

An abstract painting with thick, expressive brushstrokes. The colors are primarily blue, green, and yellow, with some white and pinkish tones. The texture is very rough and layered, suggesting a landscape or a close-up of a natural surface.

# SUSTAINABILITY REPORT // 2017



An aerial collage of four images: a rocky coastline with waves, a dense green forest with a winding road, a city street with buildings, and a multi-lane highway with cars.

# OUR MISSION TO CONTRIBUTE TO A SUSTAINABLE SOCIETY

## 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.

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### 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.

### CORPORATE DATA

Trading Name	INPEX CORPORATION	Main Activities	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
Established	April 3, 2006		
Capital	¥290,809,835,000		
Headquarters	Akasaka Biz Tower, 5-3-1, Akasaka, Minato-ku, Tokyo 107-6332, Japan		
Employees	3,228 (consolidated) as of March 31, 2017	End of Fiscal Year	
			March 31

## About Our Reporting

**INPEX publishes an annual Sustainability Report to inform stakeholders about our sustainability practices.**

### Reporting Period

In principle, the report covers the fiscal period from April 1, 2016 to March 31, 2017 for facilities in Japan, and from January 1 to December 31, 2016 for overseas facilities.

(Portions of the report contain information from before or after these periods.)

### Report Scope and Data Compilation

INPEX CORPORATION and its 64 consolidated subsidiaries

(The term "INPEX" in this report means INPEX CORPORATION and all of its subsidiaries and affiliates, unless otherwise stated.)

### Publication Date

August 2017

(Previous report: August 2016, next report: August 2018)

### Reference Guidelines

Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016/ISO 26000/IPIECA Oil and gas industry guidance on voluntary sustainability reporting

(The GRI Standards content index is shown only in the web edition.)

### Versions of Report

To help stakeholders effectively and efficiently understand the value created by INPEX, we strategically prepared different versions of the 2017 Report in accordance with the Material Issues.

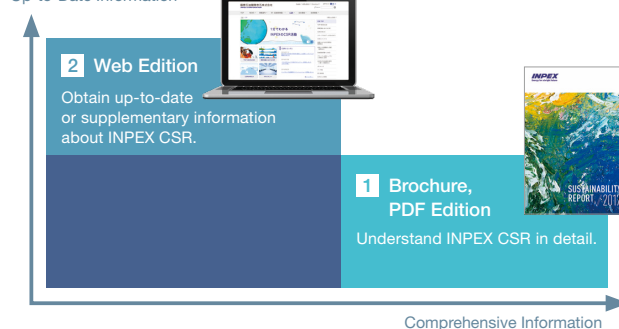
#### 1 Brochure, PDF Edition

In consideration of the information required under international disclosure guidelines, the brochure and PDF edition are 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.

Up-to-Date Information



## A Message from the Editors



We emphasize thoroughness and attention to detail in communicating with stakeholders. As such, 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 depicts the oceans and green land of the earth, which are both symbols of a sustainable society and where our oil and natural gas development takes place.

## External Evaluation

As of August 2017, INPEX has been selected for inclusion in the following major SRI Indexes.

Dow Jones Sustainability Indices (World)

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

FTSE4Good Global Index  
FTSE4Good Japan Index



**FTSE4Good**

MSCI ESG Leaders Indexes

**MSCI** 2017 Constituent MSCI ESG Leaders Index

MSCI Japan ESG Select Leaders Indexes

**MSCI** 2017 Constituent MSCI Japan ESG Select Leaders Index

FTSE Blossom Japan Index



**FTSE Blossom Japan**

MSCI SRI Indexes

**MSCI** 2017 Constituent MSCI SRI Indexes

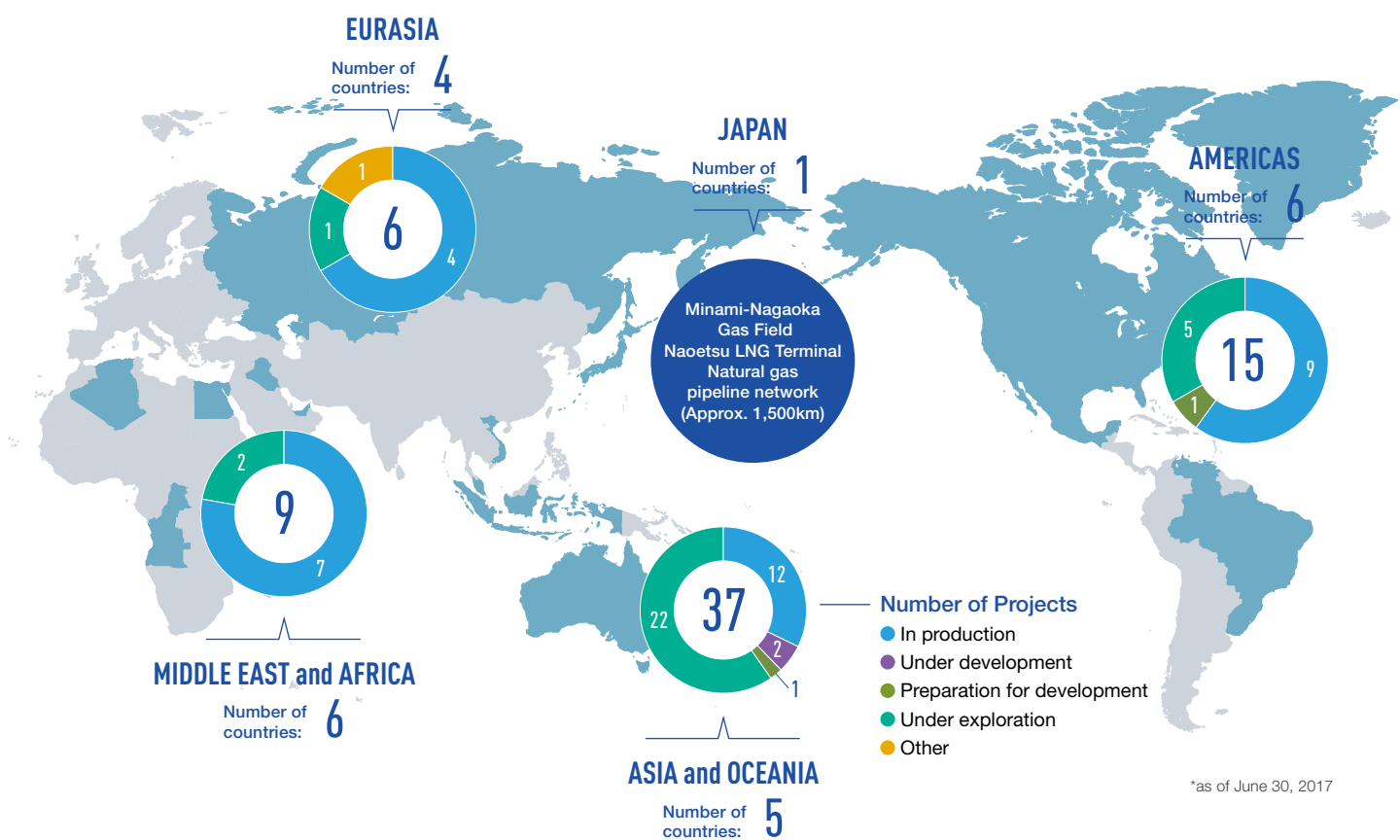
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## Supplying Energy Reliably and Efficiently

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.

Under our Mission of contributing to the creation of a prosperous society by providing a stable and efficient supply of energy, INPEX engages in sustainability practices through our business operations.

### Our Areas of Activity\*



Crude Oil and  
Natural Gas  
Net Production  
(barrels of oil equivalents)

**521** thousand  
boe/d

FY2015:  
514 thousand boe/d



Crude Oil and  
Natural Gas  
Proved Reserves  
(barrels of oil equivalents)

**3,304** MMboe

FY2015:  
3,264 MMboe



Natural Gas  
Sales  
in Japan

**1.91** billion  
Nm<sup>3</sup>

FY2015:  
1.75 billion Nm<sup>3</sup>



Crude Oil and  
Natural Gas  
Production Ratios

Crude oil/LPG/  
Condensates: **Approx. 67%**

Natural  
gas: **Approx. 33%**

## Our Value Chain

PHASE  
1

### Acquisition of Blocks

Conduct preliminary regional surveys, negotiation of exploration rights contracts, acquisition of exploration, development, and other rights

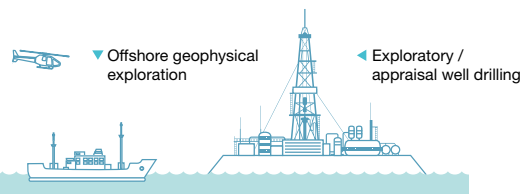


◀ Conclusion of contract

PHASE  
2

### Exploration and Appraisal

Exploration of underground oil and natural gas deposits using leading-edge technologies, determination of the size of reserves



▼ Offshore geophysical exploration

◀ Exploratory / appraisal well drilling

PHASE  
3

### Development and Preparation for Development

Preparation for development, drilling of wells by using rigs, construction of extraction equipment of oil and natural gas

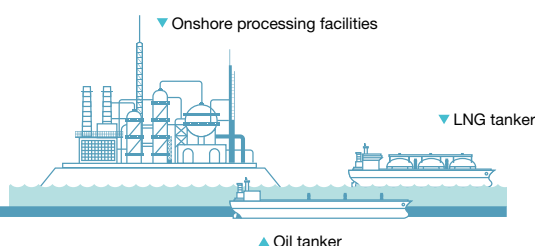


◀ Production platform

PHASE  
4

### Production

Refining and processing of the extracted oil and natural gas into finished products



▼ Onshore processing facilities

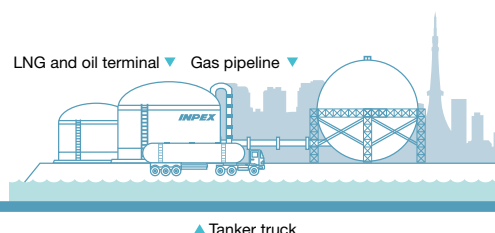
▼ LNG tanker

▲ Oil tanker

PHASE  
5

### Transport and Sales

Shipment and transport of the oil and natural gas products



LNG and oil terminal ▼ Gas pipeline ▼

▲ Tanker truck



Safety  
Data

LTIF: **0.11** (target: 0.17)

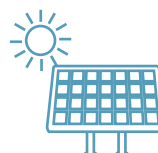
TRIR: **0.97** (target: 0.91)



Annual  
GHG  
Emissions

**644** thousand  
tons-CO<sub>2</sub>

FY2015:  
791 thousand tons-CO<sub>2</sub>



Annual  
Renewable  
Energy  
Generation

**12,289** MWh

FY2015:  
4,890 MWh



Cumulative Amount of  
Orders Placed with  
Local Companies  
in Australia

More  
than **A\$17** billion



## INPEX is committed to contributing to the creation of a prosperous society through efforts to provide a stable and efficient energy supply.

As the leading Japanese oil and natural gas exploration and production company, INPEX fulfills its social duty of maintaining a stable and efficient supply of energy through the global exploration, development and production of oil and natural gas. Our employees work diligently as one to sustainably increase our corporate value through the upkeep and expansion of reserves and production volume over the medium to long-term.

As part of our initiatives to ensure responsible management, we support the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption. We strive to fulfill our social responsibilities across our entire value chain and contribute to creating a better and more sustainable society while building trust among stakeholders including the local communities in which we operate. Our responsibilities include ensuring safe business practices, conserving the environment, creating jobs, respecting human rights and contributing to the communities that host us.

Although the energy industry is expected to continue facing an unpredictable business environment due to factors including fluctuations in crude oil price levels and changes in the energy supply and demand structure, energy demand is expected to steadily increase over the medium to long-term as a result of economic growth spurred by a growing population mainly in developing countries. At the same time, the industry must address the critical issue of reducing greenhouse gas (GHG) emissions, which are expected to increase in proportion to energy demand. With the Paris Agreement taking effect in

November 2016 and post-2020 GHG emissions regulations being developed in earnest, the focus on climate change response is about to become even greater.

INPEX is acutely aware of the necessity and importance of measures to reduce GHG emissions and has prepared and published a Position Paper summarizing its basic stance on climate change as well as measures addressing the issue. The Position Paper articulates our key policies, including reducing GHG emissions in oil and natural gas development; expanding supplies of natural gas—the cleanest burning fossil fuel—to respond to increasing energy demand; and strengthening renewable energy initiatives. As an example, in March 2017, INPEX and its partners started commercial operations of the first unit of the Sarulla Geothermal Independent Power Producer (IPP) Project,





the world's largest single-contract geothermal power project located in Indonesia. Meanwhile, the INPEX-led Ichthys LNG Project in Australia is scheduled to begin production during the fiscal year ending March 2018.

As the international community in recent years has grown increasingly aware of the impact of corporate activities on human rights, INPEX strives to ensure the thorough implementation of human rights management. In addition to publishing a statement in September 2016 pursuant to the UK Modern Slavery Act 2015, we formulated and published the INPEX Group Human Rights Policy in May 2017 to comprehensively manifest our stance on upholding human rights.

INPEX has participated in the United Nations Global Compact since 2011, and will contribute to the realization of sustainable development as laid out in the

Sustainable Development Goals (SDGs) adopted by the United Nations. To that end, we will strive to contribute to local communities through our business, implement sustainability practices focused on our six Material Issues and their respective Key Tasks, and engage in responsible management to ensure that we remain an indispensable member of society.

北村 俊昭

Toshiaki Kitamura

Representative Director, President & CEO  
INPEX CORPORATION

## INPEX aspires to be a company that earns the lasting trust of stakeholders through responsible management.

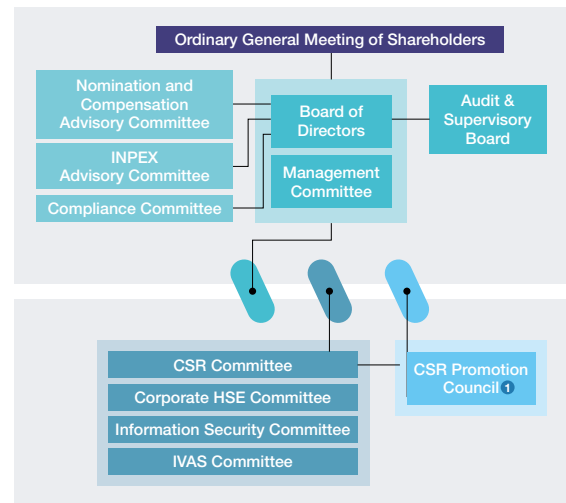
### Basic Policy

INPEX aims to be a company that wins, retains and builds upon the deep-rooted trust of its stakeholders as an indispensable member of society by considering society's expectations and engaging in sustainability practices focused on Material Issues closely connected to our business.

### CSR Promotion System

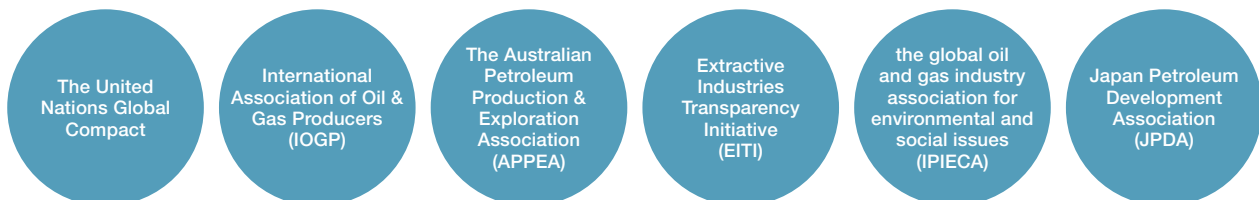
We have clearly expressed executive management's CSR stance and established the CSR Committee, chaired by the Representative Director, President & CEO in order to promote companywide and systematic sustainability practices. The CSR Committee members include the Representative Directors, the head of the 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.

### CSR Promotion System



### External Initiatives in which INPEX Participates

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



### Identification of Material Issues



Governance

Compliance

HSE



Local Communities

Climate Change

Employees

In April 2012, we identified five key issues among the seven core social responsibility subjects in ISO 26000 as Material Issues of importance to INPEX and our stakeholders.

In May 2015, we reexamined the Material Issues in light of factors such as events that affect business activities associated with the progress of our main projects and changes in the stakeholders' 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 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. In fiscal 2017, we incorporated the concept of the Sustainable Development Goals (SDGs)<sup>②</sup> into high-priority topics and reviewed Key Tasks using the four steps shown in the following page.

#### ① CSR Promotion Council:

A subsidiary organization of the CSR Committee comprising working-level members from various divisions. By creating this link between top management and the divisions, we engage in sustainability practices based on a common ground of understanding.

#### ② Sustainable Development Goals (SDGs)

Seventeen goals adopted by the UN Sustainable Development Summit in September 2015 that describe the UN's agenda for people, planet and prosperity.

