

## Supply Chain Management

### Approach of supply chain management

The IHI Group's procurement activities are based upon the IHI Group Procurement Policy, which consists of three pillars: "Fair and Impartial Procurement," "Mutually Beneficial Partnership with our Business Partners," and "Approach to Compliance and Social Responsibility," and takes its social responsibility by building sustainable supply chains.

### Governance

The IHI Group takes a broad approach to risk management, including considering country risks and natural disaster risks in the supply chain. After the corporate division formulates measures and business areas implement them, the results are shared and discussed at the IHI Group Risk Management Conference, chaired by the chief executive officer (CEO).

Activity policies and measures related to human rights issues in the supply chain, as well as their results, are shared and deliberated at the Human Rights and DE&I Committee, chaired by the officer in charge of Group Human Resources.

In fiscal 2024, all reports were submitted on a quarterly basis.

### Risk management for strengthen supply chains

The IHI Group is globally promoting activities to strengthen its supply chain to prevent stagnation of corporate activities possibly caused by natural disasters, infectious diseases, conflicts, and emerged risks from the CSR procurement perspective, and so on.

The IHI Group strives for stable procurement by collecting market trends about raw materials and parts, thoroughly manages quality and delivery of its suppliers to avoid excessive concentration and dependence, and proceeds with multiple source selection.

To build a supply chain that is less vulnerable to different risks, the IHI Group identifies important suppliers essential to business continuity and uses a variety of assessment tools to select business partners as targets for strengthening its supply chain.

#### Selecting important business partners

The IHI Group identifies suppliers that are important to its business from the following criteria and conducts focused risk management.

- Importance of ordered materials and processes
- Amount of annual orders
- Difficulty of substitution
- Lengthy delivery time, etc.

In fiscal 2024, 514 companies were identified as important business partners from among first-tier business partners. Of the approximately 9,000 first-tier business partners with which the IHI Group does business, the procurement amount of the 514 important first-tier business partners accounted for 24% of the total.

### Number and ratio of important business partners

(Unit: Company, Scope: IHI and 26 affiliated companies in Japan)

Item	Number of Business Partners	Procurement Amount Ratio*
Number of first-tier business partners	Approx. 9,000	100%
Number of important first-tier business partners	514	24%

\* FY2024 orders

### Utilization of sustainability assessment service "EcoVadis"

The IHI Group entered into an agreement with EcoVadis, a third-party ESG assessment firm, in June 2024, to establish a system to evaluate supply chain risk properly and fairly.

The IHI Group establishes a risk management system where it encourages its business partners to undergo sustainability assessments conducted by EcoVadis: if there are no issues found, the Group manages them as excellent suppliers, and if there are concerns picked up, it makes special interviews for clarification and improvement purpose. EcoVadis system also enables it to promptly pick up publicly opened news such as compliance violations, and to respond to the relevant supplier(s) in little time.

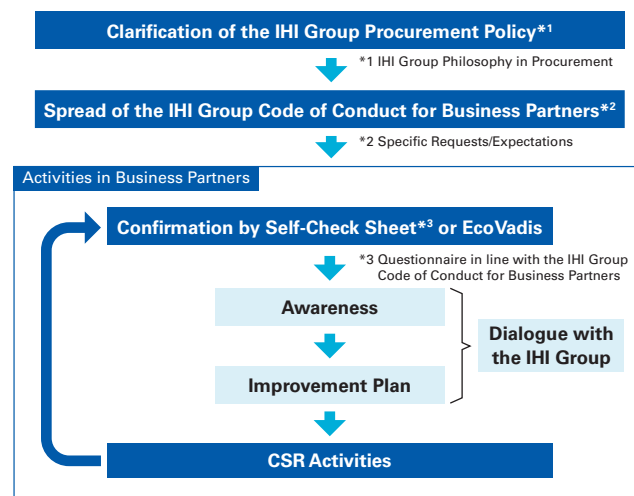
Additionally, 432 business partners have provided the IHI Group with the results of their EcoVadis assessments as part of the Group's supply chain risk monitoring, and 80% of these partners received an overall score of 45 points or higher.

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**Supplier management using self-check sheets**

The IHI Group has developed the IHI Group Code of Conduct for Business Partners with reference to the Responsible Business Conduct Guidelines (established by JEITA) and the Responsible Business Alliance (RBA) Code of Conduct, and is distributing it to the Group's business partners. In addition, some business partners were asked to complete a self-check sheet based on the Code of Conduct, in order to recognize issues and further engage in CSR activities.

To date, 372 self-check sheets have been collected as part of pre-interviews for on-site dialogues and pre-screenings of important business partners for some construction projects. Of which, 163 were collected from important business partners.

**CSR activity promotion process****Dialogue using EcoVadis**

Starting in fiscal 2024, the IHI Group began visiting business partners and holding dialogues to hear about issues based on the EcoVadis sustainability assessment. The purpose of these dialogues is to ask about the status of business partners' daily CSR procurement efforts and to have a constructive discussion about cooperation for further improvement. In fiscal 2024, ten companies were chosen from among the Group's important first-tier business partners in Japan after screening utilizing risk assessments based on their business type and country, as well as their actual CSR initiatives. After using self-check sheets and other tools to perform advance interviews, visits to speak with them in person were held. The discussion included an explanation of IHI Group's strategy, namely with relation to harassment prevention, internal reporting, and carbon neutrality, and opinions were exchanged regarding the initiatives being undertaken by the business partner.

**Active dialogue with foreign technical intern trainees**

Starting in fiscal 2023, the IHI Group, in cooperation with the Global Alliance for Sustainable Supply Chains (ASSC), engages in proactive dialogue (in-person interviews) for risk mitigation purpose regarding non-Japanese technical intern trainees employed by partner companies located on the premises of IHI and its Group companies in Japan. The IHI Group gets a handle on the interviewees' grievance and/or complaints about work conditions and/or environment when they are small. The IHI Group engaged in proactive dialogue (in-person interviews) with 54 foreign non-regular workers at eight different locations in Japan between

November 2023 and October 2024.

**Responding to anti-social forces and anticorruption**

The IHI Group contractually requires its business partners to prohibit all relationships with anti-social forces, and commits no acts of bribery toward foreign government officials as prohibited by the "Penal Code and the Unfair Competition Prevention Act" or against the laws enacted in the particular country. If any acts as said above are found, the IHI Group requests the relevant company(s) investigate and report it to the IHI Group.

**Procurement responsibility over mineral resources including conflict minerals**

The IHI Group endorses the aims of the Responsible Minerals Initiative (RMI), an international organization leading procurement responsibility regarding mineral resources. The IHI Group, for the time being, conducts activities regarding tin, tantalum, tungsten, and cobalt which have a considerable number of RMI-approved suppliers. The final target is to confirm that all purchases are manufactured through RMI-certified refiners and smelters. The IHI Group specifies product groups such as jet engine parts that surely contain the targeted mineral resources, and continues to conduct surveys by sending questionnaires designated by RMI to manufacturers which produce the targeted parts. The IHI Group plans to expand the scope of the product group surveyed as needed. Respecting the "5-step Frame Work guidance" set out by the Organization for Economic Co-operation and Development (OECD), the Procurement Strategy Planning Division in the IHI Group takes a lead over activities by designated procurement departments.