

# IHI Group Material Issues

## Identifying Material Issues

The IHI Group has identified material issues to be prioritized to achieve sustainable growth as a company and realize a sustainable society.

As part of Project Change, formulated in 2020, the IHI Group is striving to “Create a world where nature and technology work in unity” in the near future. By setting this goal, the social issues the Group needs to address along with the value it aims to provide have been clarified. The Group has re-identified and revised its material issues according to the significance of each of the social issues to address with the

goals of becoming carbon-free, disaster prevention and mitigation, and materializing fulfilling lifestyles.

Subsequently, IHI Group ESG Management announced in November 2021 aims to address the global challenge of climate change, respect the human rights of those involved in the Group’s businesses, and empower diverse human resources as the driving force behind value creation. The Group has identified particularly important issues that should be prioritized to ensure that its human resources are active and earn the trust of its stakeholders through integrity management.

## Identification Process of Material Issues



## Targets and Results regarding Material issues

### E | Environment

Material Issues	Vision	Metrics and Targets	Main Results for FY2023
Climate change	Reduce the environmental impact of the entire social system	<ul style="list-style-type: none"> <li>• 2050: Achieving carbon neutrality throughout the value chain by 2050</li> <li>• FY2030: Reduce GHG emissions in half compared to FY2019 (Scope 1, 2)</li> <li>• FY2025: 12,000 t-CO<sub>2</sub>e reduction in GHG emissions (Scope 1, 2)</li> <li>• FY2025: Reduce energy consumption intensity by 3% compared to FY2022</li> </ul>	<ul style="list-style-type: none"> <li>• GHG emissions (Scope 1, 2): 211,970 t-CO<sub>2</sub>e, reduced by 3,783 t-CO<sub>2</sub>e (compared to FY2022)</li> <li>• Energy consumption intensity <ul style="list-style-type: none"> <li>• Including special factors<sup>*1</sup>: 17.6 TJ / 10 billion JPY, increased by 3.5% (compared to FY2022)</li> <li>• Excluding special factors<sup>*1</sup>: 15.6 TJ / 10 billion JPY, reduced by 8.2% (compared to FY2022)</li> </ul> </li> </ul>
Conservation of the global environment		<ul style="list-style-type: none"> <li>• Environmental accidents: 0</li> <li>• Environmental law violations: 0</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental accidents: 0</li> <li>• Environmental law violations: 0</li> </ul>
Circular economy		<ul style="list-style-type: none"> <li>• FY2025: Reduce waste emissions by 3% or more compared to FY2022</li> <li>• FY2025: Reduce water withdrawal by 3% or more compared to FY2022</li> <li>• FY2025: Revise the definition of recycling rate, determine final disposal amount (more than 90wt% of all waste)</li> </ul>	<ul style="list-style-type: none"> <li>• Waste emissions: 25,410 t, increased by 10.3% (compared to FY2022)<sup>*2</sup></li> <li>• Reduction in water withdrawal: 5,844 thousand m<sup>3</sup>, increased by 44.8% (compared to FY2022)<sup>*2</sup></li> <li>• Conducted water stress regional surveys at 73 locations collecting environmental information, identified 6 locations (8.2%) in areas with High Risk or higher</li> <li>• The definition of recycling rate was revised and finalized</li> </ul>

<sup>\*1</sup> Special factors are the impact of the PW1100G-JM engine additional inspection program, etc. <sup>\*2</sup> Increase due to temporary changes in production processes at overseas sites