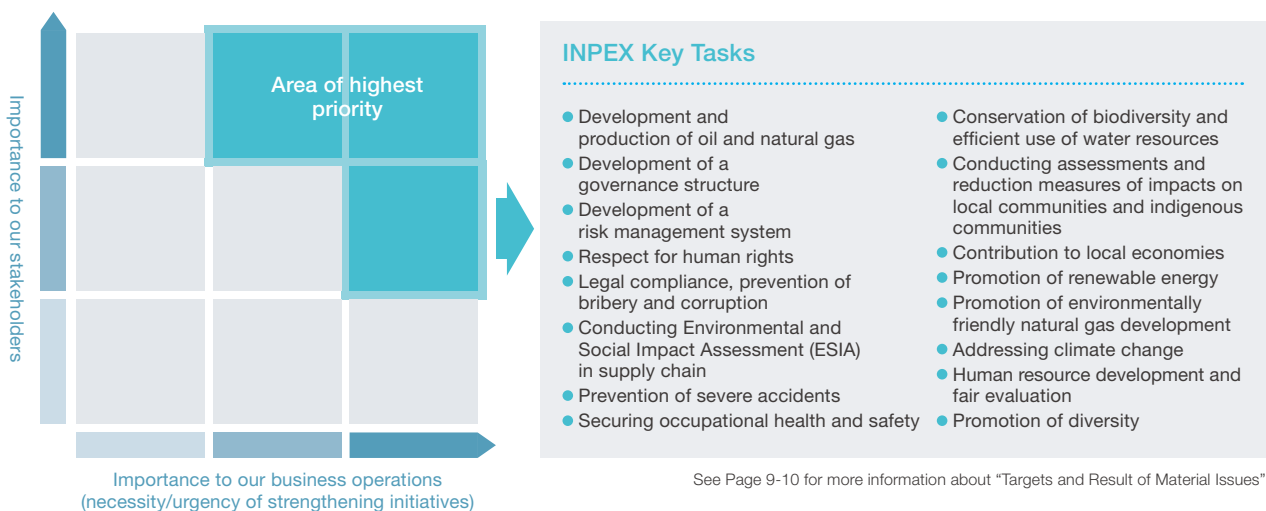


### Key Tasks Prioritization Process



See Page 11-12 for more information about "Our Commitment to Stakeholders"

### Matrix of Key Tasks



See Page 9-10 for more information about "Targets and Result of Material Issues"









### Management Review Comments from INPEX Advisory Committee Member, Kaori Kuroda

By their very nature, the global businesses of INPEX have a certain impact on communities and the environment in which INPEX operates. For this reason, society expects INPEX to engage in continuing initiatives to minimize negative effects, such as environmental impacts, and to maximize positive effects, such as the vitalization of local economies.

INPEX deserves recognition for its approach to identifying the Key Tasks involving serious engagement with stakeholders, such as gathering stakeholder opinions and reflecting them in its initiatives.

I expect INPEX to establish a PDCA cycle by setting quantifiable KPIs and qualitative targets for the identified Key Tasks and continuously assessing results.

## Targets and Results of Material Issues

Material Issues	Relevant SDGs	Key Tasks	FY2016 Targets
 Governance		Development of a governance structure	<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>
		Development of a risk management system	<ul style="list-style-type: none"> <li>Review the headquarters Business Continuity Plan (BCP) ① for earthquakes and provide relevant education and training to employees</li> </ul>
 Compliance	  	Respect for human rights	<ul style="list-style-type: none"> <li>Continue to conduct CSR training</li> </ul>
		Legal compliance, prevention of bribery and corruption	<ul style="list-style-type: none"> <li>Continue Anti-Bribery and Anti-Corruption (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> </ul>
		Conducting Environmental and Social Impact Assessment (ESIA) in supply chain	<ul style="list-style-type: none"> <li>Participate in Supply Chain Working Group of Global Compact Network Japan</li> <li>Conduct risk assessment of main suppliers and contractors</li> </ul>
 HSE	     	Prevention of severe accidents	<ul style="list-style-type: none"> <li>Launch Corporate HSE Third Phase Mid-term Plan</li> <li>Enhance HSE assurance and governance</li> <li>Thorough accident and disaster prevention using the risk management process</li> <li>Implement ICS ③ based Emergency Response Procedure through Level 3 crisis exercises</li> </ul>
		Securing occupational health and safety	<ul style="list-style-type: none"> <li>Provide HSE technical support and strengthen HSE management at worksites</li> <li>Incident reduction target: LTIF ④ 0.17 / TRIR ⑤ 0.91 or less</li> </ul>
		Conservation of biodiversity and efficient use of water resources	<ul style="list-style-type: none"> <li>Comply with IFC ⑥ requirements and evaluate environmental risk management</li> </ul>
 Local Communities	    	Conducting assessments and reduction measures of impacts on local communities and indigenous communities	<ul style="list-style-type: none"> <li>Maintain good relationships through continuous dialogue with stakeholders</li> </ul>
		Contribution to local economies	<p><b>Global</b></p> <ul style="list-style-type: none"> <li>Planned social contribution activities: ¥2.87 billion</li> <li>Continue to support community programs</li> </ul> <p><b>Ichthys LNG Project</b></p> <ul style="list-style-type: none"> <li>Continue to provide local employment and procurement opportunities in the project</li> </ul>
 Climate Change	  	Promotion of renewable energy	<ul style="list-style-type: none"> <li>Ensure stable operation of solar power generation facilities</li> <li>Start commercial operations of first unit of the Sarulla geothermal Independent Power Producer (IPP) Project in Indonesia</li> <li>Promote commercialization of geothermal power generation business in Japan</li> <li>Promote R&amp;D of new energy and renewable energy</li> </ul>
		Promotion of environmentally friendly natural gas development	<ul style="list-style-type: none"> <li>Promote natural gas development activities</li> <li>Expand the gas pipeline network, including the opening of Toyama Line operations</li> <li>Engage in proposal activities to promote natural gas use</li> </ul>
		Addressing climate change	<ul style="list-style-type: none"> <li>Undertake energy conservation and energy efficiency improvement at operating sites and offices</li> <li>Review the Japan Business Federation's Commitment to a Lower Carbon Society Plan ⑧ of the JPDA</li> </ul>
 Employees	  	Human resource development and fair evaluation	<ul style="list-style-type: none"> <li>Continue holding global HR meetings</li> <li>Continue to instill INPEX Values</li> </ul>
		Promotion of diversity	<ul style="list-style-type: none"> <li>Implement the employer action plan in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace</li> <li>Continue to promote diversity (hiring of females, foreign nationals, and persons with disabilities)</li> </ul>

### ① Business Continuity Plan

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.

### ② Business Continuity Management

Education and training to instill the formulation and maintenance of BCP initiatives, and renewing management activities to ensure regular business operations in emergencies.

### ③ Incident Command System

Standardized system of emergency and crisis response

### ④ Lost Time Injury Frequency

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

### ⑤ Total Recordable Injury Rate

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

FY2016 Results		FY2017 Targets	
	<ul style="list-style-type: none"> <li>Evaluated the effectiveness of the Board of Directors as a whole, disclosed a summary of the evaluation results, identified and addressed points prioritized for improvement</li> <li>Established the Nomination and Compensation Advisory Committee</li> </ul>		<ul style="list-style-type: none"> <li>Evaluate the effectiveness of the Board of Directors as a whole and engage in continuous initiatives to improve effectiveness (establishment of a PDCA cycle)</li> <li>Ensure smooth operation of the Nomination and Compensation Advisory Committee</li> </ul>
	<ul style="list-style-type: none"> <li>Reviewed the headquarters Business Continuity Plan (BCP) for earthquakes and provided education and training to employees</li> </ul>		<ul style="list-style-type: none"> <li>Practice headquarters Business Continuity Management (BCM) ② for earthquakes and provide education and training to employees</li> </ul>
	<ul style="list-style-type: none"> <li>Strengthened initiatives to upgrade human rights management, including disclosure of a statement on the UK Modern Slavery Act 2015</li> </ul>		<ul style="list-style-type: none"> <li>Strengthen initiatives to upgrade human rights management, including formulation of human rights policy</li> <li>Provide training on human rights management (Target attendance ratio: 90%)</li> </ul>
	<ul style="list-style-type: none"> <li>Conducted ABC risk assessment at two overseas offices</li> <li>Revised the ABC Guidelines, formulated procedures, and began implementation</li> <li>Engaged in global compliance activities through cooperation with the departments in charge of compliance at the Jakarta Office and Perth Office</li> </ul>		<ul style="list-style-type: none"> <li>Continue ABC risk assessment at overseas offices</li> <li>Widely disseminate and strengthen implementation of ABC regulations (conduct of training, etc.)</li> <li>Enhance global compliance systems</li> </ul>
	<ul style="list-style-type: none"> <li>Participated in Supply Chain Working Group of Global Compact Network Japan and contributed to preparation of a cross-industry supplier self-evaluation questionnaire</li> <li>Conducted risk assessments of main domestic service and construction contractor candidates (eight ABC due diligence risk assessments, thirty HSE assessments)</li> <li>Conducted risk assessments of main service and construction contractor candidates in Australia and Indonesia (ABC due diligence risk assessments, HSE assessments)</li> </ul>		<ul style="list-style-type: none"> <li>Continue to participate in Supply Chain Working Group of Global Compact Network Japan</li> <li>Administer a cross-industry supplier self-evaluation questionnaire to main domestic suppliers and contractors</li> <li>Continue to conduct risk assessments of main suppliers and contractors</li> </ul>
	<ul style="list-style-type: none"> <li>Revised the HSE Policy and the HSE Management System Manual</li> <li>Conducted corporate HSE audits, HSE reviews, and management HSE site visits as planned</li> <li>Reported HSE risk management information to the Management Committee, continued preparation of safety cases</li> <li>Conducted Level 3 crisis exercises four times as planned</li> </ul>		<ul style="list-style-type: none"> <li>Improve the HSE Management System</li> <li>Provide education and training for all employees</li> <li>Raise the level of HSE assurance and governance</li> <li>Strengthen the HSE risk management process</li> <li>Conduct crisis exercises on a more practical level</li> </ul>
	<ul style="list-style-type: none"> <li>Provided HSE technical support in Japan and overseas and shared HSE lessons learned from construction work at each business site at HSE forums</li> <li>Incident reduction results: LTIF 0.11 / TRIR 0.97</li> </ul>		<ul style="list-style-type: none"> <li>Provide HSE technical support and strengthen HSE management at worksites.</li> <li>Incident reduction target: LTIF 0.12 / TRIR 0.81 or less</li> </ul>
	<ul style="list-style-type: none"> <li>Established the Environmental Management Working Group</li> </ul>		<ul style="list-style-type: none"> <li>Collect information on environmental risks</li> <li>Strengthen environmental management</li> </ul>
Japan	<ul style="list-style-type: none"> <li>Provided information on operating status and safety initiatives through community briefings and issuance of newsletters at the Naoetsu LNG Terminal</li> </ul>	Japan	<ul style="list-style-type: none"> <li>Maintain good relationships through continuous dialogue with stakeholders using community briefings, issuance of newsletters, etc.</li> </ul>
Australia	<ul style="list-style-type: none"> <li>Provided more than 230 stakeholder information sessions and updates</li> <li>Established INPEX Larrakia Advisory Committee and held six meetings</li> </ul>	Australia	<ul style="list-style-type: none"> <li>Manage the impact on and concerns of local communities and stakeholders as the Ichthys LNG Project transitions from construction to operations phase.</li> </ul>
Global	<ul style="list-style-type: none"> <li>Social contribution activities result: ¥1.34 billion</li> </ul>	Global	<ul style="list-style-type: none"> <li>Social contribution activities plan: ¥1.64 billion</li> </ul>
Australia	<ul style="list-style-type: none"> <li>Supported 39 community programs and initiatives in areas of operation</li> </ul>	Australia	<ul style="list-style-type: none"> <li>Continue to retain INPEX Australia's 1% Aboriginal and Torres Strait Islander direct employees</li> </ul>
Ichthys LNG Project ⑦	<ul style="list-style-type: none"> <li>More than 8,700 local Northern Territory employees have been engaged</li> <li>More than 1,100 local Northern Territory businesses have secured contracts and procurement orders</li> <li>More than A\$17 billion in Project contracts, procurements and overhead commitments have been made in Australia</li> <li>More than 1,200 Aboriginal and Torres Strait Islander peoples employed</li> <li>61 Aboriginal and Torres Strait Islander-owned businesses awarded contracts totalling more than A\$150 million</li> </ul>	Ichthys LNG Project	<ul style="list-style-type: none"> <li>Develop and implement Ichthys LNG Project operations-phase strategy to establish longer-term community investments</li> <li>Identifying appropriate Aboriginal and Torres Strait Islander direct employment targets to be in place for the Ichthys LNG Project operations phase</li> <li>Setting Aboriginal and Torres Strait Islander employment targets for Ichthys LNG Project operations-phase subcontractors</li> <li>Implementing, reviewing and updating an Aboriginal and Torres Strait Islander procurement strategy (by the end of 2018)</li> </ul>
	<ul style="list-style-type: none"> <li>Ensured stable operation of solar power generation facilities</li> <li>Started commercial operations of first unit of the Sarulla geothermal Independent Power Producer (IPP) Project in Indonesia in March 2017</li> <li>Conducted drilling surveys in the Amemasudake area of Hokkaido, the Oyasu in Akita Prefecture, and the environs of the Bandaisan area in Fukushima Prefecture and short-term fumarolic testing at a second well in the Amemasudake area</li> <li>Promoted R&amp;D of artificial photosynthesis, etc.</li> </ul>		<ul style="list-style-type: none"> <li>Ensure stable operation of solar power generation facilities</li> <li>Start commercial operations of second and third units of the Sarulla geothermal Independent Power Producer (IPP) Project in Indonesia</li> <li>Promote commercialization of 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>Expanded the total length of the gas pipeline network to approximately 1,500km by starting operation of the Toyama Line</li> <li>Started supply of natural gas in areas along the Toyama Line (to Nihonkai Gas Co., Ltd., Nissan Chemical Industries, Ltd. Toyama Plant, Asahi Soft Drinks Co., Ltd. Hokuriku Plant)</li> </ul>		<ul style="list-style-type: none"> <li>Continue a stable supply of natural gas through safe operation of domestic gas fields, the Naoetsu LNG Terminal, and the approximately 1,500km gas pipeline network and increase supply volume</li> <li>Engage in proposal activities to promote natural gas use</li> </ul>
	<ul style="list-style-type: none"> <li>Revised the Position Paper on Climate Change</li> <li>Held GHG management workshops</li> </ul>		<ul style="list-style-type: none"> <li>Introduce and implement internal carbon pricing</li> <li>Develop scenarios for a low-carbon society</li> <li>Hold climate change strategy workshops</li> </ul>
	<ul style="list-style-type: none"> <li>Administration of an internal questionnaire on INPEX Values</li> <li>Internal sharing of INPEX Values via publication of case studies and a handbook on the intranet</li> </ul>		<ul style="list-style-type: none"> <li>Continue holding global HR meetings</li> <li>Continue measures to instill INPEX Values studies</li> </ul>
	<ul style="list-style-type: none"> <li>Published a feature article on women's participation in the workplace in an in-house newsletter</li> <li>Proactively hired females, foreign nationals, and persons with disabilities</li> <li>Set up a counselling desk for persons with disabilities</li> </ul>		<ul style="list-style-type: none"> <li>Implement a revised employer action plan in accordance with the Act of Promotion on Women's Participation and Advancement in the Workplace</li> <li>Continue to promote diversity (hiring of females, foreign nationals, and persons with disabilities)</li> </ul>

## ⑥ IFC

International Finance Corporation

## ⑦

All figures are cumulative totals from the start of development of the Ichthys LNG Project in 2012 until the end of 2016.

## ⑧ 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.



## Coexisting with Society and the 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 2016.

### Engaging with Stakeholders



#### Project Partners

We aim to build a sustainable society together with project partners through fair and impartial project operation with a focus on compliance.



#### Local Communities

We seek to coexist with local communities as a good corporate citizen through respectful dialogues.



#### Contractors

We engage in day-to-day regular communication with contractors to carry out construction and operation with maximum consideration for safety and the environment.



#### NGOs

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.



#### Customers

We contribute to the growth and development of our customers by providing a stable and efficient supply of energy.



#### Employees

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.



#### Shareholders and Investors

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.



#### Oil and Gas Producing Countries

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.

