and specific cases pertaining to compliance matters in the Code of Conduct

#### \*2 Base Erosion and Profit Shifting (BEPS) 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

## Fair Procurement

The Details on Ethical Procurement Guideline specifies matters including prohibition of practices that impede on fair and impartial competition, prohibition of abuse of a dominant bargaining position, protection of the confidentiality of suppliers' information and technologies, and prohibition of inappropriate granting or receipt of benefits. It stipulates that departments involved in procurement processes adhere to and put into practice the Guidelines not only as a basic policy governing procurement operations, but also as part of the Group's Code of Conduct, and requires contractors to similarly comply with laws and regulations related to labor and environment, prevent bribery, respect human rights, and follow relevant guidelines.

We are committed to providing opportunities to all suppliers and select contractors to supply goods and services based on a fair and transparent evaluation.

In selecting main suppliers for our operator projects, we work within a prequalification process that ensures our suppliers have detailed HSE systems in place.

When accepting bids and placing orders for large-scale projects in Japan such as the Naetsu LNG Terminal and pipeline construction, we assess HSE initiatives of suppliers and contractors as part of our evaluations to ensure fair and responsible procurement. We also follow the Details on Ethical Procurement Guideline on these projects. At overseas projects as well, we strictly comply with the laws and regulations of countries where we operate.

## Human Rights Initiatives

We recognize that it is essential for us that engage in global business operations to respect the cultures and customs of the areas where we operate and give sufficient consideration to human rights. When implementing projects, we adopt IFC Performance Standards as our own voluntary standards and conduct studies on the possible environmental and social impacts (including human rights) of our business activities in the areas where we operate. We identify risks and follow up with appropriate actions to avoid, mitigate, and monitor these risks. In this process, we emphasize dialogue with local governments, residents, and other stakeholders in the affected areas.

When we withdraw from businesses in Japan, we take appropriate measures and duly consider the safety and environment of local communities after first studying and assessing the impacts that closing and removing wells or plants may have on society and the environment, and obtaining the consent of local residents.

## ● Human Rights Awareness Training

In fiscal 2015, we provided online CSR training including human rights issues for target groups of employees in Japan and overseas. 82% of employees participated in the training.

## ● Dialogue between Labors and Management

The labor agreement with the INPEX labor union recognizes that the union possesses the three labor rights (the right to organize, the right to bargain collectively and the right to act collectively). We also facilitate opportunities for management and labor representatives to discuss labor issues at overseas offices as well.

To maintain and develop a healthy relationship, management and labor representatives meet periodically to exchange views and ideas on a broad range of issues, including challenges faced by company and the business outlook. Appropriate advanced notification is provided in the event that employees are significantly impacted by operational change.

No complaints have been received since the union was formed in October 2008. The following significant revisions resulted from negotiations between INPEX and the labor union in fiscal 2015.

- Minimization/elimination of benefits/assistance based on personal factors and restructuring of the compensation system based on work standards
- Introduction of a selective defined contribution pension plan as a means of assisting employees in building wealth for the future
- Elimination of inequalities in benefits among employees while restructuring housing support programs, establishing and expanding various support programs for reassigned employees

## Web



Details on Ethical Procurement Guideline  
<http://www.inpex.co.jp/english/csr/pdf/procurement.pdf>



**\*1 Lost Time Injury Frequency (LTIF)**

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

**\*2 Total Recordable Injury Rate (TRIR)**

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

**\*3 Incident Command System (ICS)**

Standardized system of emergency and crisis response

**\*4 IFC**

International Finance Corporation

**Basic Policy**

INPEX has issued an HSE Policy to ensure the safety and health of all those involved in its business activities while striving for the conservation of local ecosystems and the global environment. This policy is strenuously implemented by an HSE Management System that manages all issues related to health, safety and environment.

**● Occupational Safety and Health**

We aim to eliminate incidents to ensure that all workers at INPEX worksites return home safe and sound each day. We also take measures against potential illness and hygiene issues employees may face to keep employees healthy.

**● Process Safety Management**

In order to prevent major incidents or disasters such as fires, explosions or large oil spills, we consider not only

the operational management of the project but also its safety, beginning from the exploration or design phase of the facilities.

**● Security and Crisis Management**

We reinforce overseas security management as necessary by being aware of the state of security. We also prepare the necessary documents to respond to various types of emergencies and conducts crisis management exercises to prepare for the worst-case scenarios.

**● Environmental Management**

We strive to minimize negative impacts on the environment and local communities by conducting environmental and social impact surveys before starting a project, monitoring those impacts through the project's lifecycle, and promoting environmental management based on the monitored results.

**Targets and Results**

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Enhance Safety Management</b>	<ul style="list-style-type: none"> <li>Achieve at least 90% compliance with requirements as required in the Corporate HSE Procedures</li> <li>Accomplish incident reduction target LTIF<sup>*1</sup> 0.20 / TRIR<sup>*2</sup> 0.85 or less</li> <li>Enhance the level of HSE leadership</li> <li>Develop an emergency response plan based on credible worst-case scenarios</li> </ul>	<ul style="list-style-type: none"> <li>Conducted HSE audits for three Operational Organizations and confirmed 90% compliance</li> <li>Increased HSE support activities</li> <li>Recorded LTIF 0.15, while TRIR improved to 1.12, fatal incident occurred</li> <li>Conducted six management site visits</li> <li>Revised Emergency response manual and conducted four exercises</li> </ul>	<ul style="list-style-type: none"> <li>Launch Corporate HSE Third Phase Mid-term Plan</li> <li>Enhance HSE assurance and governance</li> <li>Proceed HSE technical support</li> <li>Incident reduction target: LTIF 0.17 / TRIR 0.91 or less</li> <li>Thoroughly manage major accident event prevention</li> <li>Implement ICS<sup>*3</sup> based Emergency Response Procedure through Level 3 exercises</li> </ul>
<b>Enhance Environmental Management</b>	<ul style="list-style-type: none"> <li>Revise and promote the Environmental and Social Impact Assessment (ESIA) Procedure</li> </ul>	<ul style="list-style-type: none"> <li>The revision of ESIA Procedure postponed to FY2016</li> </ul>	<ul style="list-style-type: none"> <li>Comply with IFC<sup>*4</sup> requirements and evaluate environmental risk management</li> </ul>



**Masaharu Sano**

Senior Executive  
Vice President  
in charge of HSE

**\*5 IOC**

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International Oil Company

### Message from the Director in Charge of HSE

“An integrated energy company that contributes to making society more affluent” is a company that prides itself on high moral values with a corporate culture that places the utmost priority on securing safety and environmental integrity. This is exactly what our Mission aspires to. 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 that end, in 2013, we started working on the three-year Corporate HSE Second Phase Mid-term Plan. The objective of this initiative was to elevate our HSE competency to a level comparable to that of the IOCs\*5. Our efforts were fruitful and we have witnessed success in strengthening the HSE organization, the securing and training of human resources, and propelling process safety management for preventing major accident events. As of late, we have been exerting our efforts to fortify our HSE structure, including security management, by conducting crisis response exercises with our overseas project sites and reviewing security levels on a regular basis.

The unique INPEX HSE culture that we aim to forge is one that recognizes that HSE should form the moral basis for all decision making and encourages this on a daily basis at all levels of the company, from management to those on site, at any time, at any stage of our company operation. To realize such an HSE culture, we have developed the Corporate HSE Third Phase Mid-term Plan focusing on the next 5 years with renewed HSE activities, building on the accomplishments we have made thus far.

Working together in close cooperation towards our goals, we will push our HSE performance even further by promoting activities such as maintaining HSE Management System (HSEMS), improving HSE assurance and governance, providing HSE technical support, strengthening HSE management capability on site, responding to crisis situations and developing environmental measures.

We believe it is our social responsibility as a global company to demonstrate to a wide range of stakeholders our commitment to INPEX 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.

## Five-Year Plan

**\*6 OMS 510**

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Operating Management  
System No. 510: [www.  
iogp.org/pubs/510.pdf](http://www.iogp.org/pubs/510.pdf)

**\*7 IOGP**

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International Association of  
Oil and Gas Producers  
[www.iogp.org/](http://www.iogp.org/)

### The Corporate HSE Third Phase Mid-term Plan (FY2016–2020)

The following targets have been set for achieving the mid-term plan:

- (1) We will introduce the guideline (OMS 510\*6) newly developed by IOGP\*7 to our HSEMS in order to improve efficiency and consistency, and apply updated HSEMS to activities undertaken at all INPEX Group, including non-operator projects and domestic subsidiaries.
- (2) We will conduct HSE audits and reviews systematically and progressively with companywide cooperation. By utilizing the results from these audits and reviews, we will enhance companywide HSE assurance and governance.
- (3) We will enhance HSE technical support by appropriating companywide resources.
- (4) Recognizing HSE management on a site basis is extremely important, so we will create a structure in which every individual employee on site is able to participate in HSE activities and incorporate his/her own experiences and ideas into the structure.
- (5) We will thoroughly manage major accident event prevention through strengthening HSE risk control, reinforcing the Safety Case approach, as well as process safety management and various activities to maintain integrity of facilities and equipment.
- (6) We will introduce a new companywide leading indicator additional to LTIR and TRIR, which will be continuously monitored and evaluated, thereby positioning ourselves in the top 25% of the IOGP member companies.
- (7) We will fortify the Incident Command System companywide to respond to emergency and crisis situations with speed and appropriate actions.
- (8) We will ensure that environmental and social issues are managed based on legal requirements and the IFC Performance Standards. We will select issues that will contribute to lower environmental load and develop plans to manage them as we continue the greenhouse gas management.

**Web** 

HSE Policy  
[http://www.inpex.co.jp/english/company/hse\\_policy.html](http://www.inpex.co.jp/english/company/hse_policy.html)

HSE Objectives and HSE Program  
<http://www.inpex.co.jp/english/csr/data/objectives.html>

## Building an HSE culture

INPEX has prepared the “HSE Policy” and HSE Management System in order for HSE to be a central value concept for decision-making, and engages in the HSE activities in a consistent manner throughout the company.

We ensure that employees at all levels, from top management to field locations, retain awareness of their responsibility toward HSE, demonstrate leadership and act toward achieving HSE objectives. Even so, there is still much to be improved to enhance and elevate the HSE level. Here we explain the current activities required to raise awareness level and improve employee capability.

## Education on HSE

In fiscal 2015, we conducted approximately 462 hours of HSE education and training covering 25 subjects. In addition, in an effort to improve HSE capabilities among young engineers, on-site HSE training was organized in Geoje, South Korea where the equipment for the Ichthys LNG project is being constructed. Process safety training was also conducted in Oman. As a separate initiative, we have been hiring entry level employees to be trained as HSE experts, allowing them to gain HSE experience at drilling sites, construction yards, or production and operation fields in Japan or overseas. Eventual transfers to the Operational Organizations will further develop their HSE expertise.

From fiscal 2016, as one of the important elements to realize the Corporate HSE Third Phase Mid-term Plan, we will formulate the HSE education and training scheme and focus on its execution.

## HSE Communication

Since fiscal 2008, in order to raise HSE awareness, we have held Annual HSE Meetings attended by the President & CEO, Corporate HSE Committee members, and the top executives in charge of HSE at domestic and overseas Operational Organizations. We have also organized H&S Managers Meetings\*1 and Environmental Meetings with HSE managers and experts at the Operational Organizations. Issues discussed at these meetings have been reflected in companywide HSE planning. The H&S Managers Meeting provided an opportunity for managers involved in HSE at the practical level to give presentations on occupational health and safety initiatives at their Operational Organizations and discuss matters such as contractor safety management, emergency response, improvement in communication, and so on. At the Environmental Meeting, each Operational Organization introduces their environmental management activities, and all attendees exchange

information and discuss measures taken to preventing climate change and to laterally spread good practices.

The INPEX Corporate HSE Unit publishes the “HSE Highlights” newsletter and the “HSE Monthly Reports” to enlighten all the employees about HSE and to prevent the recurrence of incidents. In addition, the Corporate HSE Unit posts on our intranet the latest set of 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. All employees can access the HSE information at any time.

We continue to endeavor to strive HSE communication, especially by sharing lessons learned from incidents both within and outside the Group in a more timely and explicit manner.

## HSE Management System

We have worked on the preparation of the HSE Management System and its implementation for nearly 10 years. The preparation of required HSE documents, establishment of the HSE organizations, and the preparation and execution of various plans for implementing the A-PDCA\*2 cycle have been the focus of these efforts. However, in fiscal 2015, based on the recent efforts of overseas oil producing companies and the unique issues we face today, we engaged in an intensive internal discussion and decided to revise the HSE Management System as a part of the Corporate HSE Third Phase Mid-term Plan. OMS 510, the guideline newly defined by IOGP, will be incorporated to make the system more effective and consistent by adopting the fundamental principles of leadership, risk management, continuous improvement and implementation.

