

# MATERIALITY COMPLIANCE



## Our Policy

INPEX is systematically developing a compliance structure, an indispensable requirement for the sustainable development of a company and striving to ensure compliance with laws and regulations and adherence to corporate ethics. Specifically, INPEX has established the Compliance Committee, which formulates basic policies and plans pertaining to compliance, deliberates significant matters, and supervises the implementation of compliance programs to promote unified compliance initiatives throughout the INPEX Group.

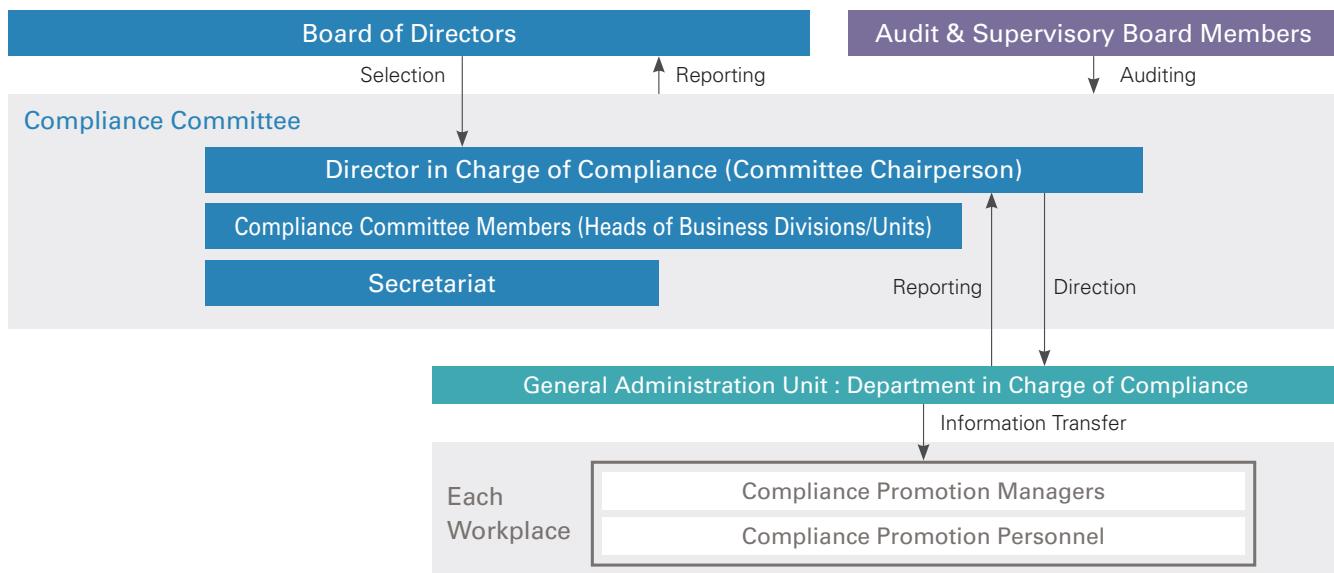
In addition, in accordance with the Corporate Social Responsibility Principles, INPEX has instituted the Code of Conduct, which prescribes obligations of personnel to realize compliance, in order to increase compliance awareness among executives and employees in an effort to put the Business Principles into practice.

### ● Anti-bribery and Anti-corruption

The Code of Conduct stipulates the building of sound and appropriate relationships with governments and administrative authorities (including prohibition of political donations except in cases permitted under relevant laws and regulations) and compliance with the anti-bribery and anti-corruption laws and regulations in the countries where we operate. INPEX makes no donations relating to political activities.

INPEX has been participating in the United Nations Global Compact since December 2011 and has declared commitment to preventing corruption. Under the Code of Conduct, INPEX established the INPEX Group Global Anti-Bribery and Anti-Corruption (ABC) Policy as well as related internal rules and is taking measures to prevent bribery and corruption.