## Main Opportunities for Dialogue with Stakeholders and Engagements in Fiscal 2016

Key stakeholders	Main opportunities for dialogue	Summary of FY2016 engagements	Key interests of stakeholders
<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>Development and production of oil and natural gas</li> <li>Legal compliance, prevention of bribery and corruption</li> <li>Promotion of environmentally friendly natural gas development</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>Development of a risk management system</li> <li>Legal compliance, prevention of bribery and corruption</li> <li>Conducting Environmental and Social Impact Assessment (ESIA) in supply chain</li> <li>Prevention of severe accidents</li> <li>Securing occupational health and safety</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>Development and production of oil and natural gas</li> <li>Legal compliance, prevention of bribery and corruption</li> <li>Promotion of renewable energy</li> <li>Promotion of environmentally friendly natural gas development</li> </ul>
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>Holding of the 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 General Meeting of Shareholders, results briefings (semi-annual), IR meetings (200-300 times), exhibitions and briefings for individual investors, etc.</li> <li>Engaged in timely, appropriate, and fair information disclosure through the corporate website and improved website content (approx. 1,400 website access per day and 84 press releases)</li> </ul>	<ul style="list-style-type: none"> <li>Development and production of oil and natural gas</li> <li>Development of a governance structure</li> <li>Development of a risk management system</li> <li>Promotion of environmentally friendly natural gas development</li> <li>Addressing climate change</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: 1.34 billion yen)</li> <li>Engaged with local communities in Japan (Hokkaido, Akita, Niigata) and overseas (Australia [more than 230 times], Indonesia [125 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>Respect for human rights</li> <li>Conservation of biodiversity and efficient use of water resources</li> <li>Conducting assessments and reduction measures of impacts on local communities and indigenous communities</li> <li>Contribution to local economies</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>Respect for human rights</li> <li>Contribution to local economies</li> <li>Promotion of renewable energy</li> <li>Addressing climate change</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 (58.3 hours / person)</li> <li>Dispatched employees on study abroad programs for clerical and technical positions (8 persons)</li> <li>Issued an in-house newsletter (4 times)</li> </ul>	<ul style="list-style-type: none"> <li>Securing occupational health and safety</li> <li>Human resource development and fair evaluation</li> <li>Promotion of diversity</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>Development and production of oil and natural gas</li> <li>Legal compliance, prevention of bribery and corruption</li> <li>Prevention of severe accidents</li> <li>Contribution to local economies</li> <li>Promotion of environmentally friendly natural gas development</li> </ul>

### ① Safety Data Sheet

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

Materiality



# GOVERNANCE



## 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. Furthermore, in November 2015 we formulated and disclosed the Corporate Governance Guidelines for the purpose of ensuring transparency and fairness in decision-making and realizing effective corporate governance by proactively providing information.

### ●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<sup>①</sup> framework. Each Operational Organization<sup>②</sup> 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.

## CASE STUDY

### Board of Directors Performance Evaluation

INPEX annually evaluates 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 measures for continuing improvement.

Prior to conducting the most recent assessment (fiscal 2016), the outside directors and Audit & Supervisory Board members met to exchange views on the status of measures addressing issues identified in the previous assessment, as well as conduct an interim assessment of the improvements and the state of progress. At a meeting of the Board of Directors held in February 2017, the directors reviewed the results of these measures, including the details of the above meeting, and deliberated and decided the procedure for performing the fiscal 2016 assessment.

The Board decided that the operations, constitution, role and responsibilities of the Board of Directors and the results of improvement measures would be the topics for assessment and conducted a questionnaire survey of all directors and Audit & Supervisory Board members from the end of February to March 2017.

Subsequently, there was an exchange of views between outside directors/Audit & Supervisory Board members and the Representative Director, and the Board of Directors reviewed the assessment results in April 2017.

In light of these evaluation results, we will continuously undertake improvement with the aim of ensuring greater effectiveness of the Board of Directors.

#### Outline of Evaluation Result

- 1) In general, overall effectiveness is ensured.
- 2) Steady improvement is being made, as indicated by the establishment of the Nomination and Compensation Advisory Committee in January 2017, the majority of which is comprised of outside directors and/or outside Audit & Supervisory Board members, including independent directors as advisors to the Board of Directors. Enhancement of information is provided in proposals, multiple meetings are held between outside directors and Audit & Supervisory Board members, including involvement from accounting auditors. With regard to accelerating deliberations pertaining to securing further diversity of incumbent directors, an issue identified in the previous fiscal year's evaluation, the Company has appointed a woman as an independent director.  
Points for further improvement include the following:
  - Efficient discussion and operation of proceedings through such means as time allocation for reported items and clarification of discussion points;
  - Advance provision of materials and more thorough advance explanations to outside directors and Audit & Supervisory Board members(part-time); and
  - Further expansion of opportunities for collaboration among directors and Audit & Supervisory Board members, including outside directors and Audit & Supervisory Board members (part-time).
- 3) The Board of Directors will review and continue to deliberate the medium- to long-term vision and seek to further advance the discussion of management strategy.

#### ① COSO

The Committee of Sponsoring Organizations of the Treadway Commission

#### ② Operational Organization

An INPEX headquarter or organization that implements operator projects

## 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 members supervises the executive actions of directors who possess strong knowledge of business operations.

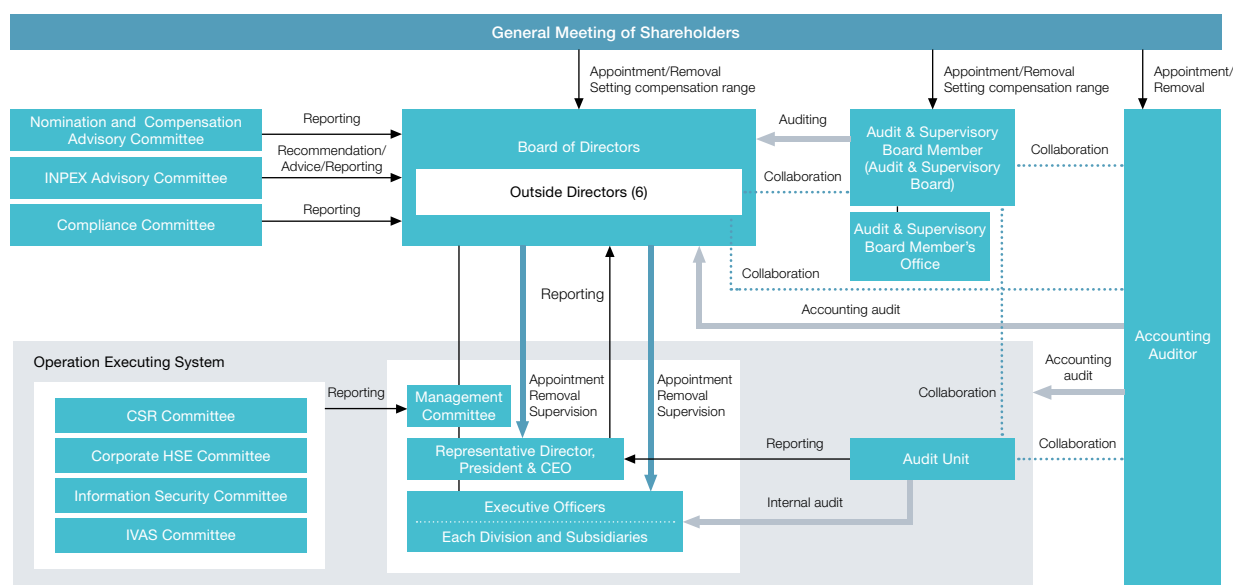
We have established as advisory bodies to the Board of Directors 1) the Nomination and Compensation Advisory Committee, for the purpose of enhancing the independence, objectivity, and accountability of Board of Directors functions related to the nomination and compensation of directors and contributing to the further enhancement of the corporate governance system; and 2) the INPEX Advisory Committee, for the purpose of obtaining multifaceted and objective advice and recommendations from internal and external experts about issues in fields such as domestic and international politics and economics, the energy situation, and CSR as they relate to business management and aiming for sustained growth and enhancement of medium- and long-term corporate value. 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 ensures a governance structure in which the Board of Directors executes business decisions efficiently while also effectively performing its management oversight function.

In order to improve management transparency and to enhance the effectiveness of the supervisory role of the Board of Directors, we have appointed six outside directors (out of fifteen 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 members, we have assigned dedicated employees in the Audit & Supervisory Board members' Office strengthening coordination between the internal audit department (Audit Unit), and the accounting auditors.

### Corporate Governance Chart



As of June 27, 2017

## Overview of the Corporate Organization

Name	Role/Composition	Frequency of meetings
Board of Directors	<ul style="list-style-type: none"> <li>• Deliberates and makes decisions on important business operations</li> <li>• Supervises the directors in the performance of their duties</li> <li>• Six out of the fifteen members are outside directors</li> <li>• Term of office is one year</li> </ul>	Once a month*
Audit & Supervisory Board	<ul style="list-style-type: none"> <li>• Assesses performance of directors in the management of general and specific projects</li> <li>• Four out of five members are outside auditors</li> <li>• Term of office is four years</li> </ul>	Once a month*
Management Committee	<ul style="list-style-type: none"> <li>• Makes 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</li> </ul>	Once a week*
Executive Officer System	<ul style="list-style-type: none"> <li>• Supports effective and timely adaptation to rapid changes in the business environment and to the expansion of our operations</li> <li>• Term of office is one year</li> </ul>	—

\*Special meetings held as necessary

## Committees

Name	Role/Composition	Number of meetings held in fiscal 2016
Nomination and Compensation Advisory Committee	<ul style="list-style-type: none"> <li>• Deliberates on matters relating to nomination and compensation of directors and reports resolutions to the Board of Directors</li> <li>• Established in January 2017; three out of six members are outside officers including independent directors.</li> </ul>	1
INPEX Advisory Committee	<ul style="list-style-type: none"> <li>• Spearheads measures to increase corporate value, based on the expertise and recommendations of outside experts</li> <li>• Consists of four domestic and international experts (three male and one female)</li> </ul>	2
Compliance Committee	<ul style="list-style-type: none"> <li>• Chaired by the Director in charge of compliance, the committee furthers compliance measures and monitors their implementation</li> </ul>	4
CSR Committee	<ul style="list-style-type: none"> <li>• Chaired by the President &amp; CEO, the committee determines basic policies and measures on important matters relating to CSR, including Corporate Governance</li> </ul>	1
Corporate HSE Committee	<ul style="list-style-type: none"> <li>• Develops HSE policies and annual goals, and promotes cross-organizational HSE activities.</li> </ul>	12
Information Security Committee	<ul style="list-style-type: none"> <li>• Deliberates and makes decisions on all policies related to the maintenance, management, and strengthening of information security</li> </ul>	2
INPEX Value Assurance System Committee	<ul style="list-style-type: none"> <li>• Contributes technical support to the decision-making process for the enhancement and promotion of all oil and natural gas E&amp;P projects</li> </ul>	14

## Internal Audits

- Establishment of the Audit Unit, which acts independently of the operational executive organization and reports directly to the President & CEO, to ensure the appropriateness and efficiency of business activities
- Verification of matters such as the status of development and operation of internal controls and the efficiency of business processes across all business activities, identification of issues, necessary reporting, and conduct of follow-up audits to monitor progress of remedial actions as well as contribution to the improvement of the internal control system while exchanging views with the accounting auditors and Audit & Supervisory Board members as necessary



### 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



## 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. We operate our 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 & CEO, 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. In addition, the Corporate HSE Committee, Information Security Committee, and IVAS "INPEX Value Assurance System" Committee analyze and assess various risks, consider countermeasures, and report to the Management Committee as necessary.

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 compensations 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 IVAS Committee 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, to promote continuous improvement of the environment and occupational health and safety associated with the development of crude oil and natural gas, we identify, analyze and evaluate HSE risks for each business location on the basis of the Risk Management Procedures established under the HSE Management System. In addition, to formulate and implement risk countermeasures and monitor HSE risks, business sites are required to report the risk management situation to headquarters, which headquarters then confirms. Further, with regard to health and security related risks, we engage in companywide management based on resources and guidelines. In fiscal 2016, the first year of the Corporate HSE Third Phase Mid-term Plan, we adopted leadership, risk management, continuous improvement, and practical implementation as fundamental principles and laid a foundation for improving the performance and effectiveness of the HSE Management System.

### Climate Change-related Risk

In response to climate change, an issue of concern on a global level, we published a Position Paper in December 2015 (revised in February 2017) summarizing our basic views towards, and the efforts being made to address these issues. Future challenges are under review on an ongoing basis.

We classify climate change risks as both transitional and physical, and take the following measures to address each type.

To address transition risks such as policy or regulatory changes, technological changes, market changes, and reputational risk, we are constructing a framework to comprehensively assess and manage risks by means of the following three initiatives. The first initiative is promotion and popularization of the use of natural gas, the cleanest fossil fuel, installation of energy-efficient systems, and management of the amount and output rate of greenhouse gas emissions. The second is implementation of geothermal power generation projects and mega solar projects in the field of renewable energy. The third is technical development of CCS/CCUS such as CO<sub>2</sub> underground storage and monitoring technologies, and methanation technology.



We take measures to address physical risks such as increases in abnormal weather disasters, changes in rainfall patterns, increase in average temperatures, or rise in sea levels by preparing against the impacts 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.

## 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 the BCP the emergency response practice in the event of an earthquake on a holiday or at night, and procedures for returning home from the office.

In fiscal 2016, we reviewed on operations to be continued when the BCP is activated, held internal briefing sessions and conducted drills incorporating alternate business sites. 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.

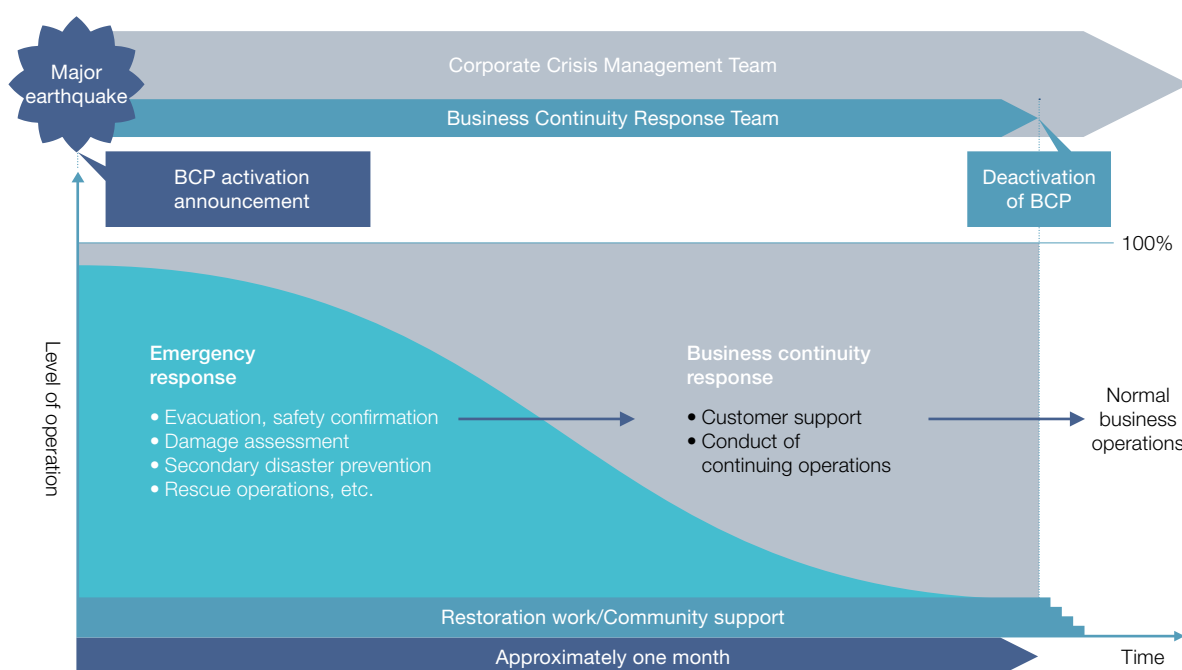
In terms of projects, we postulate oil spills and other project-specific worst-case scenarios and conduct emergency and crisis response training.

### ● 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



Materiality

# U2 COMPLIANCE





## 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 in which we operate. We make no donations relating to political activities.

We have participated in the United Nations Global Compact since December 2011 and have declared our commitment to preventing corruption. Based on risk assessment results conducted by an external law firm, we have revised the Anti-Bribery and Anti-Corruption (ABC) Guidelines introduced in October 2014, renamed the ABC Policy, for the purpose of further strengthening measures to prevent bribery, corruption, and other improper behavior. ABC procedures have been prepared accordingly. The Policy and procedures began implementations in January 2017.

### ● Respect for Human Rights

We support international standards relating to human rights, such as the International Bill 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 participate in the United Nations Global Compact, which promotes voluntary activities by companies as good corporate citizens.

## CASE STUDY

### Response to UK Modern Slavery Act 2015 and Measures to Enhance Human Rights Management

INPEX released "Modern Slavery Act Statement FY2015" as a response to the Modern Slavery Act 2015, introduced in the UK in October 2015 for the purpose of disclosing measures against human rights abuses such as slave labor and human trafficking in companies, businesses, and supply chains. In the statement, we have disclosed the INPEX Group's policies, systems, and future initiatives relating to the prevention of slave labor and human trafficking.

In order to enhance human rights management, in fiscal 2016 we ascertained the current status of human rights risk by involving an information search, questionnaires and interview surveys, and issue analysis. In the information search, we gathered human rights abuse cases involving abuses such as child labor and forced labor, and conducted country risk studies of

countries in which the INPEX Group operates. In addition, for each project we circulated a questionnaire to confirm matters such as the existence of policies covering human rights abuse cases and the development status of human rights management systems. We also conducted interviews at business sites where risk was deemed to be high. Areas of further consideration were identified based on the outcome of these studies.