## Organization for Driving HSE Tasks

The Corporate HSE Unit consists of HSE System Group, Health & Safety Group, Process Safety Group, Security & Crisis Management Group and Environment Group. The establishment of the HSE Management System had been one of the main tasks of this organization in the past, but recently the Corporate HSE Unit focuses more on HSE support and conducting assurance reviews for the Operational Organizations. This is due to the allocation of a sufficient number of HSE experts at the Corporate HSE Unit, who can work on the cross-sectional collaboration with Operational Organizations based on the respective HSE management status and performance. The Corporate HSE Unit has recently started to cover not only operator projects but also non-operator projects, aiming to conduct more consistent HSE activities across the Group.

### \*1 H&S Managers Meeting

Practical level meetings related to Health & Safety

### \*2 A-PDCA

Assess-Plan-Do-Check-Act

### HSE Activities in Japan

The operations in Japan are managed by the Domestic Project Division in charge of exploration, development and the management of production facilities for oil and gas fields in Japan, and the Gas Supply & Infrastructure Division, responsible for managing the existing gas pipelines, the Naoetsu LNG Terminal and the construction of the new pipelines. An HSE Unit is set up at each division, working on prevention of major disasters, achievement of zero incidents and environmental management. Each location earnestly strives for highly conscious HSE management. One good example is the Minami-Aga Field, which has had no Lost Time Injuries for nearly 30 years (featured in the article on the right). In addition, they are tackling new activities, the introduction of safety cases\*3 and securing asset integrity. At the Nagaoka gas field, which accounts for more than 90% of the natural gas production of domestic operations, the office obtained and maintains the environmental management system (ISO 14001) certification.

In fiscal 2016, offshore drilling activities will be conducted in Japan. The operation of newly constructed facilities, such as the Toyama Line and a low-temperature LPG tank, will also commence. We are prepared to engage in solid HSE activities based on a risk-based approach.

### National Mine Safety Award for Domestic Project Division

One project and four individuals from INPEX received commendations at the fiscal 2015 National Mine Safety Award Ceremony held on the October 13, 2015. These Awards were presented by the Minister of Economy, Trade and Industry, and was the first time that four people were awarded simultaneously. The Minami-Aga Field was commended for achieving 349 months without Lost Time Injury (LTI), which reached 2,230,000 man-hours without LTI since August 1986 (as of September 2015). This record is still counting even today.



### \*3 Safety Cases

Documents which demonstrate and provide evidences for a specific major hazard facility to show that suitable and sufficient measures are in place to prevent a major incident, and mitigate damages when a major incident occurs. This is typically done through demonstration of compliance with relevant statutory provisions and INPEX procedures and guidelines, especially related to risk management.

### INPEX Australia Won Gold in Workplace Environment Evaluation

INPEX Australia received a Gold Recognition for demonstrated leadership and excellence in creating and sustaining workplace health and well-being by Healthier Workplace WA, a joint initiative by the Australian and State governments that helps Western Australian companies support employees seeking positive lifestyle changes.

The Gold Recognition category is the highest level of achievement.

We were commended for its outstanding performance in the following areas:

- Planning employee health and well-being
- Health and Well-being committee/group
- Offering incentives
- Environment to encourage physical activity
- Promoting non-sedentary work practices
- Providing employee training opportunities
- Budgeting and resourcing for employee health and well-being
- Appointing a health and Well-being committee members
- Conducting evaluations on health and well-being
- Managing alcohol consumption at work functions
- Promoting healthy commuting
- Providing employees with healthy activities



## Management of Health and Safety

### Aiming to Reduce Incidents

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

For this purpose, Key Performance Indicators (KPIs) were set in alignment with the safety index as calculated to be within the top 25% of the IOGP member companies, with the LTIF and TRIR targets of fiscal 2015 to be 0.20 and 0.85 respectively. The results these KPIs were an LTIF of 0.15 (same as 2014), which was less than the target 0.20, and a TRIR of 1.12, which showed improvement compared to 1.24 of fiscal 2014, but did not reach the target of 0.85.

It is with great sadness that we report two fatalities, in a construction yard in Thailand, where the modules for Ichthys LNG Project were being built. On March 31, 2016, two contract welders collapsed as they went into a confined space filled with argon gas.

Through the INPEX 7 Safety Rules, we have been working to reduce the risks of major incident in confined spaces. Nevertheless, a fatal incident occurred in a confined space in a Singapore construction site in May 2014, and it is regrettable to have the occurrence of a

similar incident. With earnest determination, we will continue with efforts to never let an incident such as this occur again.

### Safety Management of Contractors

Currently, contractors undertake a significant portion of activities, and this requires focus on ensuring adequate contractor safety management process. We secure adequate HSE resources for this purpose.

In order for contractors to be able to work safely, education and coaching have been provided when necessary, and we engage in periodic audits to ensure constant improvement. We will continue to advance contractor safety management in fiscal 2016.

### Health Management of Employees

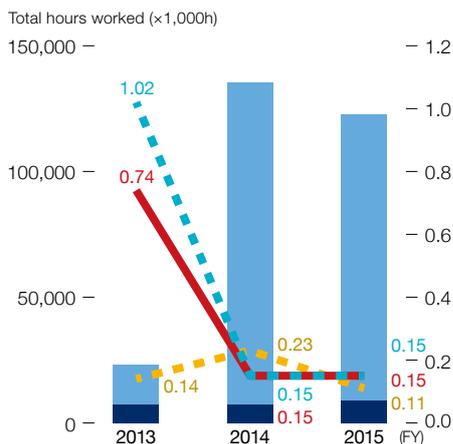
We strive to maintain and improve the health of employees by providing periodical medical checks to all employees, group influenza vaccinations at the worksites, and mental health support.

We periodically assess the medical risk of the countries or areas where our employees expatriate to, and provide information about pandemics and other health risks to all employees.

### LTIF

Annotation for Key CSR Data: \*8 (P. 55)

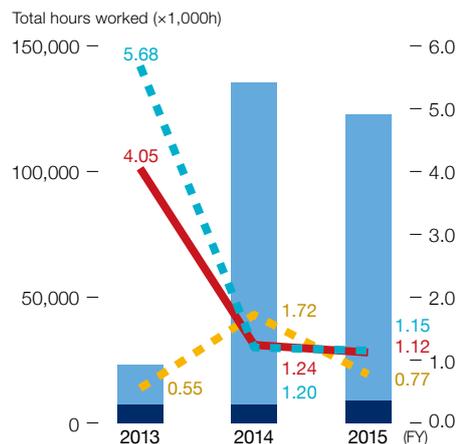
■ Man-hours (employees) ■ Man-hours (contractors)  
 — LTIF (total INPEX) — LTIF (employees) — LTIF (contractors)



### TRIR

Annotation for Key CSR Data: \*9 (P. 55)

■ Man-hours (employees) ■ Man-hours (contractors)  
 — TRIR (total INPEX) — TRIR (employees) — TRIR (contractors)



## 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 substance. It is typically achieved by using robust design principles, good engineering, and sound operation and maintenance practices.

As shown in the figure below, our PSM consists of four focus areas and twenty supporting elements. Each element has a detailed set of expectations. Within the PSM framework, we have adopted a voluntary safety case regime for operating facilities. As a part of the governance and assurance process, we conduct Asset Integrity/Process Safety (AIPS) assurance reviews for all Operational Organizations.

### Process Safety KPI

We are collecting and reporting Tier 1 and Tier 2 process safety events\*1 in line with IOGP requirements. In fiscal 2015, no Tier 1 and Tier 2 process safety events were reported.

Collecting, analyzing and reporting process safety

KPI contributes to the prevention of major disasters by improving reliability of operations, avoiding complacency on process safety and communicating process safety performance to relevant stakeholders.

### AIPS Assurance Review and Other Assurance Reviews

Asset Integrity/Process Safety (AIPS) assurance review 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 assets (equipment) are being adequately protected
- Confirming that our AIPS requirements are being addressed
- Capture and transfer good AIPS practices and lessons learned from project to project

In fiscal 2015, this review has been carried out for the Naoetsu LNG Terminal and the Teiseki Pipeline Co., Ltd.

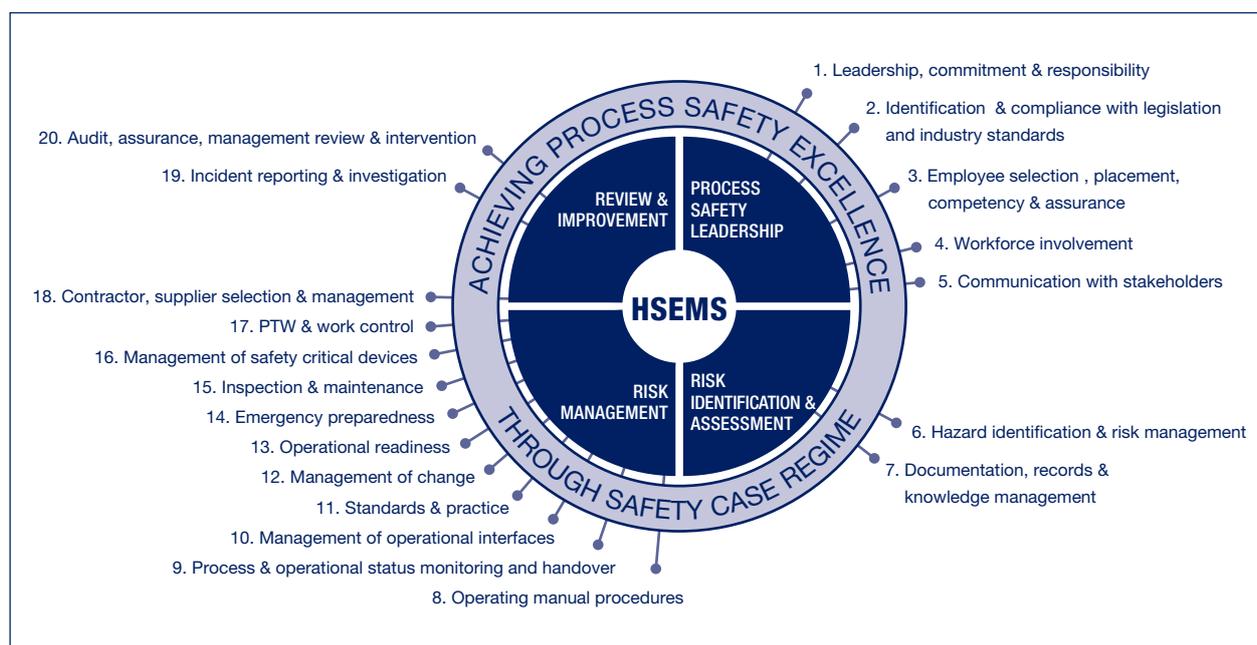
In addition, other reviews such as Pre-Startup Safety Reviews and Operations Readiness Reviews were conducted where appropriate.

In order to continuously improve AIPS practices, projects are followed up periodically and given feedback.

### \*1 Tier 1 and Tier 2 process safety events

The cases where an unplanned or uncontrolled release of any material, including non-toxic and non-flammable materials occur. Tier 1 are the cases with an employee or a contractor suffering Fatality and/or Lost Workday Case, or Fire or Explosion resulting in greater than or equal to \$25,000 of direct cost to the Company, etc. Tier 2 are the cases where an employee or a contractor suffered Recordable occupational injury, or Fire or Explosion resulting in greater than or equal to \$2,500 of direct cost to the Company, etc.

## Process Safety Management Framework



## Security & Crisis Management

### Promoting Security Management

INPEX constantly collects security information about the areas employees are working, then evaluates and shares the information with employees. The threat level of each region is periodically re-evaluated and updated every quarter. Based on this threat level, we make policies for employees assigned to foreign countries and for business travelers abroad, and issues alerts when needed.

There were several security events including a series of terrorist attacks in Paris in November 2015, the terrorist attack in Jakarta in January 2016 and another series of terrorist attacks in Brussels in March 2016. Security information was shared with all the employees for those events, while security alerts were issued for employees. An alert was also sent to the local employees in Indonesia.

The security page on our intranet was also renewed to provide local security information to expatriate employees and business travelers.

In addition, a security management review for Gas Guarico in Venezuela was conducted in 2015. Through this review, the areas for improvement were presented based on the results of the site visit. After the review, we have followed up on the progress of corrective actions.

### Preparation for Emergency and Crisis Response

In an emergency, various units of corporate and Operational Organizations of the Group collaborate with each other in responding to the situation.

In fiscal 2015, "Incident Command System" which is a standardized system of emergency and crisis response, was introduced, "Emergency Response Procedure" and "Corporate Crisis Manual" were updated.

In addition, "INPEX Crisis Net," which is the communication tool between corporate headquarters and Operational Organizations, launched operation.