## Compliance Chart



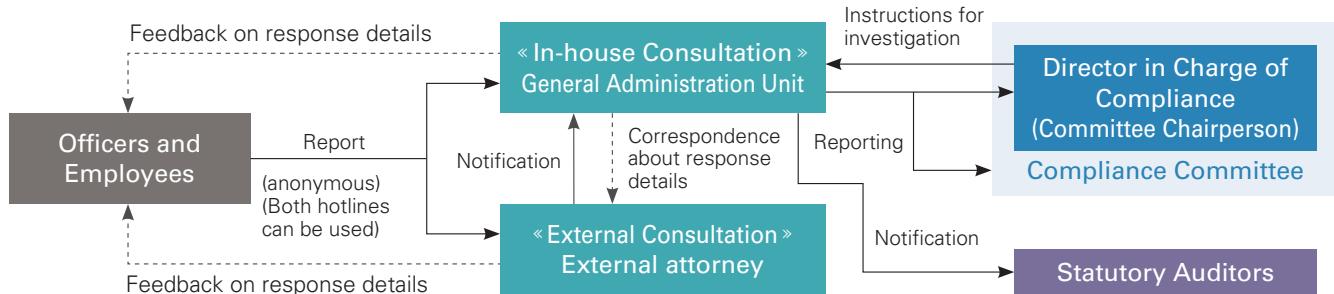
## Management Systems

### • System for Promoting Compliance

INPEX has established a system, by which the director in charge of compliance and the Compliance Committee can promptly consider and implement countermeasures if a serious compliance-related incident occurs. The director in charge of Compliance and the Compliance Committee cooperate with the Audit & Supervisory Board and its members, the accounting auditors, the Audit Unit, which is the internal audit department, as well as equivalent bodies or departments in the subsidiaries in (1) developing and implementing compliance measures, (2) monitoring implementation, (3) raising compliance awareness, (4) receiving reports on compliance violations and conducting investigation, (5) issuing warnings and taking other measures against violations, and (6) instituting measures to prevent the recurrence of violations. There were no cases of serious compliance violations in fiscal 2018.

In addition, to ensure coordination between the Committee and the workplaces, INPEX has appointed compliance promotion managers and personnel in every workplace and takes measures to disseminate and deepen awareness of compliance all over the workplace.

### Whistle-blower system diagram



### Compliance Awareness Survey Conducted

In fiscal 2018, Compliance Awareness Survey was conducted among executives and employees at all domestic business sites and selected overseas offices to evaluate personnel's compliance awareness and practice in INPEX. Through this survey, trends and issues of compliance awareness in each organization were identified. The results of the survey were reported to executives of INPEX and its Group companies and were disclosed to all employees on the company intranet. Furthermore, feedback training

## Compliance Training

With the objective of having each member of INPEX carry out duties in compliance with laws and regulations, INPEX regularly conducts business-theme-based and position-based compliance training sessions. In fiscal 2018, the training sessions covered topics such as anti-bribery and anti-corruption, anti-trust law and harassment.

Moreover, major overseas offices are enhancing the global compliance system by instituting and implementing the Code of Conduct while taking into account the laws, regulations and cultures of each country.

### Whistle-blower Hotline

INPEX set up a hotline based on a Whistle-blower Hotline system that complies with the Whistle-blower Protection Act. The Hotline is accessible to INPEX executives and employees. Contact points are offered internally and externally through a law firm, and reports may be anonymous. Reports as to bribery and corruption, discrimination, human rights, and harassment are also received by this Whistle-blower System. INPEX is committed to protecting individuals who submit reports from any negative consequences.

based on survey results was conducted among managers. In the training, the managers identified good practices and the ones that need to be improved in each workplace and discussed backgrounds and improvement measures in group. INPEX looks to further enhance companywide compliance awareness by sharing issues at each workplace and implementing improvement measures based on the training. Besides, INPEX plans to regularly evaluate the status of compliance practice within the Group as a part of the PDCA cycle relating to compliance for further improvement.

In addition, the content of reports from whistle-blowers and the results of investigations and responses are promptly reported to the Audit & Supervisory Board Members so as to ensure that the Whistle-blower System functions more effectively.

Three reports to the internal hotline and five to the external hotline were submitted in fiscal 2018. The Compliance Committee, taking into consideration the advice of attorneys and other experts, appropriately responded to each report in accordance with the Helpline Procedures. There were no compliance violations related to bribery and corruption, discrimination, or human rights abuse among those reports.

## Anti-bribery and Anti-corruption Initiatives

After the ABC Guidelines went into effect in October 2014, under approval from the Compliance Committee, INPEX updated the Guideline to the ABC<sup>①</sup> Policy and formulated ABC Procedures in 2017.

INPEX has conducted risk assessments at the headquarters and overseas offices in stages since fiscal 2015 and has taken measures to reinforce establishment and application of ABC compliance systems by implementing improvement measures based on the results of the risk assessments. In fiscal 2018, in addition to risk assessments at one overseas office as well as the continuously conducted compliance training for new graduates and new mid-career employees, anti-bribery and anti-corruption training has been conducted in divisions with numerous opportunities to negotiate with government agencies, vendors, and others. Besides, the headquarters regularly share information and exchange views on compliance activities with the Perth and Jakarta offices to better formulate a global ABC compliance system. In addition, the INPEX Group Global Anti-bribery and Anti-corruption (ABC) Policy was established in April 2019 as a clear and comprehensive statement of INPEX's stance on anti-bribery and anti-corruption. The policy is accessible on the INPEX website. In fiscal 2018, there were neither occurrences of major violations related to bribery and corruption nor disciplinary actions against anti-bribery and anti-corruption infractions.