One response devised in light of the above results was the institution and public disclosure in May 2017 of a human rights policy for the entire INPEX Group that indicates the Group's stance on respect for human rights. We will strive to strengthen respect for human rights groupwide through concrete initiatives aligned with this policy.



Compliance Framework



CSR Principles



INPEX Group Human Rights Policy



Business Principles



Code of Conduct



UK Modern Slavery Act Statement

## 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, the accounting auditors, the Audit Unit, which is the 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.

There were no cases of serious compliance violations in fiscal 2016.

### Compliance Training

We distribute copies of the Code of Conduct and Code of Conduct Guidance<sup>①</sup> 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 Code 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

We institute 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 of 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 addition, we promptly report the content of reports from whistle-blowers and the results of investigations and responses to the Audit & Supervisory Board members so as to administrate the Whistle-Blower System functions more effectively.

Two reports to the internal Help-Line and two to the external Help-Line were submitted during fiscal 2016. 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. There were no compliance violations related to bribery and corruption, discrimination, or human rights abuses among these reports.

### Anti-bribery and Anti-corruption Initiatives

Following fiscal 2015's risk assessment initiatives at three overseas offices, risk assessment initiatives took place at two overseas offices in fiscal 2016, in an effort to strengthen implementation of the ABC Program. In January 2017, we implemented an amended ABC policy as well as a newly formulated policy based on the results of risk assessments conducted to date. In instituting the policy and procedures, we have conducted awareness activities through internal briefings. Also, in addition to the ongoing compliance training held for new graduates and mid-career hires, we are conducting e-learning training for executives and employees in Japan and overseas. In addition, we periodically share information and exchange views on ABC compliance activities with the Perth and Jakarta Office to develop global compliance systems. There were no cases of serious compliance violations related to bribery and corruption in fiscal 2016.

#### ● Heightening Transparency through EITI Participation

We have participated in the Extractive Industries Transparency Initiative (EITI) since October 2012. As of April 30, 2017, EITI participants include 51 resource countries, many supporting countries including Japan, and many companies in extractive industries and non-governmental organizations (NGOs).

Among countries in which we operate projects, we provide project data relevant to EITI in 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 in which we operate, 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

#### ① Code of Conduct Guidance

To prevent compliance violations in the workplace, 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

appropriate manner, by building constructive relationships based on mutual trust with local tax authorities, for example, through applying for advance pricing agreements.

The final reports of the OECD/G20 BEPS project<sup>②</sup> were published in October 2015, and legislation governing international transactions is being developed in Japan and the other G20 countries based on the report content. As a global company, INPEX will continue to closely follow international taxation trends and legislative developments in each country and strive to respond 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.

## 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, and respect the INPEX Group human rights policy.

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 conduct anti-corruption risk assessment and work within a prequalification process that ensures that our suppliers have detailed HSE systems in place.

When accepting bids and placing orders for large-scale projects in Japan, 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 in which we operate.

## Human Rights Initiatives

As a company that engages in global business operations, INPEX recognizes that respect for the cultures and customs of the areas in which we operate and consideration of human rights are essential. In project implementation, we

voluntarily adopt IFC Performance Standards as our own standards. For new and existing projects alike, we conduct studies on the possible environmental and social impacts of our business in the areas in which we operate, including labor issues and human rights; identify risks; and engage in risk avoidance, mitigation, and monitoring. In conducting these studies, we emphasize dialogue with local governments, residents, and other stakeholders in the affected areas.

When we withdraw from businesses, we conduct advance studies and assessments of the environmental and social impacts of abandoning and removing wells or plants, fully consider the safety of local communities and the environment, and take appropriate measures after obtaining the consent of local residents.

As a response to the Modern Slavery Act 2015 in the U.K., we are working to strengthen human rights management by means such as releasing an official statement on our website in September 2016, and instituting and disclosing the INPEX Group's human rights policy in May 2017. To raise awareness of this policy internally, we plan to conduct CSR training on human rights (e-learning) for all employees. We also participated in the Human Rights Task Force of the IPIECA<sup>③</sup>, an industry association, and cooperated in a review of its human rights policy guidelines.

There were no cases of serious violations related to discrimination or human rights abuse in fiscal 2016.

## ● Dialogue between Labor and Management

The labor agreement with the INPEX labor union stipulates that the union possesses the three labor rights (the right to organize, the right to bargain collectively, and the right to act collectively). We arrange opportunities for discussion of labor issues between management and labor representatives at overseas offices as well.

We strive to maintain and develop a healthy labor-management relationship by periodically providing opportunities for labor and management representatives to exchange views and ideas on a broad range of issues, including not only labor issues but challenges faced by the company and the business outlook. We take care to provide appropriate advance notification of any operational changes that significantly affect employees.

No complaints have been received since the union was formed in October 2008.

In fiscal 2016, INPEX and the labor union agreed to introduce a permanent staggered work hours system applicable to employees who work in Japan<sup>④</sup> that enables employees to select work hours suited to their individual circumstances, effective April 2017.

### 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

### ③ the global oil and gas industry association for environmental and social issues

### ④ Excluding some shift workers in field operations



### Details on Ethical Procurement Guideline



Materiality

03

HSE





## Basic Policy

INPEX has issued an HSE Policy to ensure the safety and health of all those involved in our business activities while striving for the conservation of local ecosystems and the global environment. To implement this policy firmly, we promote HSE management through the HSE Management System.

### ●Occupational Health and Safety

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 safety throughout each phase of the project life cycle: exploration, development, production and abandonment.

### ●Security and Crisis Management

We reinforce the management of overseas security as necessary by considering the recent security circumstances. We also prepare the necessary documents to respond to various types of emergencies, and conduct crisis management exercises to prepare for the worst-case scenario.

### ●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.

## MESSAGE FROM THE DIRECTOR IN CHARGE OF HSE



**Masaharu Sano**

Senior Executive  
Vice President  
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 we aspire to through our Mission. 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.

We have started the Corporate HSE Third Phase Mid-term Plan focusing on the next five years, with fiscal 2016

as the first year. The objective of this mid-term plan is to achieve the same competency as the IOCs (International Oil Companies) steadily. As a first step, we revised and issued the HSE Policy on April 1, 2017. We have added new declarative elements to demonstrate HSE leadership's efforts to address process safety management, to reduce greenhouse gas emissions, and to strengthen security management. With the fulfillment of these, we will develop an INPEX HSE culture in which HSE is regarded as an indispensable factor in all decision-making, and will be pursued on a daily basis.

In addition, we revised related internal rules and decided to extend the scope of the HSE Management System to cover more than the operator projects. By so doing, we will promote consistent HSE management, and improve HSE performance of all Group companies.

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

## Building an HSE culture

INPEX is working on consistent HSE activities throughout the company under the HSE Policy and the HSE Management System to ensure that HSE is regarded as an indispensable factor in all decision-making and pursued day by day. We ensure that employees at all levels, from top management to field locations, retain the awareness of their responsibility for HSE, demonstrate leadership, and take steps toward achieving the HSE objectives. Even so, there is still much to be improved to enhance and elevate the HSE level. The current activities being conducted for raising the awareness level and developing the competency of each employee are described in the sections below.

### HSE Training and Development

In fiscal 2016, we conducted approximately 498 hours of HSE education and training covering 36 subjects. In addition, on-site HSE training was organized in Geoje, South Korea and in Darwin, Australia, where the facilities for the Ichthys LNG project were being constructed. Process safety on-site training, which had previously been held in an oil engineering company in Oman, was conducted in Malaysia this year. As a separate initiative, we have been hiring new graduates to be developed as HSE experts, allowing them to gain experience in HSE at drilling sites, construction yards, or production and operation fields, domestic or overseas, then eventually transferring them to the Operational Organizations to further develop their HSE expertise.

From fiscal 2016, as one of the important elements to realize the Corporate HSE Third Mid-term Plan, we are building up HSE education and training schemes and focusing on their execution.

### HSE Communication

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 have been held since fiscal 2008, in order to raise HSE awareness. We have also organized HSE Forums with HSE managers and experts from the Operational Organizations. In addition, we conduct management site visits, to allow managers to demonstrate their commitment to HSE in a powerful and visible manner by seeing firsthand and understanding the risks associated with site work. This is to achieve "Safety First," one of the INPEX Values. In fiscal 2016, the management site visits were carried out four times: for

the geothermal well in Akita, the drilling sites offshore Shimane and Yamaguchi prefectures, the domestic construction site of an LNG vessel, and the valve station of pipeline. With these activities, both management and field workers were able to exchange frank opinions and discuss HSE. We will continue to conduct management visits in a proactive manner.

To share information with employees, 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<sup>①</sup> reports. All employees can access this HSE information at any time.

We try to enhance HSE communication, especially by sharing the lessons learned from incidents both internally and externally, 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 ten 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<sup>②</sup> cycle have been the focus of these efforts. In fiscal 2016, based on the recent efforts of overseas oil producing companies and the unique issues of the Group today, we have revised the HSE Policy and HSE Management System Manual in accordance with the Corporate HSE Third Phase Mid-term Plan. We will adopt the fundamental principles of leadership, risk management, continuous improvement, implementation, and expand the scope of the system. In this way, we commit to carrying out HSE activities to improve the HSE Management System's effectiveness and consistency.



HSE Policy



HSE Objectives and  
HSE Program

① IOGP

International Association of Oil and  
Gas Producers

② A-PDCA

Assess-Plan-Do-Check-Act

## 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 thus far, but in recent years the Corporate HSE Unit has focused 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 are capable of cross-sectional collaboration with Operational Organizations, based on HSE management status and performance. In fiscal 2016, we participated in eighteen HSE reviews and implemented HSE technical support for a total of seven projects.

## HSE Activities in Japan

In Japan, we have been working for many years to prevent major disasters, achieve zero incidents and improve environmental management through exploration and production work and the maintenance and operation of production assets, pipelines and the Naoetsu LNG Terminal. In addition, we are devoting efforts to new activities such as risk management-based HSE activities and ensuring Process Safety and Asset Integrity. We are striving to achieve higher levels of HSE performance.

## Exploratory Offshore Drilling without Major Incident

Drilling operations on an offshore exploratory well near Shimane and Yamaguchi prefectures were 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 with the understanding and cooperation of local communities. We completed the drilling operations safely without any major incidents or disasters.

The project started with the logistics terminal in March 2016 around Hamada City, Shimane Prefecture, offshore of Shimane and Yamaguchi Prefectures, and ran for approximately eight months to the demobilization of the rig in late October 2016.

In these offshore drilling operations, we not only complied with domestic laws and the HSE requirements of INPEX and the stakeholders, but, together with a foreign drilling contractor (Transocean Ltd.), we also practiced HSE management that introduced international practices. We assembled a number of partner companies (including Japanese and foreign companies) and managed on site operations safely.



## Ichthys LNG Project: 2016 HSE CEO Forum

On October 12, the 2016 Ichthys LNG Project HSE CEO Forum was held at Fraser's State Reception Centre at Kings Park in West Perth. The fifth annual HSE CEO Forum commenced with the Keynote Speech by Louis Bon, Ichthys Project Managing Director, entitled "Our safety performance is paramount," which reflected on the March



"The safety and wellbeing of personnel working on the Project is our number one priority," said Louis Bon

2016 double fatality at the Project's module fabrication yard in Thailand. Mr. Bon shared the safety awareness lessons learned from discussions based on the various sub themes of "The power of collaboration with the front line," "Changing our habits," "Why we don't always learn or follow the rules" and "Why we disregard lessons from the past."



2016 HSE CEO Forum participants

## 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.

To support performance improvement, a number of key performance indicators (KPIs) were established to ensure focused efforts, from both management and the workforce alike, toward the goal of achieving company HSE performance that is within the top 25% of IOGP member companies.

For fiscal 2016, lagging KPIs were set with a target LTIF of 0.17 and TRIR of 0.91. The results for these KPIs were 0.11 and 0.97 respectively, showing a modest improvement over the values achieved in fiscal 2015 of 0.15 and 1.12. The initial target for LTIF was achieved even though TRIR fell slightly below the initial target.

Targeted health and safety training and awareness packages will support further performance improvement through the next fiscal year.

### Safety Management of Contractors

Over the past year, contractors (both small and large) have played a key role in the construction and improvement of many facilities and operations.

In conjunction with other efforts to be a learning and growing organization, an HSE Forum was held in November 2016 at the Tokyo headquarters, themed 'Construction Lessons Learned' attended by delegates from all of our global operations. The main objective was to capture quality HSE lessons and share solutions among participants and the Company. This included activities at the Toyoma Pipeline construction, the facilities upgrade at Koshijihara Plant in Niigata.

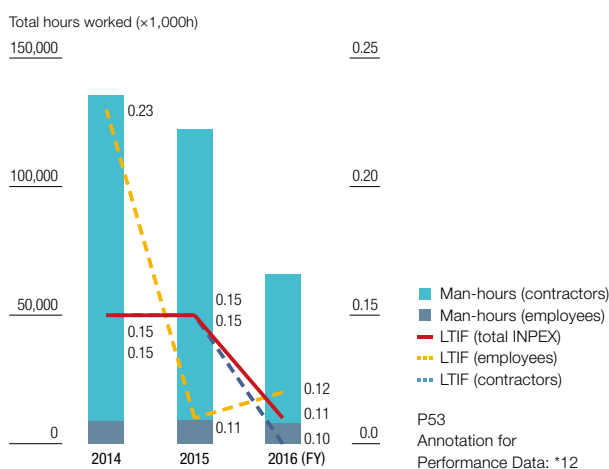
With the amount of construction that happened throughout the year, we made significant efforts to ensure that proper preparation, education, coaching, and assurance of contractors was done, and that each contractor was aligned with our value of "Safety First."

Contractor Safety Management will continue to be a focus area for us throughout the next fiscal year as we work toward the completion and commissioning of the Ichthys Project.

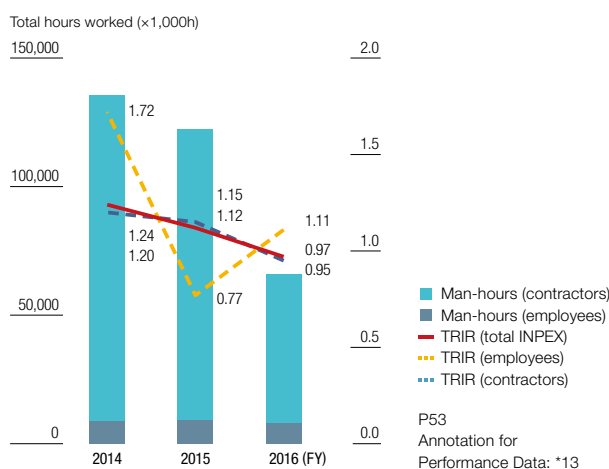
### Health Management of Employees

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 inform employees who travel or live abroad of the medical risks associated with their respective countries, and share risk information about plagues and infectious diseases such as malaria and the Zika virus to all employees.

#### LTIF



#### TRIR





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

As shown in the figure below, the INPEX Process Safety Management consists of four focus areas and 20 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 part of Process Safety Management and Assurance, we have adopted a voluntary safety case system for operating facilities and 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 incidents<sup>③</sup> in line with IOGP requirements. In fiscal 2016 no Tier 1 and Tier 2 process safety incidents were reported. Collecting, analyzing, and reporting process safety KPI contributes to the prevention of major disasters by improving the reliability of operations, avoiding complacency on process safety, and communicating process safety performance to relevant stakeholders.

### Asset Integrity Management and Process Safety Assurance Review

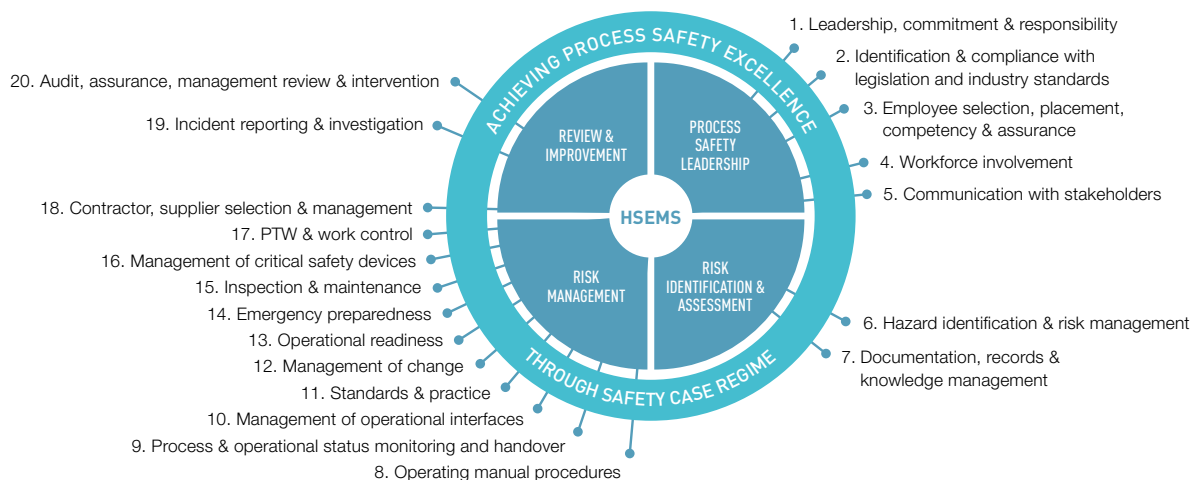
Asset Integrity/Process Safety (AIPS) assurance is a structured series of reviews conducted by an independent team at appropriate points during each phase of the project. Benefits that can be expected from an AIPS assurance review are:

- Providing assurance to management and stakeholders that asset value (equipment) is being adequately protected
- Confirming that INPEX AIPS requirements are being addressed
- Retain and share good AIPS practices and lessons learned from project to project

In addition, other reviews such as Pre-Startup Safety Reviews and Operations Readiness Reviews were conducted where appropriate. In fiscal 2016, Pre-Startup Safety Reviews have been carried out for the low-temperature LPG tank in the Naoetsu LNG Terminal, the newly constructed Toyama Line, and the low-pressure extraction asset in Koshijihara Plant in Niigata.