### Emergency and Crisis Response Exercise

Based on the annual HSE plan, the Operational Organizations in Japan and overseas periodically conduct emergency response exercises both independently of and together with the corporate headquarters. Through these exercises, we verify the response system and identify areas for improvement.

In fiscal 2015, Operational Organizations and the corporate headquarters conducted four level three crisis exercises together.

- Oil spill response exercise with Suriname project
- Riot response exercise with Abadi LNG project

- Serious incident response exercise with Ichthys LNG project
- Tokyo Metropolitan earthquake response exercise at headquarters

In addition, an exercise was conducted where members of the crisis management team walked to the Technical Research Center in Setagaya, Tokyo, which will act as emergency headquarters in the event that a devastating earthquake occurs on the weekend.

An emergency response plan and oil spill response plan have been prepared for the domestic drilling project in fiscal 2016.

### Response to Blowouts and Oil Spill Incidents

In addition to large-scale blowouts and oil spills at oil and natural gas development sites, we also respond to small-scale spills from tanks and pipelines at production sites and refineries, due to the effects that these incidents might have not only the safety, health and wealth of local residents, but also on local economic activities.

Based on the lessons learned from the emergency responses of other companies, we are reinforcing well accident management system in all aspects of prevention, containment and response. In order to prevent incidents, rules and procedures are developed for consistent well management. To prepare against malfunctioning of a seafloor blowout preventer (BOP), we signed an agreement with Wild Well Control, Inc. (WWC), a supplier capping equipment designed to switch on in case a blowout occurs. We also have a contract with Oil Spill Response Limited (OSRL), the world's largest provider of oil spill response services, as a part of structure for responding to a large-scale oil spill, and constantly strive to acquire new knowledge about oil spill response technologies and procedures.

We participated in the Joint Industry Project, which was an industrywide project by IOGP, IPIECA and their members to study the management of oil spill incidents, review standard procedures and educate stakeholders with correct information for three years starting 2012. The project produced reports on oil spill observation, cleanup, the effectiveness of dispersion agents, recovery planning, standard practices and effects to the environment. The reports are incorporated into internal documents and utilized for training.

## Reducing Environmental Impact

### Environmental Management

INPEX operates in compliance with the laws and regulations of the countries in which we operate.

When a new project is launched or when a development project is advanced, we identify, assess, and establish mitigation plans for environmental and social risks from the designing stage based on local regulations and internal Environmental and Social Impact Assessment Procedure requirements.

We adopt IFC Performance Standards and EHS Guidelines\*1 as internal standards in its HSE Legal and Other Requirements Procedure, and its environmental management is formulated and implemented in this regard. The IFC standards are widely recognized as global standards for assessing and managing environmental and social risks and impacts.

In fiscal 2015, we again registered no legal violations in terms of the environment.

### Biodiversity Conservation

We seek to conserve biodiversity to work hand in hand with the surrounding environment.

In particular, where the project's activities could affect rare species, we define and implement measures to reduce impact to the extent possible before advancing the project. We also monitor the area surrounding its operations to identify any environmental consequences.

We are also involved in a joint initiative between IOGP and IPIECA, the Biodiversity and Ecosystem Working Group. The initiative shares experiences, information and common practices across the industry.

### Preventing Air Pollution

We monitor and manage NO<sub>x</sub>, SO<sub>x</sub> and VOC (Volatile Organic Compounds) emissions from its domestic and overseas businesses.

We strive to mitigate these emissions consistent with relevant laws and regulations and, in particular, international regulatory trends.

NO<sub>x</sub> emissions in fiscal 2015 was 1,837 tons, an increase of 205 tons from last fiscal year. The increase is attributable to drilling activities at Ichthys LNG Project.

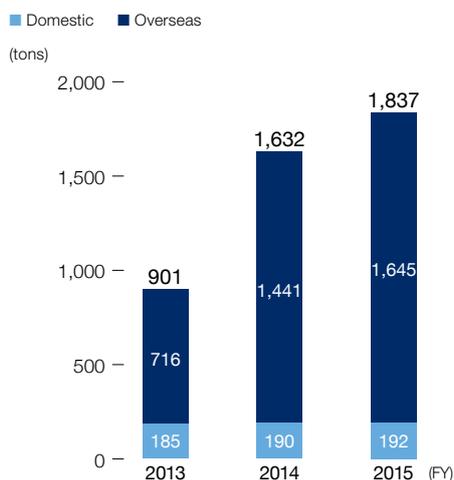
VOC includes organic compounds such as benzene, toluene, and xylene (BTX) and normal hexane present in petrol and natural gas, and contributes to the generation of so-called photochemical smog. The source of VOC emissions from our operations are natural gas flare, and the on/offloading at crude oil storage tanks and tank lorries. We report VOC emissions to regulators as required by relevant laws and regulations. For benzene in particular, a voluntary standard has been established at 15µg/Nm<sup>3</sup> along the border of the premises, and we are committed to analyzing its emissions more precisely than ever by increasing measurement points. VOC emissions this year were 572 tons, about the same as last fiscal year.

Ozone layer depletion caused by chlorofluorocarbons (CFCs) widely used by many industries are regulated under the Montreal Protocol. At Group sites where HCFC-22, which is to be eliminated by 2020 by Montreal Protocol, is used, gradual use of alternatives are in progress in accordance with local regulations. We are also committed to the inspection and maintenance of the equipment subject to the regulation.

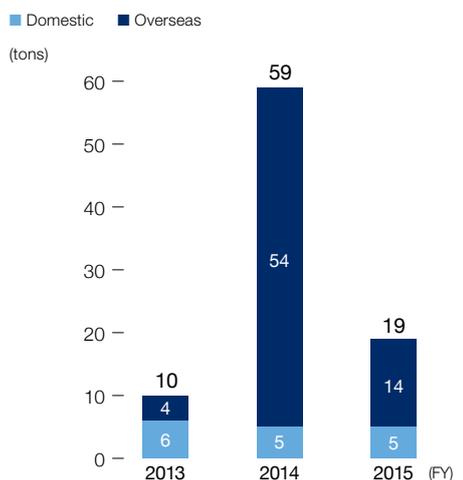
#### \*1 EHS Guidelines

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

### NO<sub>x</sub> Emissions (Domestic and Overseas)



### SO<sub>x</sub> Emissions (Domestic and Overseas)



### Discharge to Public Water Areas

Produced water is separated from hydrocarbons and collected during production processes for treatment to meet the relevant standards of each country or IFC Performance Standards where adequate standards are non-existent. The water is then reinjected into the reservoir or discharged into waterways. In fiscal 2015, approximately 89% of the total produced water (0.91 million m<sup>3</sup>) was reinjected, while the rest entered rivers and ponds.

At the Naoetsu LNG terminal and on offshore platforms, seawater is used for heating and cooling. The seawater is also checked to meet various environmental regulatory standards before being discharged into the sea.

### Efficient Use of Water Resources

We take the efficient use of water resources seriously. Our efforts in this respect range from full compliance of relevant domestic and international laws and regulations to an assessment of water availability prior to the commencement of a project. As of the end of March 2016, we are not operating in high water stress\*2 areas.

Domestically, drinking, industrial water and groundwater are used as coolants. Groundwater is also used for power generation, snowmelt and mud circulation during drilling. 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, we use a large volume of freshwater for a pressure test of storage tanks during the pre-startup inspection at the Ichthys LNG Project, but the water will be used repeatedly for multiple tests.

In fiscal 2015, the total volume of freshwater used was as low as 2 million m<sup>3</sup>, similar to that of last years.

We have also joined IPIECA's Water Working Group to understand industrial trends in water management as it is widely recognized to be an important environmental and social issue.

### Preventing Soil Contamination

Prevention of soil contamination is another area of the our environmental commitment. Adhering to relevant domestic and international laws and regulations, we conduct periodic maintenance of facilities to prevent naturally occurring heavy metals in drilling muds as well as benzene in produced crude oil from tainting the environment. In the event of a spill, we swiftly report it to the regulators while testing and removing the contaminated soil as needed. Soil removed for disposal is thoroughly checked to meet local regulatory standards before proper disposal.

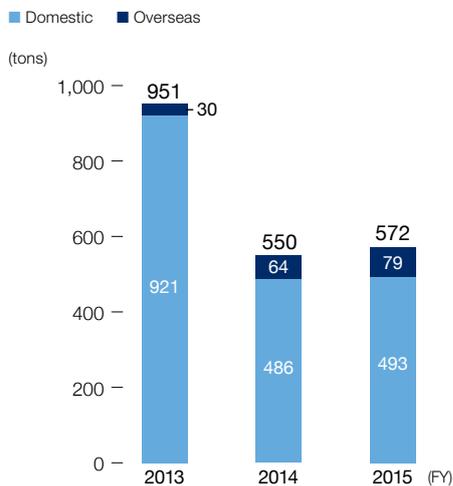
No significant spills impacting soil were reported in fiscal 2015 for either domestic or overseas operations.

#### \*2 Water stress

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

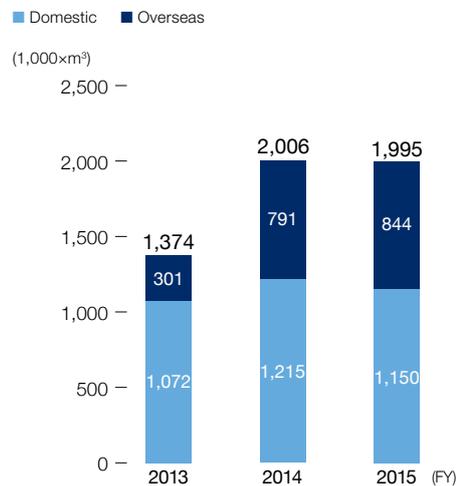
### VOC Emissions (Domestic and Overseas)

Annotation for Key CSR Data: \*6 (P. 55)



### Water Consumption (Domestic and Overseas)

Annotation for Key CSR Data: \*7 (P. 55)



### Waste Management

We manage waste through the 3R (reduce, reuse, and recycle) to avoid generation and minimize the use of natural resources, thereby reducing negative environmental impact. Where waste generation cannot be avoided through its operations, we outsource proper disposal to waste management contractors. We also monitor the waste disposal facilities periodically to ensure the waste is treated properly.

In projects overseas, we develop waste management plans. These plans describe all regulatory requirements, risk management, audits and many other measures necessary for waste management.

The gross amount of waste generated in fiscal 2015 was approximately 162 thousand tons. After recycling 138 thousand tons, the final disposal amount was reduced to 24 thousand tons.

This is due to decrease of a large amount of excavated mud wastes associated with the pipelay at the Ichthys LNG Project and the Toyama Line construction.

### Efforts in Indonesia: MOVE Program

Since fiscal 2014, our Jakarta Office has implemented the "MOVE Program" to improve employees' environmental awareness.

Under the program, a team consisting of representatives from each department of the Jakarta Office leads activities for electricity, water consumption, paper usage and waste disposal.

In particular, the team establishes annual targets for electricity, water and paper, monitors each usage and reports back to the employees.

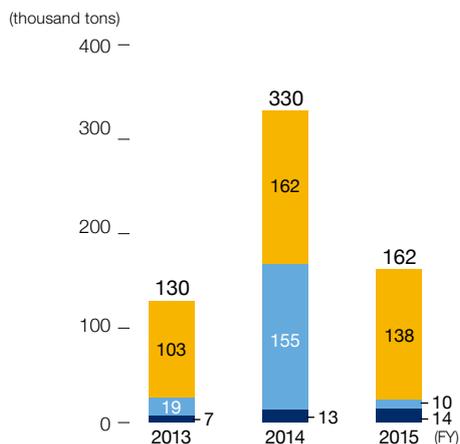
In addition, by posting stickers and posters of "TARA,"\* the MOVE Program mascot, by light switches, toilets, faucets and trash cans, the program not only leads to reduction of electricity, water consumption and paper usage but also contributes to employees' environmental awareness.

\* The mascot "TARA" is modeled after a Tanimbar Corella (*Cacatua goffiniana*), which is native to Tanimbar Island, Maluku Province.



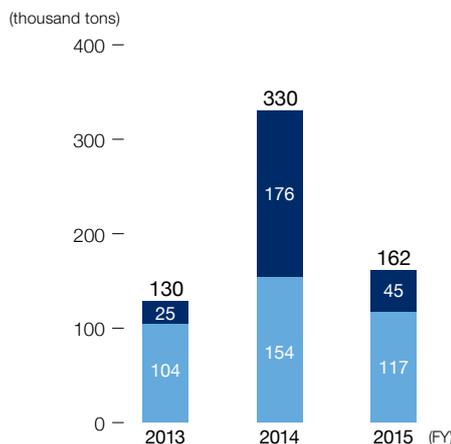
### Waste Volume (by Category)

- Final disposal (General Waste)
- Final disposal (Industrial Waste)
- Recycled



### Waste Volume (Domestic and Overseas)

- Domestic
- Overseas



# Local Communities



**\*1 Creating Shared Value (CSV)**

An approach in which social value is created by addressing social demands and generating economic value

**Basic Policy**

INPEX is committed to building and maintaining trust with local communities through our business activities in the areas where we operate. In building trust, we value engaging with stakeholders in order to facilitate social and economic advancement opportunities within communities.