### S | Society

Material Issues	Vision	Metrics and Targets	Main Results for FY2023
Diversity, equity, and inclusion	<ul style="list-style-type: none"> <li>• Employees are fully able to demonstrate their talents based on common values</li> <li>• Connecting the power of diversity to value creation</li> </ul>	<ul style="list-style-type: none"> <li>• FY2030: Increase the ratio of female Officers to 30% or higher</li> <li>• FY2030: Increase the ratio of female Managers to 15%</li> <li>• FY2026: Increase the ratio of female Managers to 7%</li> <li>• FY2026: Increase the ratio of female hires to approximately 20% among university graduates</li> <li>• FY2023: Increase the employment rate of people with disabilities to 2.6%</li> </ul>	<ul style="list-style-type: none"> <li>• Ratio of female Officers: 18%</li> <li>• Ratio of female Managers: 5.3%</li> <li>• Ratio of female hires (university graduates): 19.8%</li> <li>• Employment rate of people with disabilities: 2.62%</li> <li>• Employee engagement: 54 points</li> <li>• Registered employees with concurrent work outside IHI / side work within IHI: Approx. 140 in total</li> </ul>
Work-style and operational process reforms	<ul style="list-style-type: none"> <li>• Improving productivity within the entire organization</li> </ul>		
Occupational health and safety	<ul style="list-style-type: none"> <li>• Ensure workplace environment in which all employees can work safely and in good health</li> </ul>	<ul style="list-style-type: none"> <li>• FY2023: Occupational health and safety rate Less than 0.6 (works divisions) Less than 1.2 (construction divisions)</li> </ul>	<ul style="list-style-type: none"> <li>• Cases of occupational accidents (injuries with no time lost or higher, in Japan): 54</li> <li>• Occupational health and safety rate: 0.95 (works divisions) 2.10 (construction divisions)</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>• Proactively fulfill the responsibility toward respecting human rights for all people</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct human rights impact assessments for about 160 IHI Group Companies in three years</li> </ul>	<ul style="list-style-type: none"> <li>• Total number of companies conducting human rights impact assessments: 96 (of which 37 in FY2023)</li> <li>• The IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines were developed and distributed in Japanese, English, and Chinese</li> </ul>
Supply chain management	<ul style="list-style-type: none"> <li>• Build sustainable supply chains</li> </ul>	—	<ul style="list-style-type: none"> <li>• Established a grievance mechanism (from April 1, 2024)</li> </ul>
Corporate citizenship	<ul style="list-style-type: none"> <li>• Engage in social contribution activities that enhance the value of the IHI Group while helping to foster the creation of a habitable and prosperous world</li> </ul>	—	<ul style="list-style-type: none"> <li>• Total expenditure for social contribution activities: 532 million JPY (43 million JPY increase compared to the previous fiscal year)</li> </ul>
Consumer relationships	<ul style="list-style-type: none"> <li>• Pay full attention to the safety of the products and services and continue to improve the quality level of the products and services by confirming whether they satisfy customers and users</li> </ul>	—	<ul style="list-style-type: none"> <li>• QMS certification acquisition rate for domestic business sites and works ISO 9001: 90.6% Acquisition rate including other standards: 96.2%</li> </ul>

### G | Governance

Material Issues	Vision	Main Results for FY2023
Securing and maintaining stakeholder trust	Corporate governance	<ul style="list-style-type: none"> <li>• Conducted trial introduction of ESG Index for the purpose of promoting ESG management in performance-based bonuses (annual incentives) for Officer remuneration (full-scale introduction from FY2024)</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>• Compliance hotline reports: 314</li> <li>• Competition law violations: 0</li> <li>• Anti-corruption law violations: 0</li> </ul>
	Risk management	
	Innovation management	<ul style="list-style-type: none"> <li>• Research and development expenses: 39.3 billion JPY</li> <li>• Patent acquisitions: 564</li> <li>• Patents held: 8,172 (4,094 in Japan, 4,078 overseas)</li> </ul>
	Information security	<ul style="list-style-type: none"> <li>• Information security measures evaluation: 3.8 (out of 5)</li> </ul>
	Timely and proper disclosure	<ul style="list-style-type: none"> <li>• Dialogue conducted with investors: 361 companies (99 Japanese investors, 262 overseas investors)</li> <li>• Dialogue conducted with bond investors: 30 companies (13 investors, 7 banks, 6 financial institutions, 4 securities companies)</li> </ul>