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

### Process Safety Management Framework



#### ③ Tier 1 and Tier 2 process safety incidents

Process safety incidents are unplanned or uncontrolled releases of any material, including non-toxic and non-flammable materials. Classification as Tier 1 and Tier 2 relies on actual consequence of the release (expressed as injury to person, direct cost to the Company, quantity of material released, etc.) and follows IOGP requirements.

## Security and Crisis Management

### Enhancement of Security Management

INPEX always collects security information concerning the areas in which employees are working, then evaluates and shares the information with employees. The threat level of each region is periodically re-evaluated and updated. Based on these threat levels, policies are implemented for employees assigned to foreign countries and for overseas business travelers, issuing alerts to them when needed. With regard to the terrorist attacks that have been on the rise in recent years, security alerts are posted on our intranet, etc. to inform employees of methods of protection and coping. We also, hold in-house seminars and exercises to promote understanding and improve our response capabilities.

In addition, we send personnel from headquarters to the company's activity areas where security reviews are conducted to try to grasp the situation of the entire activity area, operation sites, travelling routes, accommodations etc., and take appropriate measures. In fiscal 2016, security reviews were conducted in Malaysia and Iraq.

### Preparation for Emergency and Crisis Response

In the event of an emergency, various units of corporate and Operational Organizations of the Group collaborate in response to the situation.

We revised the Headquarters Earthquake Response Manual in preparation of a Tokyo Metropolitan earthquake and made public announcements to employees working in areas surrounding headquarters. Equipment at Crisis Response Headquarters (headquarters and Technical Research Center) is also being expanded. In addition, we have established a system and are strengthening our partnership with the East Japan Regional Office in Niigata, which will act as the provisional crisis response headquarters to serve as a base for operations in the event that functions at headquarters are partially interrupted.

### Emergency Response Exercise

Based on the annual HSE plan, the Operational Organizations in Japan and overseas periodically conduct emergency response exercises both independent of and together with corporate headquarters. Through the Incident Command System, which was introduced in fiscal 2015, we continuously verify the response system and identify

areas for improvement.

In fiscal 2016, Operational Organizations and the corporate headquarters together conducted four level 3 crisis exercises in preparation of a major incident.

- Oil spill response exercises at Shimane and Yamaguchi offshore drilling survey project
- Tokyo Metropolitan earthquake response exercises (twice)
- Fire response exercises at Naoetsu LNG Terminal

In fiscal 2017, we have planned three level 3 training exercises, and have also planned joint training with the Ichthys LNG project, which will start production shortly. Based on the lessons learned from each training exercise, we will work to improve our crisis response capacity.



Planning activity at the exercise

### Response to Blowouts and Oil Spill Incidents

We respond to large-scale blowouts and oil spills at oil and natural gas development sites, and also to frequent small-scale spills from tanks and pipelines at production sites and refineries due to the concern that these incidents may not only affect the safety, health, and wealth of local residents, but also the local economic activities.

Based on the lessons learned from the emergency response actions of other companies, we are reinforcing our well accident management system in all aspects of prevention, containment, and response. To prevent incidents, rules and procedures are developed for consistent well management. To prepare against the malfunctioning of a subsea blowout preventer (BOP) in offshore drilling, we concluded an agreement with Wild Well Control, Inc., a supplier of capping equipment, a device designed to switch on in the event of a blowout. 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 our structure for responding to a large-scale oil spill, and constantly strive to acquire new knowledge about oil spill response technologies and procedures.

## Reducing Environmental Impact

### Environmental Management

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

We manage the environment based on environmental management plans. Our plans incorporate the “IFC Performance Standards” and “EHS Guidelines<sup>④</sup>” as defined in HSE Legal and Other Requirements. The plans include all the necessary mitigation measures to address environmental impacts over the project life cycle, from exploration through decommissioning.

In fiscal 2016, we launched the Environmental Management Working Group to enhance our environmental efforts. The Working Group is tasked to capture and prioritize the environmental challenges we face, and determine company-wide action items.

Again in fiscal 2016, no legal violations in terms of the environment were registered.

### Biodiversity Conservation

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

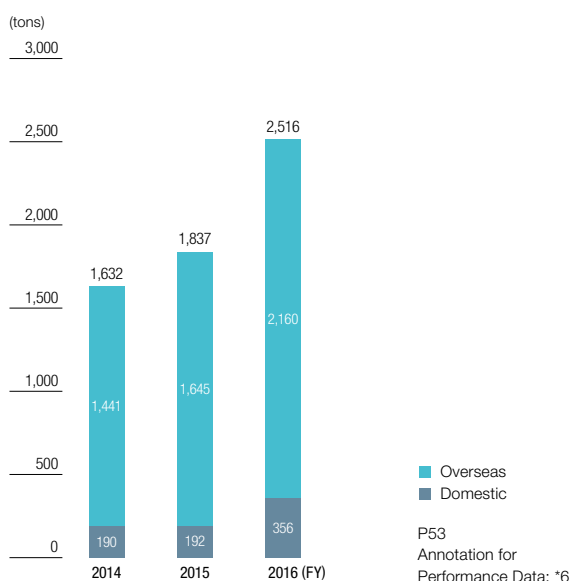
Wherever we carry out our projects, we assess whether the project site and its surroundings are internationally recognized habitats for rare species. We also survey biodiversity and ecological services<sup>⑤</sup> at the site to evaluate our potential impacts on the biological community.

When a project's activities could affect rare or endangered species, we apply a mitigation hierarchy<sup>⑥</sup> to reduce or avoid impacts as much as possible. All such impacts are closely and comprehensively monitored during the project.

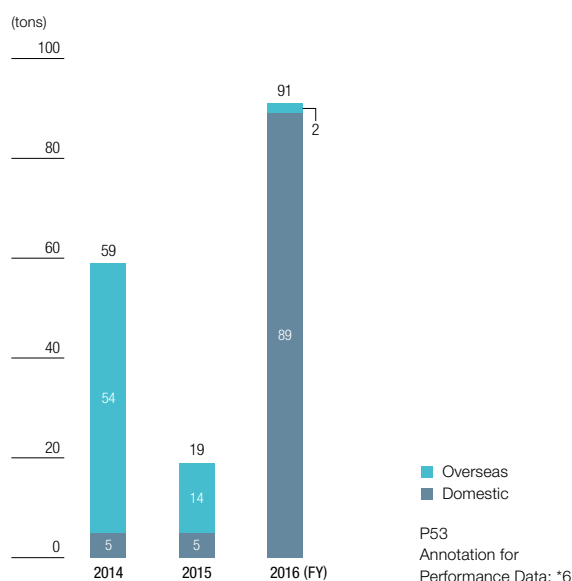
Since 2014, we have been sharing experiences, information and good practices across the industry through the Biodiversity and Ecosystem Working Group that is collaboratively hosted by IOGP and IPIECA.

Biodiversity preservation is one of our top environmental agendas. Drawing on industrial experiences and good practices, we actively discuss through the Environmental Management Working Group how we could enhance biodiversity preservation.

### NOx Emissions (Domestic and Overseas)



### SOx Emissions (Domestic and Overseas)



#### ④ EHS Guidelines

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

#### ⑤ ecological services

Ecological services are the benefits that people obtain from ecosystems. Examples include freshwater, timber, climate regulation, protection from natural hazards, erosion control, and recreation.

#### ⑥ mitigation hierarchy

Mitigation hierarchy is defined as i) Avoidance, ii) Minimization, iii) Rehabilitation/Restoration, iv) Offset.

## Preventing Air Pollution

We engage in mitigating emissions in the environment to meet relevant laws and regulations and, in particular, international regulatory trends. We monitor and manage NO<sub>x</sub>, SO<sub>x</sub> and VOC (Volatile Organic Compounds) emissions from our domestic and overseas businesses. NO<sub>x</sub> emissions in fiscal 2016 were 2,516 tons, an increase of 679 tons from fiscal 2015. The increase is caused from drilling activities at Ichthys LNG Project. VOC emissions this year were 629 tons, comparable to that of fiscal 2015.

## Discharge into Public Waters

Produced water is collected on site and separated from hydrocarbons during production operation processes for subsequent treatment to meet the relevant standards of each country, or the IFC EHS Guidelines, where adequate standards are non-existent. The water is then re-injected into the reservoir or discharged into waterways. In fiscal 2016, approximately 88% of the total produced water (0.94 million m<sup>3</sup>) was reinjected, while the remainder was discharged into rivers.

In fiscal 2016, we launched a pilot project at our Asahikawa plant in Akita Prefecture in collaboration with Chiyoda Corporation and METAWATER to test ceramic membrane filtration of produced water. This technology

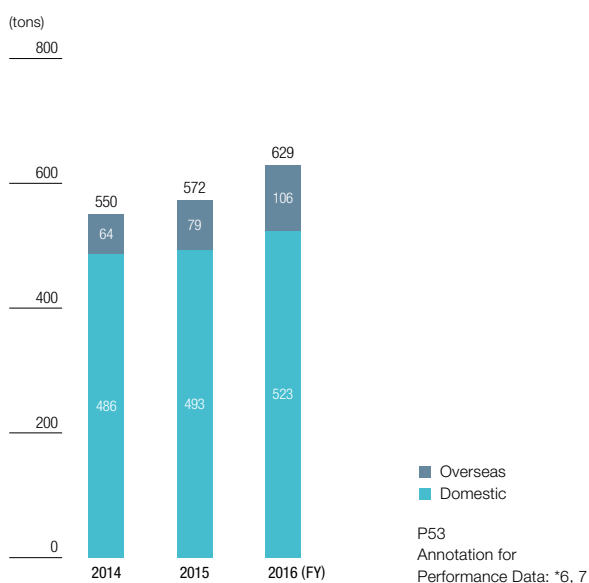
will, once established, reduce environmental impacts from produced water discharges. Our offshore platforms and the Naoetsu LNG terminal utilize seawater for cooling and heating, respectively. Mandatory checks of seawater temperature and residual chlorine assure that the marine environment will not be harmed, and that relevant laws and IFC EHS Guidelines are met before it is discharged into the sea.

## Efficient Use of Water Resources

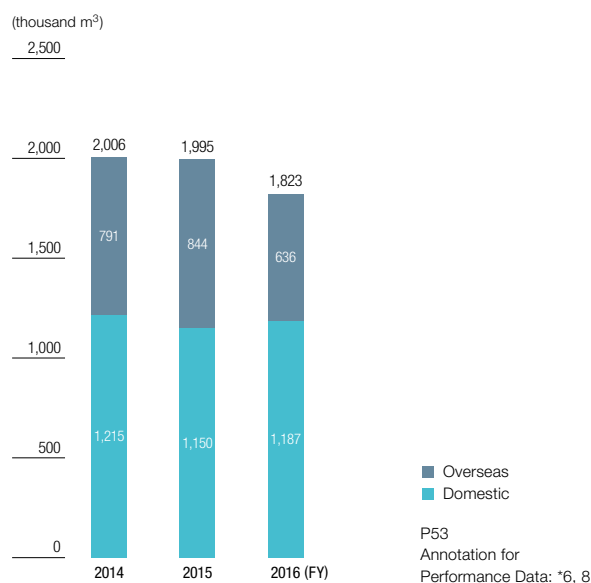
Extreme consideration is taken for the efficient use of water resources. Our efforts in this respect range from full compliance of relevant domestic and international laws and regulations, to an assessment of water availability prior to the commencement of a project. As of the end of March 2017, we are not operating in high water stress<sup>7</sup> areas.

Our domestic projects use drinking water, industrial water and ground water as coolants. Groundwater is also used as a coolant for power generation, snowmelt and mud circulation. 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 pressure testing of storage tanks during the pre-startup inspection at the Ichthys LNG Project, but the water is used repeatedly for multiple tests.

### VOC Emissions (Domestic and Overseas)



### Water Consumption (Domestic and Overseas)



### <sup>7</sup> Water stress

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



In fiscal 2016, the total volume of freshwater used was as low as 1.8 million m<sup>3</sup>, similar to that of fiscal 2015.

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.

Water management has become one of the top environmental agendas in the Environmental Management Working Group setup in fiscal 2016. Water intake, water use, water recycling, and water discharge will be discussed in depth in the coming years.

### Preventing Soil Contamination

We strive to prevent soil contamination by complying with relevant laws and regulations. Crude oil contains a trace amount of benzene, and drilling mud contains heavy metals, both of which are derived naturally. Performing periodic checks and maintenance of oil and chemical tanks ensures that these contaminants are well managed. However, in the event of an unplanned spill, regulators are promptly notified, contamination is inspected, and the contaminated soil is treated and disposed of in an appropriate manner.

There were no cases of serious leakage and soil contamination in fiscal 2016.

### Waste Management

We actively promote measures on the basis of the 3Rs (reduce, reuse, and recycle) to minimize the use of natural resources, thereby reducing negative environmental impacts. Where recycling or reusing leftover from our operations is difficult and waste generation cannot be avoided, we work with our contractors collaboratively to make sure our waste is properly disposed of. To fulfill our commitment to the environment, we occasionally inspect contractor waste management.

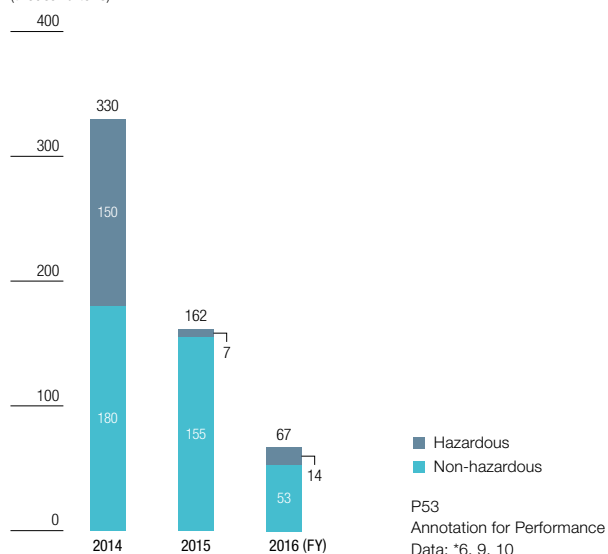
Waste management at overseas projects is conducted in alignment with regulatory requirements, risk management, audit plans and other necessary measures.

The gross amount of waste generated in fiscal 2016 was approximately 67 thousand tons. After recycling 31 thousand tons, the final disposal amount was reduced to 36 thousand tons.

This is due to a decrease of construction waste associated with the completion of the Toyama Line construction.

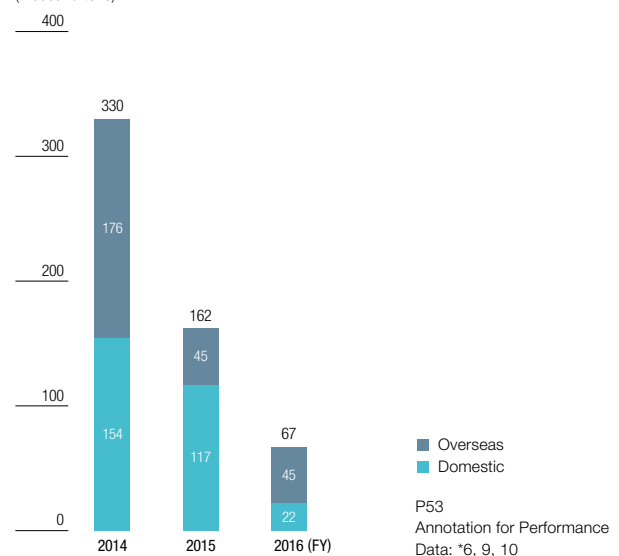
#### Waste Volume (Non-hazardous and Hazardous)

(thousand tons)



#### Waste Volume (Domestic and Overseas)

(thousand tons)



Materiality

U4

## LOCAL COMMUNITIES





## Basic Policy

INPEX is committed to building and maintaining trust with local communities through our business activities in the areas in which we operate. In building trust, we value engaging with stakeholders and respecting the human rights of people in communities, including indigenous peoples.

By applying the Creating Shared Value (CSV)<sup>①</sup> philosophy to support initiatives that produce social benefits while meeting business objectives, we contribute to the development of local communities through employment opportunities, skills development, support for education, and environmental preservation.