Based on the concept of Creating Shared Value (CSV)\*1 that will help develop activities for creating mutual value between the Company and local communities, we support the development of these communities through generating local employment, developing skills, supporting education and environment preservation.

**Targets and Results**

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Build relationships with local communities</b>	<ul style="list-style-type: none"> <li>Continue to engage stakeholders on progress of project</li> </ul>	<ul style="list-style-type: none"> <li>Provided information on operational status and actions for safety through briefings at the Naoetsu LNG Terminal, and published a newsletter for local communities</li> <li>Held regular briefings and released publications in Australia</li> </ul>	<ul style="list-style-type: none"> <li>Maintain good relationships through continuous dialogue with stakeholders</li> </ul>
<b>Contribute to local communities</b>	<ul style="list-style-type: none"> <li>Continue to support local businesses and employment</li> <li>Continue to support community programs</li> <li>Continue summer internships for undergraduate and graduate science and engineering majors</li> <li>Continue to provide sponsored courses at graduate schools in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Social investment expenditures: 1.71 billion yen</li> <li>Implemented strategic community partnerships with NGOs in Australia</li> <li>Welcomed 12 interns chosen from science and engineering majors</li> <li>Sponsored courses at graduate schools in Japan and supported students</li> </ul>	<ul style="list-style-type: none"> <li>Planned social investment expenditure: 2.87 billion yen</li> <li>Continue to support community programs</li> <li>Continue to provide local employment and procurement opportunities in the Ichthys LNG Project</li> <li>Continue summer internships for undergraduate and graduate science and engineering majors</li> <li>Continue to sponsor courses at graduate schools in Japan</li> </ul>

Case Study

Generating Local Employment Opportunities and Human Resource Development

In the INPEX-led Ichthys LNG Project, construction of onshore facilities is underway in the Northern Territory of Australia and approximately 80% of overall construction was completed by the end of 2015.

Local communities are playing an important role in the construction of onshore facilities. Approximately 3,000 of the 7,000 workers at the onshore construction site in Darwin are locals.

Krystal Noakes, a Darwin local who has been working on the Project for 18 months, is one of more than 800 Aboriginal and Torres Strait Islander peoples engaged in the Project. Krystal earned her certificate required to work in the resource industry during a pre-employment training program. She is now working through her electrical apprenticeship and is saving for her first home.



Krystal Noakes

“ Working on a Project like this gives you an opportunity to set yourself up over a couple of years, and you get out of it what you put in. ”

As the Project reaches its peak level of onshore construction in 2016, construction activities progress from a predominantly civil focused works to mechanical and electrical works. While it is not always feasible to source local staff with specialized skills that the Project will require, we are continuing to proactively provide locals with employment opportunities during the construction of the Project.

We will also need workforces to support the long-term operational phase of the Project for at least 40 years. For instance, we expect to employ about 300 permanent staffs during the LNG plant operations in Darwin.

In 2012, the Project contributed A\$3 million to the construction of the North Australian Centre for Oil and Gas at Charles Darwin University. We are running the plant operation traineeship at this facility and continue to support building the capacity of the local workforce.



INPEX trainees in front of the North Australian Centre for Oil and Gas

## Build Trust with and Contribute to Local Communities

### Engaging with Stakeholders

Dedicated community engagement teams are set up for our operator projects to ensure our engagement activities are conducted in a transparent and open manner.

In Japan, six community engagement teams have been set up; Akita, Chiba, Minami-Aga, Nagaoka, and the two teams at the operation management unit of the Domestic Project Division.

At the Naoetsu LNG Terminal—the core facility throughout our gas supply chain, 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 marathons to interact and build relationships with local communities.

Project information sessions, publications and information stands at community events and shopping centers are some of the ways we keep stakeholders such as the community informed about the Ichthys LNG Project in Australia. Through such activities, we work to protect amenities and safety in the local community.

In 2015, around 200 stakeholder information sessions and meetings were held to provide updates on the Ichthys LNG Project construction activities and local job and business opportunities. Government briefings are also held regularly to discuss project matters and business milestones.

### Addressing Community Feedback

In Australia, community feedback is received via through a toll-free phone number, email and face-to-face interactions. Feedback is recorded and tracked to ensure community enquiries are addressed in a timely manner.

Community feedback is also discussed at weekly meeting of community relations working group with our contractor. This ensures that we address current issues collectively and consistently, and proactively identify any emerging issues.

In 2015, over 3,000 inquiries were received, of which, over 70% were related to employment opportunities. We have a community grievance management procedure to respond grievances made by local residents appropriately and there was none serious grievance in fiscal 2015.

### Respecting the Indigenous Community

We are committed to respecting and working with Aboriginal and Torres Strait Islander peoples in Australia to build sustainable and mutually-beneficial relationships based on trust.

Our Reconciliation Action Plan (RAP)<sup>\*1</sup> publicly sets out our commitments around the key themes of relationships, respect and opportunities. The RAP Steering Committee made up of our senior management, takes accountability of implementing these commitments and progress is published in the RAPs.

#### \*1 Reconciliation Action Plan (RAP)

A business plan that documents what an organization commits to do to work with Aboriginal communities in Australia



Darwin Aboriginal Art Fair

Key achievements as of December 2015\*2 include:

- Engaging more than 800 Aboriginal and Torres Strait Islander peoples in onshore construction work on the Ichthys LNG Project
- Engaging 53 competitive Aboriginal and Torres Strait Islander owned business across scopes of work valued at more than A\$ 110 million
- Implementing a number of strategic partnerships with NGOs to support Aboriginal and Torres Strait Islander student participation, including scholarships through the University of Western Australia
- Ensuring more than 1,300 INPEX personnel have participated in the Aboriginal Cultural Awareness Training

We have established a reference group to form open, two-way dialogue with the Larrakia community, who is recognized as the Traditional Owners of the Darwin Region. The group consists of Larrakia community members and provides us with advice across a range of business initiatives. Together with the reference group, we discuss economic, cultural, environmental and social areas of interest and cooperation opportunities for the Larrakia community relating to the Ichthys LNG Project.

No involuntary resettlement of Indigenous community groups has been required by INPEX-operated projects.

### Contribution to Local Economy

We are committed to creating economic benefits to host countries and communities through providing opportunities for local businesses and residents.

In Australia, we work closely with the Northern Territory Industry Capability Network to connect Australian businesses as with opportunities on the Ichthys LNG Project. The Network identifies and promotes the capabilities of Australian businesses upon fair view. To date, more than 1,000 Northern Territory based businesses have secured work on the Project.

During the construction period, the Ichthys LNG Project is expected to contribute more than A\$15 billion to the Australian economy, of which more than A\$8.6 billion contributes to the Northern Territory's economy. We will continue to increase opportunities for Australian industries to be involved with the Ichthys LNG Project across over its 40 year operational span.

### Contribution to Local Communities

In order to meet the societies' needs and expectations, our special contribution plan is in place to meet regional and project requirements.

In Australia, we support a range of programs from large-scale social infrastructure investments to grass roots community events and programs. Strategic partnerships with non-governmental organizations are also developed with a view to provide long term socioeconomic benefits.

Our social contribution initiatives are monitored and evaluated to ensure that the results are in line with the originally intended. In 2015, we undertook a social return on investment\*3 evaluation on the North Australia Centre for Oil and Gas at Charles Darwin University, where the Ichthys LNG Project contributed A\$3 million towards the construction of the Centre in 2012. The evaluation found that for every \$1 invested \$4.50 of social and economic value is expected over the fifty-year life of the building. The investment in the Centre has attracted students and staffs, and contributes to the demands of the Northern Territory's growing oil and gas industry.

\*2

Figures reported in this section are cumulative figures since the commencement of the Ichthys LNG Project in 2012 to the end of 2015

### \*3 Social Return On Investment

The social value converted into and expressed as monetary value is divided by the input made or social expenditure



Supporting Aboriginal artists through Arnhem, Northern and Kimberly Artists, Aboriginal Corporation in Australia

# Social Contribution



Abu Dhabi



Japan



Indonesia



Australia

## INPEX Group Contributes to Helping Communities All Around the World.

### Abu Dhabi (UAE)

#### ● Support for Operation of the Petroleum Institute

Ever since the establishment of the Petroleum Institute (PI), INPEX has participated in its operation as a member of the Governing Board and provided financial support. We provide support for vocational training in Japan, lecture on remote-sensing technology, solar car development projects and offer research and development proposals and assistance.



#### ● Support for a Pearl Farming Project

In response to a request from the government of Abu Dhabi, INPEX launched a pearl farming project in 2006. After a site survey and two years of test farming, we have supported the pearl farming project of the Environment Agency-Abu Dhabi by conducting research on cultured pearls and providing technical assistance under the direction of two Japanese expert engineers since 2009.



### Indonesia

#### ● Public Sanitation Facilities Dissemination and Awareness Activities

In Maluku Tenggara Barat (MTB), Maluku Province in eastern Indonesia, a shortage of sanitation facilities and other health-related infrastructure is an issue. INPEX, together with local governments, communities and a national NGO, has made the village of Bomaki a pilot area for a project to support the dissemination of sanitation facilities to more than 250 private houses, and to promote the regular practice of clean living habits with the aim of improving health conditions and reducing water-borne communicable diseases. In addition, ten public lavatories have been constructed for the local residents for the purpose of encouraging appropriate sanitation and health practices.



#### ● Delivering Usable Energy

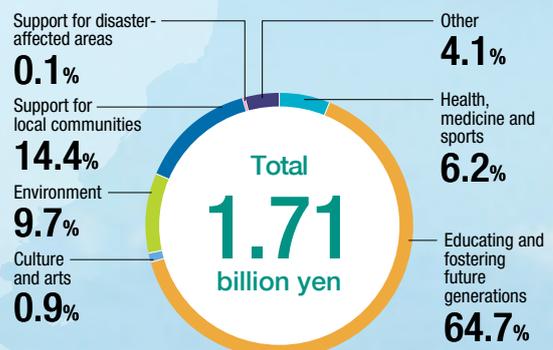
Access to electricity is an issue in many areas of eastern Indonesia, including MTB, where power outages occur due to an unstable power supply. INPEX, in partnership with a national NGO, is expanding the distribution market for solar-powered electric lights through a union organization. Through this initiative, we aim to increase productivity and promote the use of environment-friendly electric power. During the past two years, a total of more than 150 electric lights have been installed at more than seven areas within MTB, improving the lives of more than 1,200 people in 240 households.





## Venezuela

### Social Investment Expenditures in Fiscal 2015



## Japan

### ● Sponsorship of University Courses

INPEX sponsors courses at the University of Tokyo's Graduate School of Public Policy, Hitotsubashi University Graduate School, and the University of Tokyo's Graduate School. We contribute to the education and development of students who will become tomorrow's leaders by offering lectures on energy policy and environmental policy in these courses as well as by conducting tours of INPEX facilities and holding international symposia on energy problems.



### ● Opening of the INPEX MUSEUM

The INPEX MUSEUM, constructed within the Naoetsu LNG Terminal, opened in June 2015 as a visually enjoyable way for people to better understand the petroleum development business, which is largely unfamiliar to the general public. The museum building, which has a cylindrical shape based on a pipeline motif, is integrated with the latest imaging technologies, including projection mapping. Videos displayed dynamically on a 180-degree panoramic screen is a highly popular visitor attraction.



## Venezuela

### ● Activities in Support of the Local Community

Since 2014, at the Gas Guarico Project in Venezuela, INPEX has contributed to the repair and maintenance of school grounds and buildings as an ongoing project to further the enrichment of elementary education in the local communities of Ardita, Guatacarito, and Caro de la Negra, which are in the vicinity of the plant.



## Australia

### ● Understanding Marine Habitats

The Ichthys LNG Project has proudly funded the Northern Territory Government's conservation assessment of coastal dolphins, a three year program to improve knowledge of coastal dolphin habitats and the distribution of other marine life. This important program helps to support the conservation of marine species within the Northern Territory. The field work research component of this program has recently been completed. The program surveyed marine life covering more than 14,000 km of coastal areas in the Northern Territory and succeeded in identifying and mapping groups of dolphins, turtles, dugongs and manta rays. These field surveys were also conducted in collaboration with groups of local Aboriginal rangers.



### ● Supporting Female Students

In 2015, the Ichthys LNG Project began partnering with the Palmerston Girls Academy (PGA) to provide support for female students in Darwin. The PGA provides a school-based program to improve attendance and retention for over 120 female Aboriginal students. INPEX also provided funding for the PGA to purchase a mini-bus, which is used for student pick-ups, helping to improve attendance rates. The results to date have been promising. Since the purchase of the bus, school attendance rates have increased and more girls are coming to school on time.