## Respect for Human Rights

### Our Policy

INPEX supports international standards such as the International Bill of Human Rights, the International Labor Standards of the International Labor Organization

### • Heightening Transparency through EITI Participation

INPEX has participated in the Extractive Industries Transparency Initiative (EITI)<sup>②</sup> since October 2012 to support the initiatives. As of April 30, 2019, 52 resource countries, many supporting countries including Japan, companies in extractive industries and nongovernmental organizations (NGOs) have participated. INPEX provides data relevant to EITI participants among countries in which INPEX operates projects

### Procurement and Supplier Management

The Details on Ethical Procurement Guideline expressly prohibits impediments to fair and impartial competition, abuse of a dominant bargaining position, and inappropriate granting or receipt of benefits and requires protection for the confidentiality of suppliers' information and technologies. Those provisions not only set forth the fundamental policy on procurement but also constitute a part of the Code of Conduct. To engage in business in accordance with those provisions, INPEX conducts training on anti-bribery, anti-corruption, and other topics for INPEX employees including those in procurement-related divisions. INPEX also requires contractors to comply with labor and environmental laws and regulations, prevent corruption, and respect the INPEX Group Human Rights Policy, and INPEX manages continuous commitment of contractors through regular surveys and monitoring.

INPEX is committed to providing opportunities for all suppliers and selects contractors that supply goods and services based on fair and transparent evaluations.

When selecting contractors for overseas operator projects, INPEX conducts comprehensive assessments on compliance with the laws and regulations in each country as well as policies regarding the INPEX ABC and the Modern Slavery Act. INPEX has also established prequalification criteria regarding HSE (Health, Safety, and Environment) requirements and other matters.

For domestic projects, when bidding on and placing orders for large-scale construction, INPEX conducts ABC Preliminary Investigations and incorporates HSE perspectives into assessments, implementing fair and impartial procurement.

(ILO), the United Nations Guiding Principles on Business and Human Rights, and the principles of the United Nations Global Compact. To demonstrate the stance on respect for human rights and fulfill the responsibilities, in May 2017 INPEX established and announced the

① Anti-Bribery and Anti-Corruption



INPEX Group Global Anti-bribery and Anti-corruption (ABC) Policy

② Extractive Industries Transparency Initiative

INPEX Group Human Rights Policy. In accordance with that policy, INPEX takes measures to address the human rights of all stakeholders including the supply chain in each country and region where INPEX conducts business.

To comply with the United Kingdom Modern Slavery Act 2015, each year since 2016 INPEX has released a statement on the company website to disclose the policies, systems, and measures for preventing slave labor and human trafficking within the company and throughout the supply chain.

## Management System

According to Human Rights Policy, Corporate Social Responsibility Principle, Business Principles, and Code of Conduct, all executives and employees are required not only to comply with laws and regulations but also to respect social norms and act with high moral values. The Compliance Committee, which consists of fulltime directors, executive officers, and others and is chaired by the director in charge of compliance, meets regularly to ensure strict compliance with corporate ethics and the Code of Conduct.

## Human Rights Initiatives

When implementing projects, INPEX voluntarily adopts IFC Performance Standards as standards. For both new and existing projects, INPEX conducts studies in the regions in which it operates business on possible environmental and social impacts including labor issues and human rights, identifies risks, and implements prevention, mitigation and monitoring. When conducting those studies, INPEX emphasizes dialogue with local governments, local residents, and other stakeholders. When withdrawing business, INPEX conducts studies and assessments in advance on the environmental and social impacts of abandoning wells and removing facilities, fully considers the safety of local communities and the environment, and takes appropriate measures with the consent of local residents.

### ● Human Rights Due Diligence

#### Desktop Investigation

- Identify human rights scandals in the oil and natural gas industry over the past year
- Categorize human rights violation cases (child labor, forced labor, freedom of association, right to bargain collectively, employment discrimination, social discrimination) that can possibly occur
- Analyze country risk using statistical data

#### Interview Surveys

- Conduct questionnaires, interviews and so on at all business sites - in order to grasp the situation of dealing with the human rights risks identified through the desktop investigation

#### Examination and Implementation of Action Plans

- Confirm the management status for human rights risk based on this assessment
- Provide feedbacks on the results of the assessment for managers at each business site and discuss future actions, such as widely disseminating the Human Rights Policy and providing human rights education
- In an effort to strengthen respect for human rights based on the results of the assessment, continue to provide human rights education to employees

### ● Raising Executive and Employee Awareness Regarding Human Rights

To deepen awareness of the importance of taking into consideration the humans rights of various stakeholders in day-to-day operations, INPEX conducted human rights training for all executives and employees in 2017 and has been continuing the training for all new employees since 2018. INPEX also joined the IPIECA<sup>③</sup> Human Rights Working Group, an industry association. This working group collaborates on activities, including review of human rights due diligence in the supply chain and information-sharing on the prevention of modern slavery, such as child labor and forced labor. There were no occurrences of serious violations related to discrimination or human rights abuse in fiscal 2018.

### ● 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). Opportunities for discussions on labor issues between management and labor representatives are provided at overseas offices as well. INPEX strives to maintain and develop a healthy labor-management relationship by regularly providing opportunities for labor and management representatives to exchange views and ideas on a wide range of issues, including not only labor issues but also challenges and the future outlook of the company. INPEX provides appropriate notification in advance of any operational change that will significantly affect employees. No complaints have been received so far since the union was formed in October 2008.

To create a workplace where diversity is respected, and employees can work more vigorously, INPEX and the labor union agreed in fiscal 2018 to introduce flexible working hours for all employees at the offices in Japan in April 2019.