## CASE STUDY

### Engaging with Traditional Owners to Deliver Meaningful Community Benefits

In early 2016, INPEX Australia established the INPEX Larrakia Reference Group to form an open dialogue with the Larrakia community, who are the Traditional Owners of the Darwin region where the Ichthys LNG Project onshore liquefaction plant is being constructed. The group consists of Larrakia men and women with diverse skills in various sectors including business, government, education, and the community. They provide advice to INPEX on matters of economic, cultural, environmental, and social areas of interest and opportunities for all Larrakia families.

In mid-2016, the group was renamed the INPEX Larrakia Advisory Committee to take into account the more prominent role that members would play in helping to advance discussions about long-term benefits for the Larrakia community.

The INPEX Larrakia Advisory Committee met on six occasions in 2016 and its members have already started

to identify projects to deliver social and economic benefits to Larrakia families. These included a recommendation for the Ichthys LNG Project to commit to establishing and funding a program to support the families of Larrakia school students in meeting the costs of going back to school. The Ichthys LNG Project Larrakia School Participation Program was subsequently launched in early 2017 and has assisted the families of more than 90 Larrakia students attending 40 different schools to date.

The Ichthys LNG Project also teamed with the Larrakia Development Corporation in late 2016 to establish a scholarship program to provide financial support to Larrakia students undertaking university studies. Six scholarships were awarded in early 2017 to students working towards bachelor's and master's degrees in disciplines such as public health, nursing, business, early childhood studies, arts and law.



Members of the inaugural INPEX Larrakia Reference Group (now INPEX Larrakia Advisory Committee)



Commemorating the signing of the Ichthys LNG Project Larrakia School Participation Program agreement



Two of the inaugural Larrakia Development Corporation Ichthys LNG Project Scholarship recipients

#### ① Creating Shared Value

An approach proposed by Michael E. Porter and Mark R. Kramer in which social value is created by addressing social demands and generating economic value

## 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. The teams actively participate in local events and also take part in reforestation activities semi-annually as part of our environmental conservation efforts.

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.

In Australia, we believe effective stakeholder engagement is essential to maximize the safety of INPEX and Ichthys LNG Project personnel and community members, and in establishing and maintaining community support and trust. Our approach to integrated stakeholder engagement is based on five key principles:

- Regular personal contact with priority stakeholders
- Consistent, timely, integrated and responsive communication across all stakeholder groups
- Upfront communication about Project issues and impacts
- Easily accessible information
- Ongoing monitoring and improvement.

In 2016, more than 230 stakeholder information sessions and meetings were held in the Northern Territory and Western Australia to provide updates on the Ichthys LNG Project construction activities as well as local employment and business opportunities. Government briefings were also held regularly to discuss Project matters, policy proposals, and business milestones.

The broader community is kept informed about the Project through regular bulletins, advertising in local media and information stands at community events and shopping centers.

### Addressing Community Feedback

In Australia, community feedback is received via toll-free telephone number, email and face-to-face interactions. Feedback is recorded and tracked to ensure community inquiries are addressed in a timely manner. Community feedback is also discussed in a weekly community relations working group meeting conducted with the Ichthys LNG Project onshore contractor. This ensures joint and consistent management of current issues and proactive identification of emerging issues.

In 2016, about 2,000 inquiries were received, of which more than 70% concerned employment opportunities. A community grievance management procedure is implemented to appropriately respond to grievances made by local residents. There were no serious grievances recorded in fiscal 2016.

### Respecting Indigenous Communities

Based on our Human Rights Policy, we recognize and respect the human rights of people in communities, including indigenous peoples, affected by our business activities. No involuntary resettlement of indigenous community groups has been required by INPEX-operated projects.

In Australia, we are committed to working respectfully with Aboriginal and Torres Strait Islander peoples to build sustainable and mutually beneficial relationships based on trust.

In our Reconciliation Action Plan (RAP)<sup>2</sup> we publicly set out our commitments based on the key themes of relationships, respect, and opportunities and report on our progress to date. The RAP Steering Committee, which comprises members of INPEX Australia's senior management, is accountable for the execution of these commitments.

In 2016, we developed our first "Stretch" RAP, and became one of the first oil and natural gas companies to qualify for this more challenging plan. The 2016–2018 INPEX Stretch RAP aims to deepen our impact by setting higher and longer-term targets. The three-year span of this Stretch RAP gives us the necessary time to develop and implement the strategies and actions that will ensure that we meet these longer-term targets.

We were proud to have achieved 34 of the 35 commitments set out in our 2015 RAP. Some of our key achievements to December 2016<sup>3</sup> included:

#### <sup>2</sup> Reconciliation Action Plan (RAP)

A business plan endorsed by Reconciliation Australia that publicly documents what an organization commits to do to work with Aboriginal and Torres Strait Islander communities in Australia. There are four types of RAP – Reflect, Innovate, Stretch, and Elevate

#### <sup>3</sup> Reported INPEX RAP achievements

Figures reported in this section are cumulative figures since the commencement of the Ichthys LNG Project in 2012 to the end of 2016



- Establishing the INPEX Larrakia Advisory Committee
- Launching 'Deadly Yarns', a regular publication to convey the stories and successes of Aboriginal and Torres Strait Islander peoples engaged on the Ichthys LNG Project and to highlight the Project's social contributions to Aboriginal and Torres Strait Islander communities.
- Engaging more than 1,200 Aboriginal and Torres Strait Islander peoples in onshore construction work on the Ichthys LNG Project.
- Engaging 61 competitive Aboriginal and Torres Strait Islander-owned businesses in contracts valued at more than A\$150 million in total.
- Implementing a number of strategic partnerships with NGOs to support Aboriginal and Torres Strait Islander student participation, including continued support of the Michael Long Leadership and Learning Center education program and Palmerston Girls Academy and AMITY Community Services' youth mentoring programs, as well as funding university scholarships through the University of Western Australia and the Larrakia Development Corporation.
- Ensuring more than 1,800 INPEX personnel have participated in Aboriginal Cultural Awareness Training.

### Contributing to Local Economies

We are committed to creating economic benefits for host countries and communities by providing contract and procurement opportunities to local businesses and employment opportunities to local residents.

In Australia, we work closely with the Northern Territory Industry Capability Network (ICN) to connect Australian businesses with opportunities on the Ichthys LNG Project. As of the end of 2016, more than 1,100 Northern Territory-based businesses have secured contracts and purchase orders on the Project. Of the more than A\$17 billion that the Project is expected to contribute to the Australian economy, more than A\$9.6 billion has been committed to the Northern Territory.

In addition, since the start of construction:

- more than 8,700 Darwin locals have been employed on the Project in more than 13,200 positions
- more than 1,200 Aboriginal and Torres Strait Islander peoples have been employed on the Project in more than 1,650 positions.

We will continue to provide opportunities for the involvement of Australian peoples and industries with the Project over its 40-year operational life.

### Contributing to Local Communities

We implement social contribution initiatives to support and enhance the social and economic development of host communities in response to social and regional needs.

In Australia, we support a range of initiatives from large-scale social infrastructure investments to grassroots community events and programs. Strategic partnerships with NGOs are also developed with a view to providing long-term socioeconomic benefits.

The primary focus of our community investment program in Australia is to support youth development and opportunities, particularly for Aboriginal and Torres Strait Islander peoples. The Ichthys LNG Project has made a significant social investment of A\$9 million in the construction of training, educational, and research facilities. These large-scale investments have been broadly complemented by strategic community partnerships with organizations that seek to improve student participation and academic success through scholarships, provision of free school transport, mentoring, student recognition and reward, and access to health and wellbeing programs. Small grants are also made available semi-annually to organizations seeking support for grassroots community events and development programs, such as career exhibitions and educational competitions that stimulate student interest in and awareness of the careers that are available to them and associated educational pathways. Since 2012, INPEX and the Ichthys LNG Project have contributed more than A\$3 million to community support programs in Australia.

We have also been able to enhance the impact of our financial support through staff engagement. Some of our personnel in Australia have volunteered their time, expertise, and experience to participate in community programs such as a mentoring program for Aboriginal and Torres Strait Islander youth, and also a school program to increase student awareness and interest in oil and gas industry careers. We will continue to increase the opportunities for our personnel to engage in the social contribution activities that the company supports.

## INPEX Group Contributes to Supporting Local Communities All Around the World



### ABU DHABI (UAE)

#### Vocational program in Japan for UAE University Students

INPEX conducts a three-week vocational training program in Japan for students of UAE University and the Petroleum Institute. The program includes lectures on oil development, geological excursions, and a tour of the Naoetsu LNG Terminal. A total of 164 students have enrolled in this training, conducted each year since 1993. Most of the program's past participants are employed at Abu Dhabi National Oil Company (ADNOC) and its group companies, and are contributing to fields related to oil development in Abu Dhabi.



#### Support for the Popularization of Judo and Youth Development

In order to help popularize judo in the UAE and nurture junior judo players who will become tomorrow's leaders, INPEX supports the activities of Judo Coach dispatched by Tokai University / Solidarity of International Judo Education to the UAE Judo Federation and the Judo Japanese Ambassador's Cup tournament in Abu Dhabi. Some 100 junior judo players (age 13 and 14) from judo clubs in all seven emirates participated in thrilling matches at the first Judo Japanese Ambassador's Cup, held in November 2016. The tournament, which received extensive coverage by the local media, was an excellent opportunity for INPEX to showcase its contributions to local communities.



ABU DHABI



### INDONESIA

#### Handing Down Traditional Weaving Techniques

At the Abadi LNG Project, INPEX is conducting training for local residents with the objective of preserving, passing down, and promoting the dissemination of ikat, traditional woven clothes from the Tanimbar Islands in Maluku Province. This is part of the social investment programs aimed at empowering local communities and economies in Indonesia by enhancing lifestyles and employment opportunities. In June 2016, INPEX supported a fashion show held in the city of Saumlaki attended by local government officials and other participants to showcase this activity.



#### Scholarship Program

INPEX supports an education program aimed at developing local communities near the Abadi LNG Project and nurturing the next generation of community leaders. Since 2014, we have selected and offered scholarships to students in the cities of Ambon and Saumlaki in Maluku Province who wish to receive a university education or pursue research. A total of 440 students have received scholarships since the program was inaugurated, giving INPEX the privilege to contribute to the education and development of students who will lead their communities in the future.





## 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.



## Participation in the Echigo Kubikino 100 km Marathon

INPEX has sponsored and, with voluntary employee participation, supported the Echigo Kubikino 100 km Marathon, since 2010 in Joetsu, Niigata Prefecture, where the Naoetsu LNG Terminal carries out business operations. The event, known as one of Japan's most prominent ultramarathons, attracts nearly 3,000 runners each year from all across Japan. In 2016, 17 INPEX employees participated as volunteers, manning the registration desk and passing out water at aid stations.



## 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 La Ardita, Guatacarito, and Caro de La Negra, located in the vicinity of the plant.



## INDONESIA

## AUSTRALIA



## AUSTRALIA

## Generating Social and Environmental Outcomes

The Ichthys LNG Project has finalized agreements with the Indigenous Land Corporation to deliver a \$34 million savanna fire management program in the Northern Territory, Australia, as part of the Project's voluntary environmental and social offset commitments. Consistent with traditional Aboriginal land conservation practices, savanna fire management is a recognized carbon abatement methodology.

The program will fund the development, establishment, and operation of individual fire management projects which will provide opportunities for Aboriginal and Torres Strait Islander peoples in remote communities by creating jobs, generating sustainable income benefits and protecting cultural and environmental values.



## Supporting the Next Generation

A partnership with the Ichthys LNG Project has enabled Darwin's only youth center to expand its operational hours and services and to recruit new mentors. Operated by Australian Red Cross, "The SHAK" provides a safe and creative space for more than 300 young people to enjoy outside of school hours. More than 35 community groups use the facility to run youth education, training and recreational programs and initiatives with the aim of improving employment, health and the wellbeing of young Territorians, particularly the Aboriginal and Torres Strait Islander youth who make up 95% of SHAK participants.





Materiality

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## CLIMATE CHANGE





## Basic Policy

INPEX recognizes that climate change is a critical management issue. Action is required on the part of all members of the international community 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 our role in addressing climate change as a responsible member of the oil and natural 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 the steady implementation of our two large scale LNG projects, the

Ichthys and Abadi LNG Projects, we will address climate change risk while meeting domestic and overseas energy demand, 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 (revised in February 2017) 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.

## CASE STUDY

### 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 for the 2020s, and promote geothermal power generation.

Geothermal power generation is a power generation method that utilizes geothermal resources (geothermal reservoirs) existing deep underground (approximately 1,000 to 3,000 meters below ground) in volcanic geothermal areas that have been heated to high temperatures by heat from magma. High-temperature, high-pressure geothermal fluids extracted from geothermal reservoirs generate electricity by rotating turbines. Geothermal power generation is considered an effective green energy source and a global warming countermeasure because geothermal plants can stably generate electricity around the clock while operating for long periods of time, and because they release lower CO<sub>2</sub> emissions than power generation plants that use fossil fuels (such as oil and coal).

The Sarulla Geothermal Independent Power Producer (IPP) Project, located in Indonesia's North Sumatra, in

which INPEX has participated since June 2015, is a project for providing electricity generated by a geothermal power plant. The plant has a maximum capacity of approximately 330MW, the highest in the world, and will sell electricity to Perusahaan Listrik Negara, Indonesia's government-owned electricity company, for a period of thirty years. We began construction of the facility in 2014 and began commercial operation of the first unit (110MW) in March 2017. We are proceeding with construction work in preparation for the commissioning of the second and third units.

In this project, we are engaging in community contribution that meets the needs of the local community as part of the Group's sustainability practices. This includes development of local infrastructure such as roads, bridges, and waterworks, introduction of an English course at local schools, and supporting the livelihoods of local residents.

The Sarulla geothermal project 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. Since 2013, we have participated in a geothermal power research team in Fukushima Prefecture, comprising ten Japanese companies. Surveys were conducted in fiscal 2016, upon receiving local approval. 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 began commercial operation of the first unit of geothermal power generation (110MW) in March 2017. We are proceeding

with construction work in preparation for commissioning of the second and third units.

### 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 a part of wholly owned subsidiary INPEX Logistics (Japan), Co., Ltd's site, located in Joetsu City, Niigata Prefecture. 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 approximately 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

	Elemental Research	Demonstration	Commercialization
	Conduct basic elemental research as well as develop safe and affordable new energy sources that minimize environmental impact in the long-term.	Aim to demonstrate more efficient utilization of energy and to break through technological and cost obstacles.	Aim to commercialize more optimized storage and transport process sought to deliver energy stably and efficiently.
<b>Stable energy supply</b> <ul style="list-style-type: none"> <li>Development of new energy sources</li> <li>More efficient processes in energy development</li> </ul>	<ul style="list-style-type: none"> <li>Methane hydrate</li> </ul>	<ul style="list-style-type: none"> <li>Technologies for use of natural gas (transport and storage technologies: natural gas hydrate (NGH), underground gas storage)</li> </ul>	<ul style="list-style-type: none"> <li>Technologies for use of natural gas (hydrogen-use technologies: gas-to-liquids (GTL), dimethyl ether (DME))</li> <li>Heavy oil development</li> <li>Tight gas development</li> </ul>
<b>Mutually complementary relationship between energy and the environment</b> <ul style="list-style-type: none"> <li>R&amp;D for stable energy supply and GHG emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Artificial-photosynthesis technologies (optical catalysts)</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced recovery technologies (Enhanced oil recovery (EOR): carbon dioxide EOR, air injection)</li> <li>Electricity storage technologies</li> <li>Building Energy Management System (BEMS)</li> </ul>	<ul style="list-style-type: none"> <li>Lithium-ion technology</li> <li>Geothermal power generation</li> <li>Solar power generation</li> </ul>
<b>Realization of environmental protection</b> <ul style="list-style-type: none"> <li>R&amp;D for GHG emissions reduction</li> </ul>		<ul style="list-style-type: none"> <li>Carbon dioxide capture and storage (CCS)</li> </ul>	

## Managing Greenhouse Gas Emissions

### Reducing GHG Emissions

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

While reducing the venting of methane gas, which has higher greenhouse effect than CO<sub>2</sub>, we have equipped each site with ground flares<sup>①</sup>. The methane gas is combusted into CO<sub>2</sub>, thereby reducing its negative effects. Furthermore, in fiscal 2016, we began to consider ways of identifying methane leak amount, in accordance with international trends.

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 (including emissions from contractors) in fiscal 2016 were approximately 635 thousand tons, down approximately 156 thousand tons from the previous fiscal year. The decrease is attributed to the completion of gas pipeline laying and progress with other construction work 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

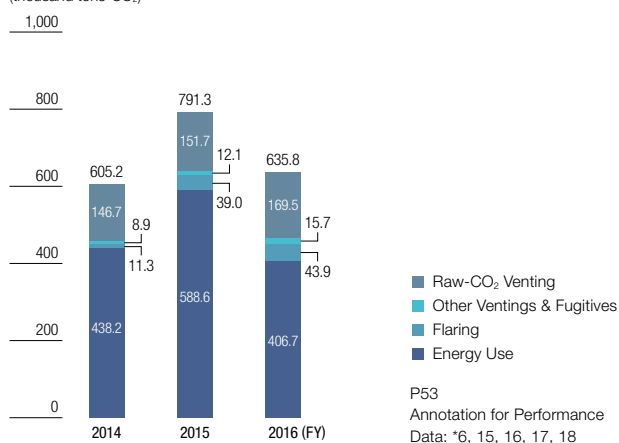
Promotion of Global Warming Countermeasures requires businesses to report to the government their GHG emissions from non-energy sources, such as separated and removed CO<sub>2</sub>. We manage GHG emissions in compliance with these two laws.