# Climate Change



**\*1 Commitment to a Lower Carbon Society Plan**

This is an action plan in which since FY2013 Japan Business Federation has called on various trade associations to participate and coordinated their GHG emissions reduction initiatives. The JPDA participates in the action plan and has set targets for GHG (excluding concomitant CO<sub>2</sub>) emissions from mining facilities in domestic oil and natural gas development projects

**Basic Policy**

INPEX recognizes that climate change is a critical issue. Action on the part of all members of the international community is required to address this problem, and governmental policy measures, technology development, industry response and other long-term initiatives are particularly pertinent. We are committed to fulfilling role in addressing climate change as a responsible member of the oil and gas industry. Furthermore, we will reduce greenhouse gas emissions and support government initiatives to form an effective, transparent international consensus to manage climate change risk. By promoting the use of natural gas, the cleanest fossil fuel, through means including steady implementation of our two large

scale LNG projects, the Ichthys and Abadi LNG Projects, we will address climate change risk while meeting energy demand in Japan and around the world and supporting industrial development. We will also engage in wide-ranging initiatives to improve energy efficiency in our own operating processes and in society's use of energy.

In December 2015, we developed a Position Paper to communicate to our stakeholders our basic stance on the issue of climate change, accompanied by concrete examples of initiatives. In this Sustainability Report, we have focused on reporting initiatives for renewable energy and reduction of greenhouse gas emissions.

**Targets and Results**

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Meeting energy demand</b>	<ul style="list-style-type: none"> <li>Start operation of the second solar power generation facility</li> <li>Enter the geothermal power generation business overseas</li> <li>Promote commercialization of the geothermal power generation business in Japan</li> <li>Promote R&amp;D of new energy and renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Started operation of a second 2MW solar power generation facility in Joetsu City, Niigata Prefecture</li> <li>Joined the Sarulla geothermal power generation project in Indonesia</li> <li>Conducted short-term fumarolic testing in a geothermal energy development survey in the Amemasudake area of Hokkaido</li> <li>Engaged in R&amp;D of a sustainable carbon circulation system, artificial photosynthesis, etc</li> </ul>	<ul style="list-style-type: none"> <li>Ensure stable operation of solar power generation facilities</li> <li>Start phase-one commercial operation of the Sarulla geothermal power generation project in Indonesia</li> <li>Promote commercialization of the geothermal power generation business in Japan</li> <li>Promote R&amp;D of new energy and renewable energy</li> </ul>
<b>Contribution to government policies</b>	<ul style="list-style-type: none"> <li>Participation in the United Nations Global Compact, IOGP, IPIECA, and APPEA</li> <li>Participation in the Japan Business Federation's Commitment to a Lower Carbon Society Plan*1 through the JPDA</li> </ul>		
<b>GHG emissions control</b>	<ul style="list-style-type: none"> <li>Develop a climate change risk management framework</li> <li>Undertake energy conservation and energy efficiency improvement at operating sites and offices</li> <li>Engage in forest conservation activities</li> </ul>	<ul style="list-style-type: none"> <li>Undertook energy conservation and energy efficiency improvement at operating sites and offices</li> <li>Engaged in biannual forest conservation activities in Niigata Prefecture, planted and managed eucalyptus trees in Western Australia</li> </ul>	<ul style="list-style-type: none"> <li>Undertake energy conservation and energy efficiency improvement at operating sites and offices</li> <li>Engage in forest conservation activities</li> </ul>
<b>Promotion of natural gas use</b>	<ul style="list-style-type: none"> <li>Promote natural gas development activities</li> <li>Continue Toyama Line construction</li> <li>Engage in proposal activities to promote natural gas use</li> </ul>	<ul style="list-style-type: none"> <li>Promoted the Ichthys and Abadi LNG Projects</li> <li>Continued Toyama Line construction</li> <li>Entered into a new natural gas sales agreement with a city gas operator</li> </ul>	<ul style="list-style-type: none"> <li>Promote natural gas development activities</li> <li>Expand the pipeline network, including starting of shared use of the Toyama Line</li> <li>Engage in proposal activities to promote natural gas use</li> </ul>
<b>CCS</b>	<ul style="list-style-type: none"> <li>Promote CCS demonstration testing initiative</li> <li>Promote initiatives in the oil and natural gas development business</li> </ul>	<ul style="list-style-type: none"> <li>Participated in establishment of Geological Carbon Dioxide Storage Technology Research Association</li> <li>Participated in a CCS-EOR business feasibility study in southern Mexico</li> </ul>	<ul style="list-style-type: none"> <li>Continue to promote CCS commercialization</li> <li>Promote initiatives in the oil and natural gas development business</li> </ul>

## Case Study 1

### Web



Response to Climate Change

<http://www.inpex.co.jp/english/csr/weather/pdf/e20151221.pdf>

#### \*2 The GHG Management Working Group

A cross-organizational body that discusses INPEX's approach to medium- to long-term greenhouse gas management. Led by Corporate HSE Unit and comprised of members from Corporate Strategy & Planning Unit, New Business Planning Unit, Technical Planning & Coordination Unit and Operational Organizations (including departments in charge of overseas offices).

### Development of a Position Paper on the Climate Change

Public interest in the climate change problem has further increased since the Paris Agreement at the COP21 conference in December 2015. We have engaged in various climate change initiatives to date, and in December 2015, following discussion by the Board of Directors, we compiled a Position Paper on climate change that follows the format of the industry opinion statement issued by the International Petroleum Industry Environmental Conservation Association (IPIECA), of which we are member.

We will address the problem of climate change in accordance with the following five key pillars articulated in the Position Paper, and each year the GHG Management Working Group\*2 will summarize progress with these efforts and periodically report to the Corporate HSE Committee.

### Five Key Pillars of the Position Paper

Meeting energy needs	Effective policy	Managing our emissions	Natural gas	Carbon Capture and Storage
In response to predicted expansion of energy demand due to population increase, we aim to reduce greenhouse gases through the stable supply of wide-ranging sources of energy, including renewables, oil and natural gas.	We contribute to effective government policies to solve climate change problems through international initiatives and cooperation and dialogue with industry organizations, governments and other entities.	We support reduction of greenhouse gas emissions by promoting energy efficiency improvement in our production operation as well as more efficient energy use by society as a whole.	Strive to popularize use of natural gas, the most environmentally superior fossil fuel, by means including large-scale LNG project development and conversion to natural gas as a fuel for electric power generation.	We promote public-private sector partnership in initiatives for the demonstration of Carbon dioxide Capture and Storage (CCS), which is attracting attention as a key technology effective in greenhouse gas emissions reduction.

## Case Study 2

### Participation in the Sarulla Geothermal IPP Project

We defined "Reinforcing our renewable energy initiatives" as a growth target in our Medium- to Long-term Vision, which articulates a vision in the 2020s. We engage in both geothermal power generation and solar power generation business.

One of these initiatives came about as we were searching for an opportunity to participate in a renewable energy business in Indonesia. We received an offer from Medco Energi Internasional, a major Indonesian energy company, to sell 49% of the 37.25% interest in the Sarulla Geothermal Independent Power Producer (IPP) Project held by a Medco subsidiary. As a result of careful consideration, we decided to formally participate in the project and acquired 18.2525% of the Medco subsidiary's shares through our subsidiary INPEX Geothermal Sarulla, Ltd., in June 2015.

The project, the world's largest single-contract geothermal power plant project, is located in the Sarulla Geothermal Field in North Sumatra Province. We and consortium partners ITOCHU Corporation, Kyushu Electric Power Co., Inc., Medco Energi Internasional and Ormat Technologies, Inc. will jointly develop geothermal resources in the geothermal field, owned by Pertamina Geothermal Energy, a subsidiary of state-owned oil and gas company PT Pertamina, through their respective subsidiaries and Sarulla Operations Ltd., a jointly established project operating company. The partners will construct a geothermal power plant with a maximum capacity of 330MW and sell the electricity generated by the plant to PLN, an Indonesian state-owned electricity company, for a period of thirty years. Construction of the power plant began in 2014, and the plant is scheduled to scale up commercial operation in stages from 2016.

The project, part of the stage-2 10,000MW power development promotion program announced in 2010 by the Indonesian government for the purpose of boosting renewable energy use, is expected to help meet electricity demand and contribute greatly to Indonesia's economy, which is experiencing significant economic growth.



## Renewable Energy Initiatives

### Geothermal Power

Geothermal power generation is a renewable energy source that produces lower CO<sub>2</sub> emissions per unit of power generated than fossil fuels and realizes stable power generation unaffected by weather changes. Furthermore, it is a domestic resource unaffected by exchange rates or fluctuations in crude oil prices. These characteristics make geothermal power an ideal means of achieving our goal of contributing to a stable supply of energy. Since 2011, we have been conducting surveys for the practical application of geothermal energy at two sites in Hokkaido and Akita Prefecture. We have participated in a geothermal power investigation team comprised of ten Japanese companies since 2013, conducting an electromagnetic, gravity, and other ground surveys as well as monitoring hot springs until 2015. In June 2015, we began participating in the Sarulla Geothermal Power Generation Project, a large-scale geothermal power generation project in Indonesia, one of the core areas of our oil and natural gas development business, where we are proceeding with construction work in preparation for the start of operation of a geothermal power generation

plant with maximum capacity of 110MW in October 2016 and 220MW in 2017.

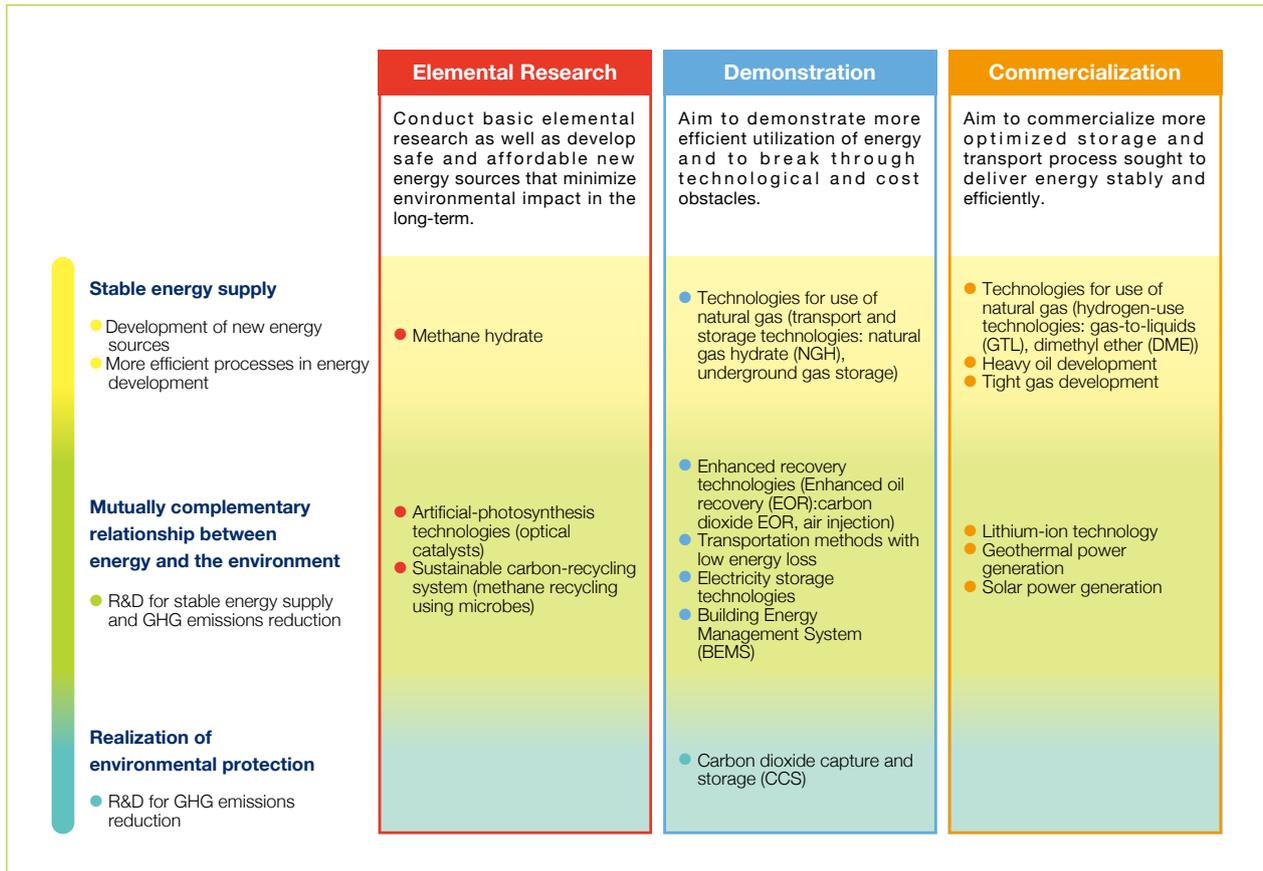
### Solar Power

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

### Pursuit of New Energy Development

As shown in the chart below, we classify research activities into three areas: elemental research, demonstration, and commercialization. We aim to realize a sustainable society through the pursuit of new energy development and rational oil and natural gas exploration and development businesses.

## Three Areas of New Energy R&D and the Technology Development Process



## Managing Greenhouse Gas Emissions

### Reducing GHG Emissions

In addressing climate change, INPEX is committed to fulfilling our GHG reduction target in annual HSE objectives based on HSE Policy that aims to minimize adverse impacts on the environment.

While reducing venting of methane gas, which has higher greenhouse effect than CO<sub>2</sub>, we have equipped each site with ground flares\*1. As a result, methane gas is combusted into CO<sub>2</sub>, thereby reducing its negative effects.

Our overall GHG emissions will increase significantly as we commence production activities at the Ichthys LNG Project. In this regard, the GHG Management Working Group is leading a corporate-wide discussion to define how we manage GHG.

Our overall GHG emissions in fiscal 2015 was 791 thousand tons, up approximately 186 thousand tons from the previous fiscal year. The increase is attributed to the drilling of production wells at the Ichthys LNG Project.

In our operations in Japan, we engage in improvement activities aimed at reducing energy use per unit of production by at least 1% from the previous fiscal year as a short-term target, as required by the Act on the Rational Use of Energy (Revised Energy Conservation Law). The Act on Promotion of Global Warming Countermeasures requires businesses to report to the government their GHG emissions from non-energy sources, such as separated and removed CO<sub>2</sub>. We are managing GHG emissions in compliance with these two laws.

In 2008, our Domestic Project Division prepared the Energy Management Manual and aims to reduce energy use at our operating sites. In accordance with this manual, we regularly hold energy conservation group meetings which are participated by employees in charge of energy management at each operating site. At these meetings, the members confirm the progress of medium- to long-term plans and review them as necessary. These plans were prepared in accordance with the Energy Conservation Law, and the energy use per unit of production and other factors were reviewed before including them in regularly issued reports. The members also share information on energy-saving measures at each site.

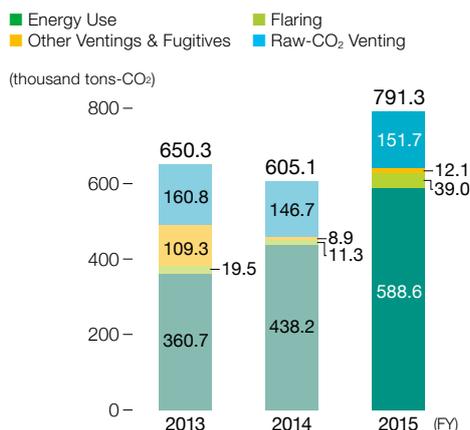
We participate in the Japan Business Federation's (Nippon Keidanren) Commitment to a Lower Carbon Society Plan and are implementing initiatives to prevent climate change. Through this initiative, as a member of the Japan Petroleum Development Association (JPDA) we have set a target of reducing GHG emissions by 60 thousand tons-CO<sub>2</sub> from the fiscal 2005 level and reducing GHG emissions per unit of output by 25% from the fiscal 1990 level by 2020. Although the fiscal 2014 reductions were four thousand tons-CO<sub>2</sub> and 7.4%, respectively, we will cooperate with other JPDA members and undertake further GHG emissions reduction to achieve the 2020 targets. In keeping with the Paris Agreement at the COP21 conference, it is necessary to establish and review medium- to long-term targets.

#### \*1 Ground Flares

Equipment that incinerates excess hydrocarbon gas produced at crude oil drilling facilities, gas processing facilities and oil refineries instead of simply dissipating the gas as is. Shaped to combust flames within an upper chimney-like furnace, thereby resulting in less night-time pollution or impacts on the surrounding environment

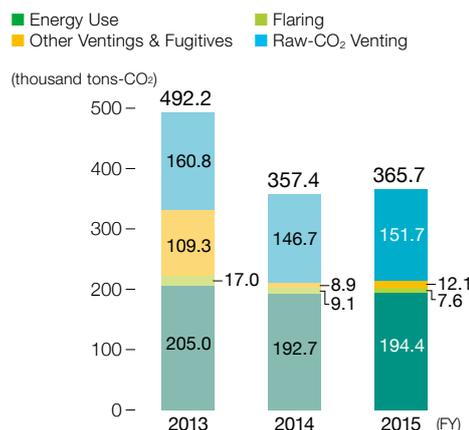
### GHG Emissions by Sources (Domestic and Overseas)

Annotation for Key CSR Data: \*10, 11, 12, 13, 17 (P. 55)



### GHG Emissions by Sources (Domestic)

Annotation for Key CSR Data: \*10, 11, 12, 13, 17 (P. 55)





**Web** 

INPEX Values  
<http://www.inpex.co.jp/english/company/value.html>

**Basic Policy**

INPEX considers workforce diversity and development of employees who can share common values globally pertinent to continuously reinforcing responsible management as a global company. To realize this, the HR Division has formulated the INPEX HR VISION, comprised of four key elements and covers the entire Group. HR activities based on these elements are implemented from a global perspective with the aim of creating a globally competitive organization by linking employee skills development to excellent team performance. In April 2014, we instituted the INPEX Values, which articulates values shared by all executives and employees of the Group. We have sought to instill these values in employees from various backgrounds at our business sites in Japan and overseas, thus fostering cohesion and a sense of unity throughout the entire company.

**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. 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

**3. Organization Effectiveness**

- Maximize organizational performance through HR Management Process
- Workforce planning and organization review
- Appropriate placement within the organization

**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

**Targets and Results**

	FY2015 Targets	FY2015 Results	FY2016 Targets
<b>Securing and developing a global workforce</b>	<ul style="list-style-type: none"> <li>Continue holding global HR meetings</li> <li>Formulate a groupwide mobility policy</li> <li>Continue training to reinforce technical capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Held global HR meetings</li> <li>Implemented measures to instill INPEX Values (questionnaire survey, VALUES Person interviews)</li> <li>Assigned Indonesian expatriates and interns to Japan</li> <li>Formulated the International Assignment Standard and International On-the-Job Training Standard in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>Continue instilling the INPEX Values</li> <li>Continue holding global HR meetings</li> </ul>
<b>Promotion of diversity</b>	<ul style="list-style-type: none"> <li>Promote diversity (hiring of females, foreign nationals, and persons with disabilities)</li> </ul>	<ul style="list-style-type: none"> <li>Defined diversity and inclusion at INPEX</li> <li>Formulated an employer action plan in accordance with the Act of Promotion of Women's Participation and Advancement in Workplace</li> <li>Actively hired females, foreign nationals, and persons with disabilities</li> <li>Conducted a diversity awareness survey in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Implement the employer action plan in accordance with the Act of Promotion of Women's Participation and Advancement in Workplace</li> <li>Continue to promote diversity (hiring of females, foreign nationals, and persons with disabilities)</li> </ul>

## Case Study 1

### INPEX Values

The Human Resources Unit is implementing measures to instill the INPEX Values in employees. In 2015, the unit conducted a groupwide questionnaire on the INPEX Values and solicited nominations for “VALUES Persons,” defined as executives and employees who put the INPEX Values into practice. A total of 689 employees from across the Group were nominated. Interviews with the most highly voted individuals have been posted on the intranet, and examples of the conduct of “VALUES Persons” are being shared within the Group.

#### INPEX Values Website (December 11, 2015)



### Conor Walker

INPEX Australia  
Operations Director

He has been nominated as a “VALUES Person.” In fact, in the recently completed INPEX Values questionnaire, he received the highest number of endorsements from individuals who completed the survey in July 2015. To help us promote “INPEX Values” throughout our organization, we asked him to answer some questions to help share with others how he reflects “INPEX Values” in his daily work.

**In the recently circulated INPEX Values questionnaire, you received the highest number of nominations as someone who best represents a “VALUES Person.” How do you feel about this nomination?**

Very honored of course but I must admit I think there are many others in our organization who could and should be recognized more than me for the way they live and breathe the INPEX Values, both in and outside of work. It's certainly easier to be recognized when you are part of a group of people who share similar attitudes and passion for the way we work, not just the things we work on.



## Case Study 2

### Diversity Management

In 2015, INPEX defined diversity and inclusion within the Group. We have long had a policy of hiring talented employees without discriminating on the basis of gender, age, nationality, culture, customs, or other personal attributes. We assign people to positions to which they are suited and treat them fairly, and there is no difference between male and female employees in base salary or evaluations. In Japan, in accordance with the Act of Promotion of Women's Participation and Advancement in Workplace, we have established an action plan to have women account for 25% of new hires and promote to management position and we are working hard to achieve that goal. We hire and develop employees regardless of nationality, and employees of foreign nationality with high levels of expertise work throughout the Group.

In addition, the Global Mobility Guideline, instituted in January 2015, has become the foundation in conducting overseas placement of employees to suitable positions. In fiscal 2015, we streamlined the International Assignment Standard and other standards applicable to persons hired in Indonesia. As a result, two Indonesian employees were assigned to the headquarters in Japan. We will continue working to develop a human resources management system be fitting of a global company.

Furthermore, because our large-scale overseas projects are now approaching their full-scale development and production phases and we expect our operator activities to continue in the long term, we are directly recruiting local employees at our overseas offices, who will play a key role in operations. Local laws are observed, while utilizing a transparent hiring process. We sustain high motivation to work among local employees and are increasing employee retention rate by adopting measures such as maintaining competitive working environments and treating employees fairly.

Through these initiatives, we strive to create discrimination-free workplace environments that reflect due consideration of employee diversity.

#### Web



What does Diversity & Inclusion mean at INPEX?

<http://www.inpex.co.jp/english/csr/resources/pdf/e20160217.pdf>

## Human Resource Development and Utilization

Click 

Key CSR Data  
**Number of Participants in Training Programs (Domestic)**  
 (P. 55)

### Human Resource Development

INPEX conducts training to enhance the overall skill level of employees in order to contribute to the company's business over the long term. We develop employees by providing level-based training geared toward the desired employee profile, expected roles and required skills for each job category: global professional staff, global engineering staff and administrative staff.

To support global business operations, we also provide a range of programs to rapidly develop employees who can thrive in an international business environment, including foreign language training, overseas office training and dispatch to overseas organizations for professional training.

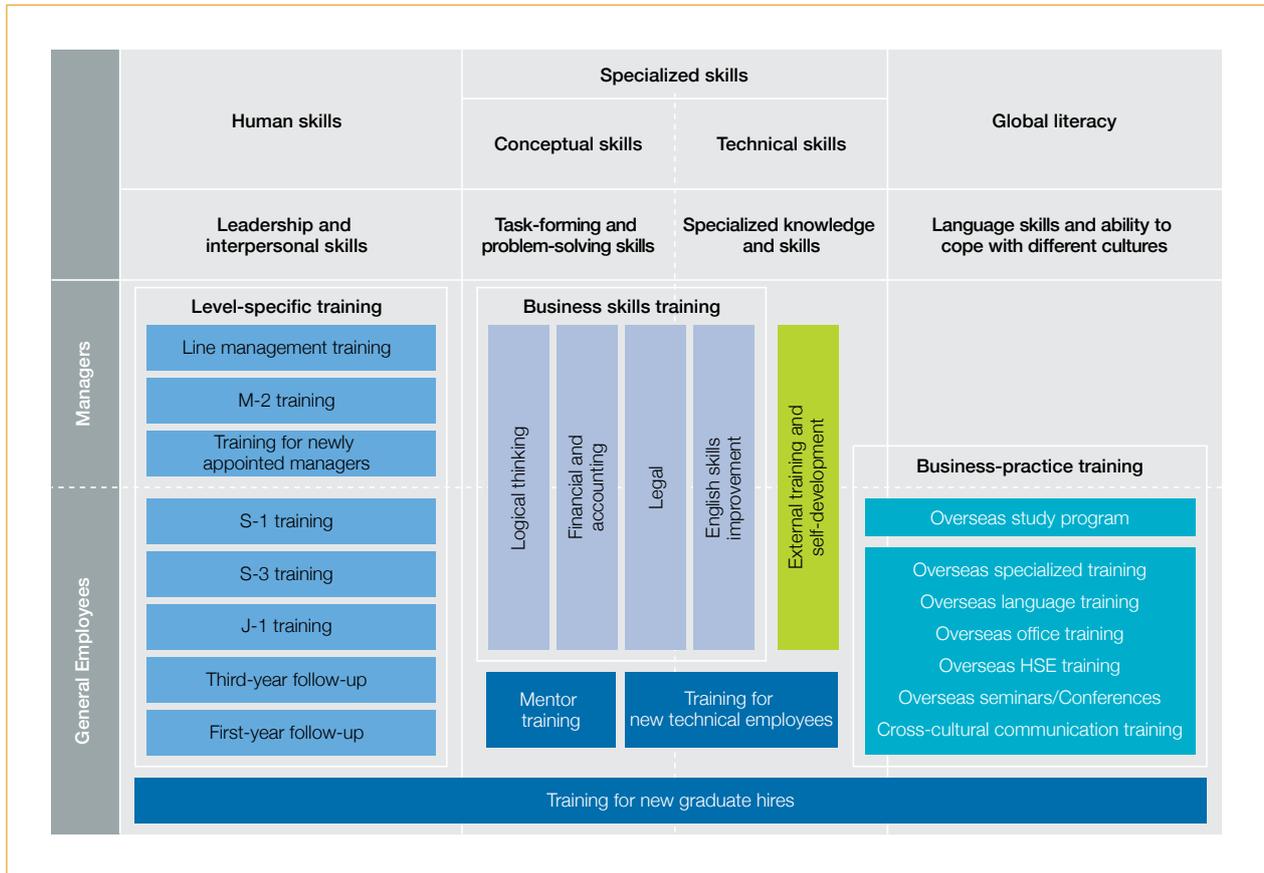
In addition to conducting companywide group training for new graduate hires, we have also introduced a mentoring system by which a senior employee is assigned to each new graduate for one year to provide work-related guidance and moral support to help get adjusted to work and life at the company.