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 attended 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 prior to inclusion in regularly issued reports. The members also share the information on energy-saving measures at each site.

INPEX participates in the Japan Business Federation's (Nippon Keidanren) Commitment to a Lower Carbon Society Plan and is implementing initiatives to prevent climate change. Through this initiative, the Japan Petroleum Development Association (JPDA) has set a target of reducing GHG emissions by 5% from the fiscal 2005 level by 2020 and by 28% from the fiscal 2013 level by 2030. The reduction rates identified as 2020 and 2030 targets far exceed the most recent target rates indicated by the Japanese government. As of fiscal 2016, JPDA GHG emissions were reduced by 5.2% from the fiscal 2005 level and by 16.9% from the fiscal 2013 level. We will cooperate with other JPDA members and undertake further GHG emissions reduction to achieve the 2020 and 2030 targets.

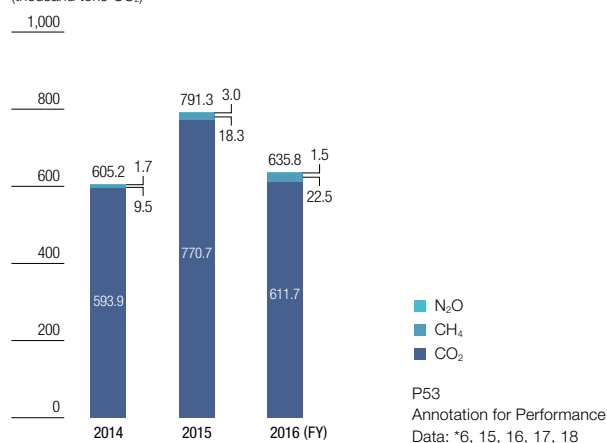
### GHG Emissions by Sources (Consolidated)

(thousand tons-CO<sub>2</sub>)



### GHG Emissions by Gas Types (Consolidated)

(thousand tons-CO<sub>2</sub>)



#### 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 it is. It is shaped to combust flames within an upper chimney-like furnace, thereby resulting in less night-time pollution or impacts on the surrounding environment.

Materiality



## 6 EMPLOYEES





## Basic Policy

INPEX values workforce diversity and the development of global employees who share common values, ensuring responsible management as a global organization. To achieve this, our HR Division formulated the INPEX HR VISION which is comprised of four key elements and covers the entire INPEX Group. HR activities based on these elements are implemented from a global

perspective, linking employee development to optimum team performance to become a globally competitive organization. In April 2014, we established INPEX Values which are shared by all executives and employees alike. These values are instilled in our employees of various backgrounds at our domestic and overseas sites, fostering a sense of unity throughout the 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”

3

### Organization Effectiveness

Maximize organizational performance through HR Management Process

- Workforce planning and organization review
- Appropriate placement within the organization

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

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

## CASE STUDY

### Initiative to Support Female Participation

The number of female employees at INPEX continues on an upward trend. The company is developing policy to support female participation and is also raising awareness of the difficulties faced by women in the workplace. A series of articles introducing female employees both in Japan and overseas, was featured in our internal newsletter in July 2016 to highlight the contribution of women. The articles included employees of various nationalities working in managerial, clerical and technical positions who discussed their approach to work, their job satisfaction, the challenges they face and how they overcome them, and their future outlook.

This feature also examined global social issues including work-life balance, diversity and cultural understanding, earning the “Special Project prize” in the



“2016 Keidanren Newsletter Awards.” It was recognized for introducing female role models to inspire other employees, illustrating the unrestricted female participation in the workplace.

## Human Resource Development and Utilization

### Human Resource Development

INPEX conducts training to enhance the overall skill level of employees in order to contribute to our business over the long term. We develop employees by providing level-based training according to employee profiles, expected roles and required skills for corporate, engineering and administrative job categories. We also provide opportunities for employees both in Japan and overseas to acquire necessary business skills, and support global business operations by offering a range of programs to help them thrive in an international business environment. These programs include foreign language training as well as overseas training at our overseas offices and other organizations.

In addition to conducting company-wide group training for our new graduates, we have also introduced

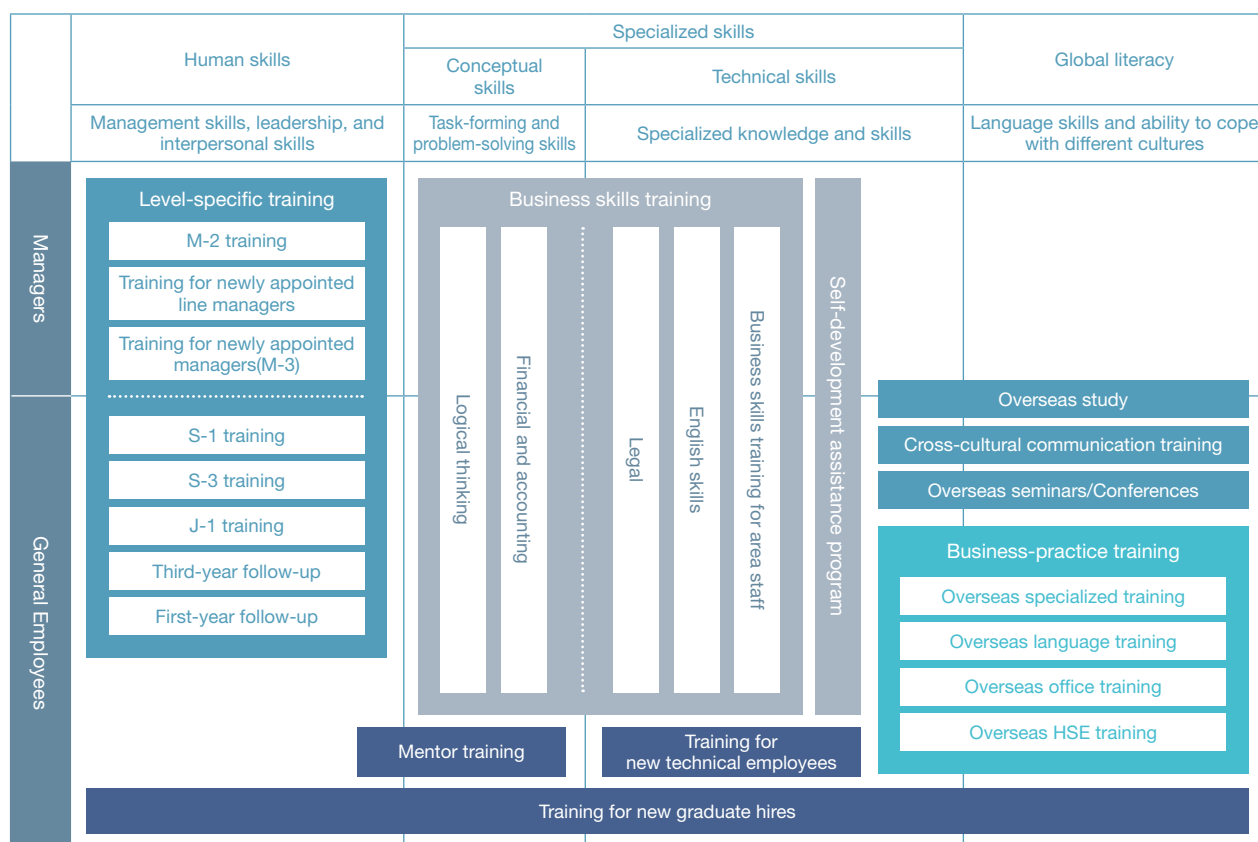
a mentoring system whereby an experienced employee is assigned to each graduate for one year to provide work-related guidance and moral support, helping them adjust to their working life.

### HR Evaluation Structure

We aim to stimulate motivation and capability by allowing employees to identify their own annual objectives and how to achieve them, while working toward the accomplishment of organizational goals set each fiscal year.

Through interviews conducted several times a year with their superiors, employees discuss their work performance and competency, identifying any issues and areas for improvement. This approach ensures a credible evaluation system and contributes to HR development. Employees are also given the opportunity to express an interest in challenging a role in a different area, leading to effective HR placement.

Diagram of Human Resource Development



## Promoting Diversity

### ●Promoting the Advancement of Female Employees

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

In accordance with Japan's Act on Promotion of Women's Participation and Advancement in the Workplace, we formulated an action plan to double the number of women in management roles within two years from April 2016, and also to raise the proportion of females among new graduate hires to approximately 25%.

### ●Re-employment of Retirees

We introduced a re-employment system to benefit from the extensive experience and abilities of employees who have reached the mandatory retirement age of 60. This system allows for continuous employment until the age of 65 on a one-year renewable basis. We have accepted every applicant to this program and at the end of fiscal 2016 (March 31, 2017) 49 employees have been working under re-employment 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 the end of fiscal 2016 (March 31, 2017), the number of employees with disabilities was 30 (rate of person with disabilities employed: 1.9%).

We will continue to make efforts to create a workplace where those with disabilities can be fully engaged.

## Promoting Work-Life Balance

Our workplace environment reflects the importance we place on a healthy balance between work and private life. We provide a working environment that can accommodate the circumstances and lifestyles of each individual employee and enable employees 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.

Initiatives included staggered work hours from July to September 2016 on a trial basis, allowing employees to select work hours suited to their individual circumstances. In April 2017, it was permanently implemented with expanded eligibility and work hour options.

### ●Efficient Use of Work Time

We are creating an environment that enables employees to add variety to their daily schedules to obtain mental and physical refreshment. In addition to the abovementioned staggered work hours system, we promote the taking of consecutive summer holidays and also designate days on which employees are encouraged to take paid leave.

We have designated every Wednesday as a no-overtime day as a measure to reduce overtime work. Further, if an employee's overtime work continuously exceeds a certain number of hours, their supervisors and the HR Division will approach them about the matter to assess the situation, share issues and identify solutions.

### ●Support for Child Raising and Nursing Care

We nurture an environment that supports work-life balance for employees who are raising children or providing care to family members. We have introduced a variety of support systems for all employees that go above and beyond the legal requirement.

Furthermore, we formulated an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. We have implemented measures to promote male and female employee participation in child raising, and provide support to allow them to care for their children while continuing to work.

Through these initiatives, we obtained the Next Generation Support Certification (known as Kurumin Mark) from the Tokyo Labor Bureau for the first time in recognition of the measures taken between fiscal 2009 and 2011 as a "company that supports child-raising." We obtained the certification 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-raising.



#### Performance Data

Overall Employees (Consolidated) / Employees (Unconsolidated) / Recruitment (Unconsolidated) / Number of Employees Working under Re-employment Contracts (Unconsolidated) / Staff Turnover Rate (Unconsolidated) / Number of Employees with Disabilities (Unconsolidated) / Number of Employees Taking Advantage of the Parental Leave System and Nursing Care Leave System (Unconsolidated) (P. 51-52)



#### INPEX Action Plan to Promote Women's Participation and Advancement in Workplace

## Governance

Sum range	Item			FY2014	FY2015	FY2016	Unit	
Consolidated	Directors and Executive Officers*1	Domestic	Male	44	42	40	persons	
			Female	0	0	0		
			Total	44	42	40		
		Overseas	Male	0	0	0		
			Female	0	0	0		
			Total	0	0	0		
		Total Number of Directors and Executive Officers			44	42	40	
		Outside Directors (Figures in parentheses denote the ratio of Outside Directors)			5 (31)	5 (33)	5 (35)	persons (%)
		Outside Auditors (Figures in parentheses denote the ratio of Outside Auditors)			4 (80)	4 (80)	4 (80)	

## Compliance

Sum range	Item			FY2014	FY2015	FY2016	Unit
Japan, Australia, Indonesia	Number of Internal Reports	Japan		13	5	4	cases
		Australia		2	18	6	
		Indonesia* <sup>2</sup>		7	7	53	
Japan	Employee Training Related to Human Rights <input checked="" type="checkbox"/>	Employee Training Related to Human Rights	Attendance Ratio* <sup>3</sup>	94	82	—	%
Training Hours			718	807	—	hours	
Australia		Employee Participating Aboriginal Cultural Awareness Training	Attendance Ratio* <sup>4</sup>	51.0	66.0	84.9	%
Japan, Australia, Indonesia	Anti-Bribery and Anti-Corruption (ABC) Training* <sup>5</sup>	Japan		—	—	1,345	persons
		Australia		—	—	1,633	
		Indonesia		—	—	185	

Sum range	Item			Year	Amount	Unit
Consolidated	Payment Amounts to Governments (EITI)	Kazakhstan		2011	31,282	thousand USD
		Iraq		2013	10,000	
		East Timor		2015	140,256	
		Indonesia		2014	1,099,132	
		D.R. Congo		2015	39,073	

## HSE (Environmental Data)

Sum range	Item			FY2014	FY2015	FY2016	Unit
Consolidated* <sup>6</sup> (Data in parentheses is for the Company only and does not include contractor data)	Emissions to the Atmosphere	VOC* <sup>7</sup>	Domestic <input checked="" type="checkbox"/>	486	493	523 (523)	tons
			Overseas	64	79	106 (19)	
			Total	550	572	629 (542)	
		NO <sub>x</sub>	Domestic <input checked="" type="checkbox"/>	190	192	356 (159)	
			Overseas	1,441	1,645	2,160 (53)	
			Total	1,632	1,837	2,516 (212)	
		SO <sub>x</sub>	Domestic <input checked="" type="checkbox"/>	5	5	89 (6)	
			Overseas	54	14	2 (1)	
			Total	59	19	91 (7)	



## HSE (Environmental Data)

Sum range	Item			FY2014	FY2015	FY2016	Unit
Consolidated* <sup>6</sup> (Data in parentheses is for the Company only and does not include contractor data)	Water Consumption* <sup>8</sup>	Domestic <input checked="" type="checkbox"/>	Tap Water	194,758	212,831	202,645 (192,202)	m <sup>3</sup>
			Water for Industrial Use	218,128	180,436	177,627 (177,627)	
			Groundwater	802,229	756,801	807,050 (806,868)	
			Total	1,215,115	1,150,067	1,187,322 (1,176,697)	
		Overseas	Tap Water	769,189	844,435	635,506 (7,325)	
			Water for Industrial Use	19,787	0	0 (0)	
			Groundwater	2,109	0	0 (0)	
			Total	791,085	844,435	635,506 (7,325)	
		Total			2,006,200	1,994,502	1,822,828 (1,184,022)
	Discharge of Produced Water	Domestic <input checked="" type="checkbox"/>	Discharged into Public Water Areas	90,744	99,787	112,407 (112,407)	m <sup>3</sup>
			Injection Return to Groundwater	942,183	803,200	809,802 (809,802)	
			Total	1,032,927	902,987	922,209 (922,209)	
		Overseas	Discharged into Public Water Areas	0	0	0 (0)	
			Injection Return to Groundwater	8,798	3,431	18,625 (18,625)	
			Total	8,798	3,431	18,625 (18,625)	
		Total			1,041,726	906,418	940,834 (940,834)
	Waste* <sup>9</sup>	Domestic <input checked="" type="checkbox"/> * <sup>10</sup>	Non-hazardous Waste (Recycle)	147,648	112,959	19,745 (6,889)	tons
			Non-hazardous Waste (Final disposal)	5,545	3,453	2,369 (611)	
			Hazardous Waste (Recycle)	0	0	0 (0)	
			Hazardous Waste (Final disposal)	551	948	282 (282)	
			Total	153,745	117,360	22,396 (7,782)	
		Overseas	Non-hazardous Waste (Recycle)	14,327	25,172	11,505 (10)	
			Non-hazardous Waste (Final disposal)	12,029	13,551	19,855 (39)	
			Hazardous Waste (Recycle)	0	0	0 (0)	
			Hazardous Waste (Final disposal)	149,443	6,178	13,592 (9)	
			Total	175,799	44,901	44,952 (58)	
		Total			329,544	162,261	67,348 (7,840)
	Oil Spills	Number of Spills		202	322	269 (1)	cases
		Quantity of Spills		197	9	9 (0.2)	bbl