### Objectives Management System and HR Evaluation Structure

We aim to fully elicit employee motivation and capabilities by having them autonomously and concretely decide their own annual objectives and accompanying achievement process, while working toward steadily and efficiently accomplishing organizational goals set each fiscal year.

In evaluation interviews conducted several times a year, superiors and subordinates discuss their work performance and competency, identifying issues and areas for improvement. The system is designed to increase the credibility of the evaluation and contribute to HR development. We have also put in place a mechanism that enables employees to indicate job position and reassignment request once a year and utilize the feedback in appropriate HR assignments and appointments.

Diagram of Human Resource Development



## Promoting Diversity

### ● Promoting Advancement of Female Employees

In accordance with the INPEX Values and the basic policy on diversity management, we are actively working to create an environment in which female employees can fully demonstrate their abilities.

In Japan, we have formulated an action plan in accordance with the Act of Promotion of Women's Participation and Advancement in Workplace, and we aim to double the number of women in management positions from the current level within two years and to raise the percentage of females among new graduate hires to approximately 25%.

### ● Rehiring of Retirees

We have introduced a rehiring contract system that enables employees who have reached the mandatory retirement age of 60 to continue working to make use of their extensive experience and advanced abilities and skills. This system allows for continuous employment until the age of 65 on a one-year renewable basis. We have hired all applicants to this program, and at the end of fiscal 2015 (March 31, 2016), 46 employees were working under retire-rehire contracts.

### ● Promoting Employment of Persons with Disabilities

We have been proactive in hiring persons with disabilities, giving consideration to factors such as job content and workplace environment. As of June 1, 2015, the number of persons with disabilities was 28 (actual number of persons with disabilities employed: 36).

We will continue to make efforts in the future to employ as many persons with disabilities as feasible.

## Promoting Work-Life Balance

Based on the basic policy of diversity management, we create workplaces that reflect the importance we place on a healthy balance between work and home life. We provide working environments that accommodate the circumstances and lifestyles of individual employees and enable people to demonstrate their full potential. We also pay close attention to external factors, such as Japan's declining birth rate and aging population, when promoting work-life balance.

As part of these activities, we instituted a morning-oriented work style in July and August of 2015 to enable employees to begin work early in the morning and spend the evening with their families or in other pursuits during the summer, when daylight hours are longer.

### ● Efficient Use of Work Time

We conduct a campaign to encourage individual employees to manage their own work schedules so that they can leave the office before 6:00 pm at least four days every month and have designated every Wednesday as a no-overtime day. We also have measures designed to promote taking summer holidays. By encouraging employees to take a number of consecutive days off, we want them to add variety to their day-to-day lives, refresh themselves mentally and physically, effectively utilize the limited time available and work more efficiently.

To reduce overtime work, supervisors and HR Division personnel discuss the situations of employees who continuously work more than a certain number of overtime hours, assessing the situation, sharing issues and identifying solutions.

### ● Support for Child Rearing and Nursing Care

We actively seek to create an environment that supports work-life balance for employees involved in raising children or providing nursing care to family members. We have introduced a variety of support systems above and beyond legal requirements, which are offered to all employees including contract workers.

Furthermore, we instituted action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. We have implemented measures to promote employee participation, whether men or women, in child rearing and offered support to allow them to care for their children while continuing to work.

Through these initiatives, we obtained the Next Generation Support Certification mark (nicknamed: Kurumin mark) from the Tokyo Labor Bureau for the first time in recognition of measures taken between fiscal 2009 and 2011 as a "company that supports child-rearing." We obtained the Kurumin mark again on September 17th 2015 for measures taken from fiscal 2012 to 2014. We will continue to support employees as they balance work and child-rearing.

## Click

Key CSR Data  
Overall Employees  
(P. 54)

Recruitment  
(Unconsolidated)  
(P. 54)

Number of  
Employees working  
under Retire-Rehire  
Contracts in FY2015  
(Unconsolidated)  
(P. 54)

Staff Turnover Rate  
in FY2015  
(Unconsolidated)  
(P. 54)

Number of  
Physically  
Challenged  
Employees in  
FY2015  
(Unconsolidated)  
(P. 55)

Number of Employ-  
ees Taking Advan-  
tage of Parental  
Leave System and  
Nursing Care Leave  
System  
(Unconsolidated)  
(P. 54-55)

## Web

INPEX Action Plan to  
Promote Women's  
Participation and  
Advancement in  
Workplace  
<http://www.inpex.co.jp/english/csr/resources/pdf/e20160401.pdf>

Governance

Sum range	Item		FY2013	FY2014	FY2015	Unit	
Consolidated	Directors and Executive Officers*1,2	Domestic	Male	46	44	42	persons
			Female	0	0	0	
			Total	46	44	42	
		Overseas	Male	0	0	0	
			Female	0	0	0	
			Total	0	0	0	
	Total Number of Directors and Executive Officers			46	44	42	
Outside Directors (Figures in parentheses denote the ratio of Outside Directors)			5 (31)	5 (31)	5 (33)	persons (%)	
Outside Auditors (Figures in parentheses denote the ratio of Outside Auditors)			4 (80)	4 (80)	4 (80)		

Compliance

Sum range	Item		FY2013	FY2014	FY2015	Unit	
Japan, Australia, Indonesia	Number of Internal Reports	Japan	6	13	5	cases	
		Australia	—	2*2	18		
		Indonesia	—	7	7		
Japan	Employee Training Related to Human Rights	Attendance ratio*3	—*4	94	82	%	
		Training Hours	—*4	718	807	hours	
Australia	Employee Training Related to Human Rights <input checked="" type="checkbox"/>	Employees Participating in Aboriginal Cultural Awareness Training	Attendance ratio*5	15	51	66	%

Sum range	Item		Year	Amount	Unit
Consolidated	Payment Amounts to Governments (EITI)	Kazakhstan	2011	31,282	thousand USD
		Iraq	2013	10,000	
		East Timor	2013	406,516	
		Indonesia	2013	1,129,114	
		Azerbaijan	2014	148,000	
		D.R. Congo	2014	82,824	

HSE (Environmental Data)

Sum range	Item		FY2013	FY2014	FY2015	Unit	
Consolidated	Emissions to the Atmosphere*2	VOC*6	Domestic <input checked="" type="checkbox"/>	921	486	493	tons
			Overseas	30	64	79	
			Total	951	550	572	
		NOx	Domestic <input checked="" type="checkbox"/>	185	190	192	
			Overseas	716	1,441	1,645	
			Total	901	1,632	1,837	
		SOx	Domestic <input checked="" type="checkbox"/>	6	5	5	
			Overseas	4	54	14	
			Total	10	59	19	
Water Consumption*7	Domestic <input checked="" type="checkbox"/>	Tap Water	211,041	194,758	212,831	m <sup>3</sup>	
		Water for Industrial Use	133,623	218,128	180,436		
		Groundwater	727,482	802,229	756,801		
		Total	1,072,146	1,215,115	1,150,067		
	Overseas	Tap Water	282,977	769,189	844,435		
		Water for Industrial Use	12,052	19,787	0		
		Groundwater	6,441	2,109	0		
		Total	301,470	791,085	844,435		
	Total		—	1,373,616	2,006,200		1,994,502
Discharge of Produced Water	Domestic <input checked="" type="checkbox"/>	Discharged into Public Water Areas	104,871	90,744	99,787	m <sup>3</sup>	
		Injection Return to Groundwater	932,670	942,183	803,200		
		Total	1,037,541	1,032,927	902,987		
	Overseas	Discharged into Public Water Areas	0	0	0		
		Injection Return to Groundwater	6,183	8,798	3,431		
		Total	6,183	8,798	3,431		
Total		—	1,043,724	1,041,726	906,418		

## HSE (Environmental Data)

Sum range	Item		FY2013	FY2014	FY2015	Unit		
Consolidated	Waste	Domestic	General Waste	209	684	384	tons	
			Industrial Waste (Recycle)	99,916	147,648	112,959		
			Industrial Waste (Final disposal)	4,321	5,412	4,018		
			Total	104,446	153,745	117,360		
		Overseas	General Waste	6,365	12,029	13,551		
			Industrial Waste (Recycle)	3,200	14,327	25,172		
	Industrial Waste (Final disposal)		15,586	149,443	6,178			
	Total	25,150	175,799	44,901				
	Oil Spills	Number of Spills		49	202	322		cases
		Quantity of Spills		11	197	9		bbl

## HSE (Workplace Safety)

Sum range	Item		FY2013	FY2014	FY2015	Unit		
Consolidated	Incident Frequency	By Contract <input checked="" type="checkbox"/>	Employees	0.14	0.23	0.11	—	
			Contractors	1.02	0.15	0.15		
			Total	0.74	0.15	0.15		
		By Region	Japan	1.09	0.72	0.00		
			Australia	0.09	0.06	0.13		
			Indonesia	0.00	0.00	0.77		
			Venezuela	7.73	6.80	2.11		
			Malaysia	0.00	0.00	0.00		
			Suriname	0.00	0.00	0.00		
		TRIR*9	By Contract <input checked="" type="checkbox"/>	Employees	0.55	1.72		0.77
				Contractors	5.68	1.20		1.15
				Total	4.05	1.24		1.12
			By Region	Japan	2.85	3.24		1.89
				Australia	4.49	0.98		1.07
	Indonesia			0.00	0.00	0.77		
	Venezuela			22.22	18.47	2.11		
	Malaysia	0.00	0.00	0.00				
	Suriname	0.00	0.00	0.00				
	Fatalities	By Contract	Employees	0	0	0	persons	
			Contractors	0	1	2		
Total			0	1	2			
By Region		Japan	0	0	0			
		Australia	0	1	2			
		Indonesia	0	0	0			
		Venezuela	0	0	0			
		Malaysia	0	0	0			
		Suriname	0	0	0			
Lost Time Injury		By Contract	Employees	1	2	1		cases
	Contractors		16	18	15			
	Total		17	20	16			
	By Region	Japan	8	6	0			
		Australia	1	7	13			
		Indonesia	0	0	1			
		Venezuela	8	7	2			
		Malaysia	0	0	0			
		Suriname	0	0	0			
	Restricted Workday Injury	By Contract	Employees	1	2	0		
Contractors			41	43	28			
Total			42	45	28			
Medical Treatment of Injury	By Contract	Employees	2	11	6			
		Contractors	32	91	85			
		Total	34	102	91			

## Local Communities

Sum range	Item		FY2013	FY2014	FY2015	Unit
Consolidated	Social Investment Expenditure	Education and Fostering Future Generations	686.2	696.8	1108.9	million yen
		Support for Local Communities	372.1	405.7	246.5	
		Health, Medicine and Sports	120.5	107.0	105.5	
		Support for Disaster-affected Areas	5.2	3.8	1.6	
		Environment	30.4	144.4	165.9	
		Culture and Arts	11.9	15.1	15.4	
		Other	4	1.1	70.5	
	Total	1,230.2	1,373.9	1,714.2		
	Percentage of Senior Executives Appointed from Local Communities	Jakarta office	—	28.6	46.1	%
		Perth office	—	73.2	69.4	
Total		—	61.8	63.2		

## Climate Change (GHG Emissions Management)

Sum range	Item		FY2013	FY2014	FY2015	Unit	
Consolidated	GHG Emissions *10, 11, 12, 13, 17	Domestic <input checked="" type="checkbox"/>	Energy Use	205,031	192,743	194,364	tons-CO <sub>2</sub>
			Flaring	16,988	9,072	7,595	
			Other Ventings & Fugitives	109,324	8,901	12,053	
		Overseas	Raw-CO <sub>2</sub> Venting	160,833	146,722	151,708	
			Energy Use	155,703	245,459	394,236	
			Flaring	2,463	2,277	31,357	
		Total	Other Ventings & Fugitives	0	0	0	
			Raw-CO <sub>2</sub> Venting	0	0	0	
		GHG Emissions per Unit*10, 11, 12, 13, 14, 15, 17			1.43	1.44	
	Direct GHG Emissions (Scope 1)*10, 11, 12, 13	Domestic <input checked="" type="checkbox"/>	Energy Use	456,294	317,267	328,912	tons-CO <sub>2</sub>
			Overseas	152,041	233,186	404,188	
			Total	608,334	550,454	733,100	
	Indirect GHG Emissions (Scope 2)*10, 11, 12, 13	Domestic <input checked="" type="checkbox"/>	Energy Use	35,882	40,171	36,808	tons-CO <sub>2</sub>
Overseas			6,126	14,549	21,406		
Total			42,009	54,720	58,214		
Domestic	GHG Emissions from Use of Sold Products (Scope 3)*12, 16 <input checked="" type="checkbox"/>		—	4,270,859	4,169,752	tons-CO <sub>2</sub>	
Consolidated	Energy Consumption	Domestic	3,921,402	3,643,551	3,692,851	GJ	
		Overseas	1,779,825	3,325,912	5,306,895		
		Total	5,701,227	6,969,463	8,999,747		
Domestic	Energy Consumption*2 <input checked="" type="checkbox"/>	Natural Gas	73,206	66,596	67,984	thousand Nm <sup>3</sup>	
		Refinery Gas	0	0	0	kL	
		Gas Oil	1,493	668	1,310		
		Fuel Oil A	0	39	225		
		Kerosene	156	26	25		
		Gasoline	663	815	748		
		Condensate	0	0	0	tons	
		LPG	27	30	15		
		Purchased Electricity	62,914	67,953	64,112	MWh	
		City Gas	398	427	406	thousand Nm <sup>3</sup>	
		Outside Heat Supply	8,350	8,201	7,893	GJ	

## Climate Change (Renewable Energy)

Sum range	Item	FY2013	FY2014	FY2015	Unit
Japan	Electricity Generated Using Renewable Energy	2,867	2,910	4,890	MWh
Consolidated	Total Investment in Renewable Energy*18	516	868	1,399	million yen

## Employees (Employment)

Sum range	Item		FY2013	FY2014	FY2015	Unit	
Consolidated	Overall Employees <input checked="" type="checkbox"/>	Male	Japanese Male Employees Sum Total	1,588	1,617	1,667	persons (%)
			Managerial Staff	612	654	674	
			Foreign Male Employees Sum Total	751	960	1,154	
			Managerial Staff	115	120	136	
			Male Employees Sum Total (Figures in parentheses denote the ratio of male employees)	2,339 (81.4)	2,577 (81.0)	2,821 (81.8)	
			Male Managerial Staff Sum Total (Figures in parentheses denote the ratio of male managerial staff)	727 (96.9)	735 (96.1)	810 (96.7)	
		Female	Japanese Female Employees Sum Total	202	207	215	persons (%)
			Managerial Staff	6	6	8	
			Foreign Female Employees Sum Total	333	394	413	
			Managerial Staff	17	24	20	
			Female Employees Sum Total (Figures in parentheses denote the ratio of female employees)	535 (18.6)	601 (18.9)	628 (18.2)	
			Female Managerial Staff Sum Total (Figures in parentheses denote the ratio of female managerial staff)	23 (3.1)	30 (3.9)	28 (3.3)	
Foreign Employees Sum Total (Figures in parentheses denote the ratio of foreign employees)		1,084 (37.7)	1,354 (42.6)	1,567 (45.4)	persons (%)		
Total		2,874	3,178	3,449	persons (%)		
Number of Short-term Employees		1,604	1,530	1,361			
Unconsolidated*19	Employees	Male	1,247	1,247	1,286	persons	
		Female	235	247	256		
		Total	1,482	1,494	1,542		
	Average Length of Service	Male	16.1	15.5	16.3	years	
		Female	9.9	10.2	11.1		
		Total	15.2	14.7	15.5		
	Number of Staff Turnovers	Male	29 and under	0	1	2	persons
			30-60	6	7	4	
			Total	6	8	6	
		Female	29 and under	1	3	2	
			30-60	1	1	4	
			Total	2	4	6	
Number of Staff Turnovers		8	12	12			
Staff Turnover Rate*2, 20		0.65	0.97	0.93	%		
Recruitment	New Graduate Hires	Male	51	49	60	persons	
		Female	11	9	16		
		Total	62	58	76		
	Mid-career Hires	Male	30	30	14	persons	
		Female	4	3	2		
		Total	34	33	16		
Ratio of Standard Minimum Salary to Local Minimum Wage*21		—	—	1.34	times		
Number of Employees Working under Retire-Rehire Contract		52	59	46	persons		
Labor Union Participation Rate*22		70.4	70.2	70.3	%		

## Employees (Work-life Balance)

Sum range	Item		FY2013	FY2014	FY2015	Unit		
Unconsolidated	Average Rate of Paid Leave Taken <input checked="" type="checkbox"/>	Male	66.5	68.1	69.5	%		
		Female	82.0	85.6	87.0			
		Total	68.6	70.5	71.7			
Rate for Receipt of Physical Examinations and Checkups <input checked="" type="checkbox"/>		99.1	99.9	100				
Number of Employees Taking Maternity Leave <input checked="" type="checkbox"/>		6	6	12	persons			
Unconsolidated	Number of Employees Taking Advantage of Parental Leave System <input checked="" type="checkbox"/>	Male	Number of Employees	0	4	3	persons	
			Rate of those returning to work*23	—	100	100		%
			Retention rate*24	100	—	100		
		Female	Number of Employees	8	13	9	persons	
			Rate of those returning to work*23	83	100	75		%
			Retention rate*24	75	100	71		
		Total	Number of Employees	8	17	12	persons	
			Rate of those returning to work*23	83	100	86		%
			Retention rate*24	83	100	82		
Number of Employees Taking Advantage of Limited Working Hours for Childcare, and Flexible Working Hour Schemes <input checked="" type="checkbox"/>	Male	5	8	15	persons			
	Female	20	26	28				
	Total	25	34	43				

## Employees (Work-life Balance)

Sum range	Item	FY2013	FY2014	FY2015	Unit	
Unconsolidated	Number of Employees Taking Child Healthcare Leave <input checked="" type="checkbox"/>	Male	8	13	24	persons
		Female	22	25	33	
		Total	30	38	57	
	Employees Taking Advantage of Childcare, Nursery, and Babysitter Subsidies <input checked="" type="checkbox"/>	Male	37	38	37	persons
		Female	13	14	13	
		Total	50	52	50	
	Employees Taking Advantage of Nursing Care Leave System <input checked="" type="checkbox"/>	Male	0	1	1	persons
		Female	0	0	0	
		Total	0	0	1	
	Employees Taking Advantage of Limited Working Hours for Nursing Care System <input checked="" type="checkbox"/>	Male	0	0	1	persons
		Female	0	1	1	
		Total	0	1	2	
	Employees Taking Special Leave for Family Care <input checked="" type="checkbox"/>	Male	4	6	5	persons
		Female	3	4	5	
		Total	7	10	10	
	Physically Challenged Employees* <sup>2,25</sup>		35	36	36	persons
	(Figures in parenthesis denote the percentage in total employment) <input checked="" type="checkbox"/>		(2.03)	(1.99)	(1.91)	(%)
	Employees Utilizing Volunteer Leave System <input checked="" type="checkbox"/>		91	16	8	persons

## Employee (Human Resource Development)

Sum range	Item	FY2013	FY2014	FY2015	Unit	
Domestic	Number of Participants in Training Programs	Level-specific Training	294	284	327	persons
		Business Skill Training	155	136	133	
		Language Training	15	9	10	
		Overseas Office Training	17	24	27	
		Overseas Specialized Training	95	70	56	
		Study Overseas Program	5	7	6	
		HSE Training	92	129	107	
	Training Hours per Person	Gender	—	92.7	80.6	hours / person
		Female	—	78.5	78.1	
		Total	—	90.0	80.1	
	Training Expenditure per Person		—	305,553	217,478	yen
	Employees who Seek Personal and Career Development Reviews Regularly	Gender	Male	—	100	100
		Female	—	100	100	
Total		—	100	100		
Category of Employee		Managerial Employees	—	100	100	
		General Employees	—	100	100	
Total		—	100	100		

## Notes

## ■ Scope of Report

- INPEX CORPORATION and its 65 consolidated subsidiaries.
- Environmental data: Nine Operational Organizations.
- Domestic: Operational Organizations (Headquarters, domestic oil and natural gas development projects and Gas Supply & Infrastructure Division) which include INPEX CORPORATION, Teiseki Pipeline Co., Ltd., INPEX Logistics Co., Ltd. and Toyo Gas Engineering Co., Ltd., which changed the company name to INPEX ENGINEERING (JAPAN) CO., LTD. as of April 1, 2015.
- Unconsolidated data includes the data from Japan, Jakarta, Houston, and London.

## ■ Third-Party Assurance

The data marked with the symbol (✓) are provided assurance in this report.

## ■ Annotation

- \*1 Number of persons who are elected by resolutions at Ordinary General Meeting of Shareholders every June.
- \*2 The revision of the calculation method resulted in a change in the data disclosed in Sustainability Report 2015.
- \*3 Training target is all domestic employees (Headquarters employees/Domestic Group employees/Temporarily transferred employees/Fixed-term employees/Temporary agency employees).
- \*4 Participation in the training had been voluntary until FY2013 and has become mandatory since FY2014; therefore, the data of FY2013 is not included.
- \*5 Training target is employees at all Australia locations (Group employees/Temporarily transferred employees/Fixed-term employees). The attendance rate is based on the cumulative number of attendees since 2012.
- \*6 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.
- \*7 Water resources used by contractors are included. The quantity of seawater used is not included.
- \*8 Rate of injuries resulting in fatalities or lost time per million hours worked (LTIF: Lost Time Injury Frequency).
- \*9 The rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours (TRIR: Total Recordable Injury Rate).
- \*10 GHG emissions resulting from the use of energy by contractors are included.
- \*11 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>).

\*12 GHG emissions including those caused from natural gas 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. In other countries, calculations are carried out in accordance with local laws and regulations and rules for HSE-related data.

\*13 GHG emissions also include emissions relating to electric power sold. GHG emissions resulting from electric power purchased are calculated using the adjusted emission coefficients.

\*14 Calculated based on the Voluntary Action Plan of the Japan Petroleum Development Association (JPDA) under Keidanren's Commitment to a Low Carbon Society.

\*15 The basic unit described here shows the GHG emissions of heat production rate per unit at the mine facilities in domestic oil and natural gas development projects.

\*16 CO<sub>2</sub> emissions from natural gas, oil, LPG and condensate sold in Japan are calculated by applying the CO<sub>2</sub> emission coefficients to the total quantities sold with the assumption that the entire amounts will be combusted. The unit calorific values and emission coefficients for natural gas (including INPEX natural gas), oil and LPG are calculated using the calculation standards stipulated in the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures.

\*17 "GHG emissions" and "GHG Emissions per Unit" do not include "GHG emissions from use of sold products (Scoop 3)".

\*18 The amount of total investment in renewable energy disclosed in Japan only. Amounts of our overseas investment are confidential, and thus, not disclosed.

\*19 Except the number of employees, we do not include local employees hired at overseas offices run by INPEX.

\*20 Calculated based on the number of resignees. Resignees here exclude retirees and resigned executive officers.

\*21 Based on the latest figure of minimum wage set by the Tokyo Labor Bureau.

\*22 Fixed-term employees are not included.

\*23 Returned employees in the current fiscal year/ Employees expected to return in the current fiscal year\* 100

\*24 Among returned employees in the current fiscal year those who still remained at the end of the same fiscal year/ Returned employees in the previous fiscal year\* 100

\*25 The number of employees and the employment rate are based on the figures as at June 1, 2015.



## 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, 2015 to March 31, 2016 (the "Indicators") included in its Sustainability Report 2016 (the "Report") for the fiscal year ended March 31, 2016.

### 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, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative.

### 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 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. 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 with the Company's responsible personnel to obtain an understanding of its policy for the preparation of 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 reviews of 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 also recalculating the Indicators.
- Visiting to the Company's Nagaoka Field Office selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

### 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.

*KPMG AZSA Sustainability Co., Ltd.*

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

July 28, 2016



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