## HSE (Health &amp; Safety)

Sum range	Item			FY2014	FY2015	FY2016	Unit
Consolidated	Incident Frequency**11	LTIF**12	By Contract <input checked="" type="checkbox"/>	Employees	0.23	0.11	0.12
				Contractors	0.15	0.15	0.10
				Total	0.15	0.15	0.11
			By Region	Japan	0.72	0.00	0.39
				Australia	0.06	0.13	0.10
				Indonesia	0.00	0.77	0.00
				Venezuela	6.80	2.11	0.00
				Malaysia	0.00	0.00	—
				Suriname	0.00	0.00	—
		TRIR**13	By Contract <input checked="" type="checkbox"/>	Employees	1.72	0.77	1.11
				Contractors	1.20	1.15	0.95
				Total	1.24	1.12	0.97
			By Region	Japan	3.24	1.89	1.96
				Australia	0.98	1.07	0.89
				Indonesia	0.00	0.77	0.00
				Venezuela	18.47	2.11	0.00
				Malaysia	0.00	0.00	—
				Suriname	0.00	0.00	—
	Fatalities**11	By Contract		Employees	0	0	0
				Contractors	1	2	0
				Total	1	2	0
		By Region		Japan	0	0	0
				Australia	1	2	0
				Indonesia	0	0	0
				Venezuela	0	0	0
				Malaysia	0	0	—
				Suriname	0	0	—
				Total	0	0	—
	Lost Time Injury**11	By Contract		Employees	2	1	1
				Contractors	18	15	6
				Total	20	16	7
		By Region		Japan	6	0	1
				Australia	7	13	6
				Indonesia	0	1	0
				Venezuela	7	2	0
				Malaysia	0	0	—
				Suriname	0	0	—
				Total	0	0	—
	Restricted Workday Injury	By Contract		Employees	2	0	1
				Contractors	43	28	5
				Total	45	28	6
	Medical Treatment of Injury	By Contract		Employees	11	6	7
				Contractors	91	85	44
				Total	102	91	51

## Local Communities

Sum range	Item			FY2014	FY2015	FY2016	Unit
Consolidated	Social Investment Expenditure	Education and Fostering Future Generations		696.8	1,108.9	831.2	million yen
		Support for Local Communities		405.7	246.5	233.4	
		Health, Medicine and Sports		107	105.5	17.8	
		Support for Disaster-affected Areas		3.8	1.6	1.1	
		Environment		144.4	165.9	244.3	
		Culture and Arts		15.1	15.4	12.9	
		Other		1.1	70.5	4.4	
		Total		1,373.9	1,714.2	1,345.1	
	Percentage of Senior Executives Appointed from Local Communities**14	Jakarta office		28.6	46.1	63.6	%
		Perth office		73.2	69.4	52.7	
		Total		61.8	63.2	54.5	

## Climate Change (GHG Emissions Management)

Sum range	Item				FY2014	FY2015	FY2016	Unit	
Consolidated*6 (Data in parentheses is for the Company only and does not include contractor data)	GHG Emissions *15, 16, 17, 18	Emissions Source	Domestic <input checked="" type="checkbox"/>	Energy Use	192,743	194,364	223,823 (207,653)	tons-CO <sub>2</sub>	
				Flaring	9,072	7,595	3,308 (3,308)		
				Other Ventings & Fugitives	8,901	12,053	15,678 (15,678)		
				Raw-CO <sub>2</sub> Venting	146,722	151,708	169,505 (169,505)		
			Overseas	Energy Use	245,459	394,236	182,889 (22,578)		
				Flaring	2,277	31,357	40,604 (3,221)		
				Other Ventings & Fugitives	0	0	0 (0)		
				Raw-CO <sub>2</sub> Venting	0	0	0 (0)		
		Gas Types	Domestic <input checked="" type="checkbox"/>	CO <sub>2</sub>	348,441	353,575	396,576 (380,430)		
				CH <sub>4</sub>	8,904	12,057	15,680 (15,679)		
				N <sub>2</sub> O	93	88	57 (36)		
			Overseas	CO <sub>2</sub>	245,472	416,388	215,158 (25,652)		
				CH <sub>4</sub>	639	6,253	6,860 (134)		
				N <sub>2</sub> O	1,624	2,953	1,475 (13)		
		Total				605,173	791,314		635,807 (421,943)
	GHG Emissions per Unit*15, 16, 17, 18, 19, 20					1.44	1.43	— *21	tons-CO <sub>2</sub> /TJ
	Direct Emissions (Scope 1)*15, 16, 17			Domestic <input checked="" type="checkbox"/>	317,267	328,912	370,736 (354,739)	tons-CO <sub>2</sub>	
				Overseas	233,186	404,188	199,607 (22,687)		
				Total	550,454	733,100	570,343 (377,426)		
	Indirect Emissions (Scope 2)*15, 16, 17			Domestic <input checked="" type="checkbox"/>	40,171	36,808	41,578 (41,405)		
				Overseas	14,549	21,406	23,887 (3,112)		
				Total	54,720	58,214	65,464 (44,517)		
Domestic	GHG Emissions from Use of Sold Products (Scope 3)*16, 22 <input checked="" type="checkbox"/>				4,270,859	4,169,752	4,584,985	tons-CO <sub>2</sub>	
Consolidated*6 (Data in parentheses is for the Company only and does not include contractor data)	Energy Consumption*23			Domestic	3,643,551	3,692,851	4,132,829 (3,899,154)	GJ	
				Overseas	3,325,912	5,306,895	2,712,744 (739,045)		
				Total	6,969,463	8,999,747	6,845,573 (4,638,199)		

## Climate Change (GHG Emissions Management)

Sum range	Item		FY2014	FY2015	FY2016	Unit
<b>Domestic**</b> (Data in parentheses is for the Company only and does not include contractor data)	Energy Consumption <input checked="" type="checkbox"/>	Natural Gas	66,596	67,984	73,974 (73,974)	thousand Nm <sup>3</sup>
		Gas Oil	668	1,310	317 (213)	KL
		Fuel Oil A	39	225	5,643 (0)	
		Kerosene	26	25	13 (13)	
		Gasoline	815	748	356 (301)	
		Jet Fuel	0	0	114 (0)	
		Condensate	0	0	0 (0)	
		LPG	30	15	8 (7)	tons
		Purchased Electricity	67,953	64,112	65,774 (65,481)	MWh
		City Gas	427	406	430 (430)	thousand Nm <sup>3</sup>
		Outside Heat Supply	8,201	7,893	8,380 (8,380)	GJ

## Climate Change (Renewable Energy)

Sum range	Item		FY2014	FY2015	FY2016	Unit
Consolidated	Electricity Generated Using Renewable Energy	Domestic	2,910	4,890	5,850	MWh
		Overseas	—	—	6,439	
	Total Investment in Renewable Energy*24	General Employees	868	1,399	560	million yen

## Employees (Employment)

Sum range	Item			FY2014	FY2015	FY2016	Unit	
Consolidated	Overall Employees	By Gender *25 (Figures in parentheses denote the ratio)	Male	General Employees	1,803 (75.9)	2,011 (77.0)	1,906 (78.6)	persons (%)
				Managerial Employees	774 (96.3)	810 (96.7)	774 (96.3)	
				Total	2,577 (81.1)	2,821 (81.8)	2,680 (83.0)	
			Female	General Employees	571 (24.1)	600 (23.0)	518 (21.4)	
				Managerial Employees	30 (3.7)	28 (3.3)	30 (3.7)	
				Total	601 (18.9)	628 (18.2)	548 (17.0)	
			Total			3,178	3,449	
		By Employment Contract	Permanent Employees	Male	2,577	2,821	2,680	persons
				Female	601	628	548	
				Total	3,178	3,449	3,228	
			Temporary Employees	Male	1,210	1,087	943	
				Female	320	274	219	
				Total	1,530	1,361	1,162	
		By Region	Japan	Permanent Employees	1,558	1,627	1,639	persons
				Temporary Employees	282	283	269	
				Total	1,840	1,910	1,908	
			Asia and Oceania	Permanent Employees	1,396	1,598	1,374	
				Temporary Employees	1,169	1,017	845	
				Total	2,565	2,615	2,219	
			Eurasia	Permanent Employees	25	26	34	
				Temporary Employees	19	18	11	
				Total	44	44	45	
			Middle East and Africa	Permanent Employees	67	66	68	
				Temporary Employees	6	6	2	
				Total	73	72	70	
			Americas	Permanent Employees	132	132	113	
				Temporary Employees	54	37	35	
				Total	186	169	148	



## Employees (Employment)

Sum range	Item		FY2014	FY2015	FY2016	Unit	
Unconsolidated*26	Employees <input checked="" type="checkbox"/>	Male	1,247	1,286	1,097	persons	
		Female	247	256	226		
		Total	1,494	1,542	1,323		
	Average Length of Service <input checked="" type="checkbox"/>	Male	15.5	16.3	16.6	years	
		Female	10.2	11.1	11.0		
		Total	14.7	15.5	15.7		
	Number of Staff Turnovers <input checked="" type="checkbox"/>	Male	29 and under	1	2	6	persons
			30-60	7	4	15	
			Total	8	6	21	
		Female	29 and under	3	2	0	
			30-60	1	4	4	
			Total	4	6	4	
		Number of Staff Turnovers		12	12	25	
	Staff Turnover Rate*27		0.97	0.93	1.99	%	
	Recruitment <input checked="" type="checkbox"/>	New Graduate Hires	Male	49	60	57	persons
			Female	9	16	13	
			Total	58	76	70	
Mid-career Hires		Male	30	14	2	persons	
		Female	3	2	5		
		Total	33	16	7		
Ratio of Standard Minimum Salary to Local Minimum Wage*28 <input checked="" type="checkbox"/>		—	1.34	1.19	times		
Number of Employees Working under Re-employment Contracts <input checked="" type="checkbox"/>		59	46	49	persons		
Labor Union Participation Rate*29 <input checked="" type="checkbox"/>		70.2	70.3	70.8	%		

## Employees (Work-life Balance)

Sum range	Item		FY2014	FY2015	FY2016	Unit	
Unconsolidated*30	Average Rate of Paid Leave Taken*31 <input checked="" type="checkbox"/>	Male	68.1	69.5	75.2	%	
		Female	85.6	87.0	92.0		
		Total	70.5	71.7	78.2		
	Rate of Receipt of Physical Examinations and Checkups <input checked="" type="checkbox"/>		99.9	100	99.7		
	Number of Employees Taking Maternity Leave <input checked="" type="checkbox"/>		6	12	20	persons	
	Number of Employees Taking Advantage of Parental Leave System*32, 33 <input checked="" type="checkbox"/>	Male	Number of Employees	4	3	12	persons
			Rate of those returning to work*34	100	100	100	%
			Retention Rate*35	—	100	100	
		Female	Number of Employees	13	9	23	persons
			Rate of those returning to work*34	100	75	100	%
			Retention Rate*35	100	71	100	
		Total	Number of Employees	17	12	35	persons
			Rate of those returning to work*34	100	86	100	%
			Retention Rate*35	100	82	100	
	Number of Employees Taking Advantage of Limited Working Hours for Childcare, and Flexible Working Hour Scheme <input checked="" type="checkbox"/>	Male	8	15	17	persons	
		Female	26	28	29		
		Total	34	43	46		
	Number of Employees Taking Child Healthcare Leave <input checked="" type="checkbox"/>	Male	13	24	28	persons	
		Female	25	33	36		
		Total	38	57	64		
	Number of Employees Taking Advantage of Childcare, Nursery, and Babysitter Subsidies <input checked="" type="checkbox"/>	Male	38	37	40	persons	
		Female	14	13	10		
		Total	52	50	50		
	Number of Employees Taking Advantage of Nursing Care Leave System <input checked="" type="checkbox"/>	Male	1	1	0	persons	
		Female	0	0	1		
		Total	0	1	1		
	Number of Employees Taking Advantage of Limited Working Hours for Nursing Care System <input checked="" type="checkbox"/>	Male	0	1	0	persons	
Female		1	1	0			
Total		1	2	0			
Number of Employees taking Special Leave for Family Care <input checked="" type="checkbox"/>	Male	6	5	4	persons		
	Female	4	5	5			
	Total	10	10	9			
Number of Employees with Disabilities*25 <input checked="" type="checkbox"/> (Figures in parenthesis denote the percentage in total employment)		29 (2.0)	29 (1.9)	30 (1.9)	persons (%)		
Number of Employees Utilizing Volunteer Leave System <input checked="" type="checkbox"/>		16	8	14	persons		

## Employees (Human Resource Development)

Sum range	Item			FY2014	FY2015	FY2016	Unit	
Domestic	Number of Participants in Training Programs		Level-specific Training	284	327	428	persons	
			Business Skill Training	136	133	113		
			Language Training	9	10	6		
			Overseas Office Training	24	27	24		
			Overseas Specialized Training	70	56	22		
			Study Overseas Program	7	6	8		
			HSE Training	129	107	85		
	Training Hours per Person		By Gender	Male	92.7	80.6	58.7	hours / person
			Female	78.53	78.1	56.9		
			Total	90.04	80.1	58.3		
	Training Expenditure per Person			305,553	217,478	192,501	yen	
	Employee who Seek Personal and Career Development Reviews Regularly		By Gender	Male	100	100	100	%
				Female	100	100	100	
			Total		100	100	100	
			Category of Employee	Managerial Employees		100	100	
General Employees				100	100	100		
Total			100	100	100			

## Notes

## ■ Scope of Report

- INPEX CORPORATION and its 64 consolidated subsidiaries.
- Environmental data: Six Operational Organizations.
- Domestic: Operational Organizations (Headquarters, domestic oil and natural gas development projects, and Domestic Energy Supply & Marketing Division) which include INPEX CORPORATION, Teiseki Pipeline Co., Ltd., INPEX Logistics (Japan) Co., Ltd. and INPEX ENGINEERING (JAPAN) CO., LTD.
- Unconsolidated data includes the data from Japan, Jakarta Office, Houston Office, and London Office.

## ■ 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 number of internal reports at the Indonesia office includes consultation on the procedures for ABC (anti-bribery and anti-corruption) measures.
- \*3 Training target is all domestic employees (Headquarters employees/Domestic Group employees/Temporarily transferred employees/Fixed-term employees/Temporary agency employees).
- \*4 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.
- \*5 Number of attendees for anti-bribery and anti-corruption training (ABC training) since 2016 has been added.
- \*6 Includes data on contractors.
- \*7 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.
- \*8 The quantity of seawater used is not included.
- \*9 Wastes are defined as hazardous wastes in accordance with the laws of each country. Within Japan, "specially controlled industrial wastes" as stipulated in the Act on Waste Disposal and Public Cleansing are set as "hazardous wastes" and other wastes (including "industrial wastes" and "municipal waste") are set as "non-hazardous wastes."
- \*10 Since general waste discharge volume by disposal category is uncertain, the entire discharge volume of general waste has been included in the final disposal amount.
- \*11 Because Malaysia and Suriname have withdrawn from the project, the stated value covers the period through fiscal year 2015.
- \*12 Rate of injuries resulting in fatalities or lost time per million hours worked (LTIF: Lost Time Injury Frequency).
- \*13 The rate of recordable injuries (fatalities, lost time, restricted workdays, and medical treatment) per million working hours (TRIR: Total Recordable Injury Rate).
- \*14 Executive management designates the managerial positions at senior manager grade or higher.
- \*15 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>).

\*16 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.

\*17 GHG emissions also include emissions relating to electric power sold. GHG emissions resulting from electric power purchased are calculated using the adjusted emission coefficients.

\*18 "GHG emissions" and "GHG Emissions per Unit" do not include "GHG emissions from use of sold products"

\*19 Calculated based on the Voluntary Action Plan of the Japan Petroleum Development Association (JPDA) under Keidanren's Commitment to a Low Carbon Society.

\*20 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.

\*21 Since the Japan Petroleum Development Association (JPDA) has eliminated GHG emissions per unit of output as a performance indicator, FY2016 data has not been calculated.

\*22 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.

\*23 The calculation method and conversion coefficients are set in accordance with the laws and regulations of each country (including the Act on the Rational Use of Energy [Energy Conservation Act] in Japan).

\*24 The amount of total investment in renewable energy disclosed in Japan only. Amounts of our overseas investment are confidential, and thus, not disclosed.

\*25 The revision of the calculation method resulted in a change in the data disclosed in Sustainability Report 2016.

\*26 Except for data on the number of employees, we do not include local employees hired at overseas offices run by INPEX.

\*27 Calculated based on the number of resignees. Resignees here exclude retirees and resigned executive officers.

\*28 The Ministry of Health, Labour and Welfare lists the minimum value among all companies based on the most recently published minimum wage per region.

\*29 Fixed-term employees are not included.

\*30 We do not include the number of local employees hired at overseas offices by INPEX.

\*31 The calculation method has been revised beginning with FY2016 data, and certain fixed-term employees equivalent to employees have been included.

\*32 Employees have the right to apply for parental leave if they wish to take leave for the purpose of childcare, live in the same residence as a child under the age of one year and are raising that child.

\*33 States the cumulative number of people from fiscal year 2016 data.


\*34 Returned employees in the current fiscal year/ Employees expected to return in the current fiscal year × 100

\*35 The rate of those returning to work from parental leave is the total number of employees retaining employment 12 months after return from leave ÷ number of employees returning to work in the previous fiscal year × 100.



## 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, 2016 to March 31, 2017 (the "Indicators") included in its Sustainability Report 2017 (the "Report") for the fiscal year ended March 31, 2017.

### 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 Sustainability Reporting Standards 2016 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 Domestic Exploration & Production Division East Japan Regional Office Akita 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.*

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Tokyo, Japan

August 4, 2017



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