

# 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.

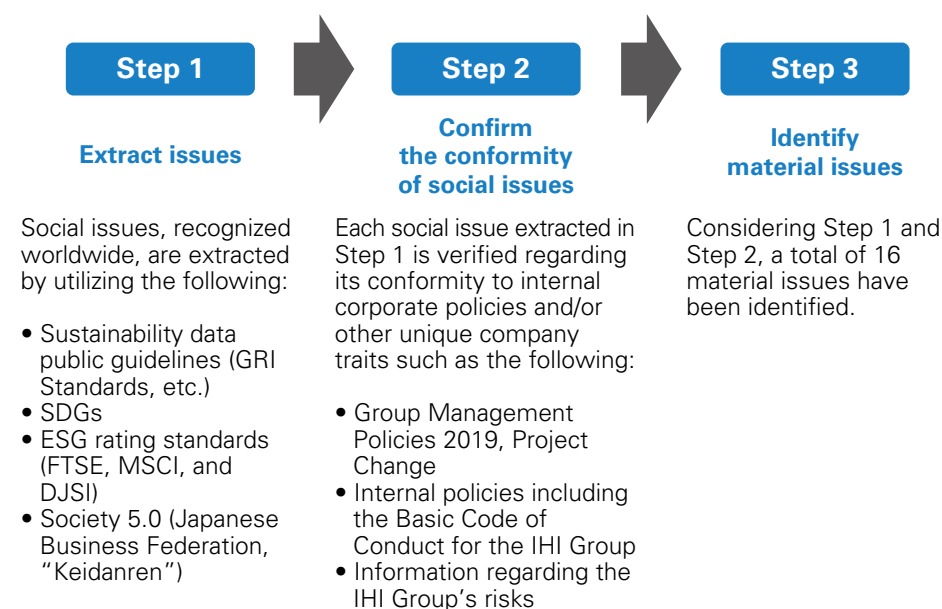
As part of Project Change, formulated in 2020, the IHI Group is striving to “Create a world where nature and technology work in unity” in the near future. By setting this goal, the social issues the Group need to address along with the values it aims to provide have been clarified. The Group has re-identified 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 as ensuring that its human resources are active and earning trust from its stakeholders through integrity management.

### web Medium-term Management Plan

## Identification Process of Material Issues




















### Identify Material Issues According to Our Sustainability Goal



Material Issues		Particularly Important Issues Identified in IHI Group ESG Management
<b>E</b> <b>P.15</b>	● Climate change ..... <a href="#">P.21</a>	<b>Climate change</b>
	● Conservation of the global environment..... <a href="#">P.32</a>	
	● Circular economy ..... <a href="#">P.37</a>	
<b>S</b> <b>P.41</b>	● Diversity, equity, and inclusion..... <a href="#">P.42</a>	<b>Human rights</b>
	● Work-style and operational process reforms..... <a href="#">P.62</a>	
	● Occupational health and safety..... <a href="#">P.64</a>	
	● Human rights ..... <a href="#">P.73</a>	
	● Supply chain management ..... <a href="#">P.80</a>	
	● Corporate citizenship ..... <a href="#">P.84</a>	
<b>G</b> <b>P.90</b>	● Consumer relationships..... <a href="#">P.87</a>	<b>Diversity, equity, and inclusion</b>
	● Corporate governance ..... <a href="#">P.91</a>	
	● Compliance..... <a href="#">P.104</a>	
	● Risk management..... <a href="#">P.112</a>	
	● Innovation management..... <a href="#">P.116</a>	
	● Information security..... <a href="#">P.123</a>	
	● Timely and proper disclosure..... <a href="#">P.13</a> , <a href="#">P.89</a>	<b>Securing and maintaining stakeholder trust</b>

## IHI Group Material Issues

## Targets and Results regarding Material issues

	Material Issues		Vision	Metrics and Targets	Main Results for FY2023	SDGs
Environment	Climate change			<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 Including special factors*: 17.6 TJ/10 billion JPY, increased by 3.5% (compared to FY2022) Excluding special factors*: 15.6 TJ/10 billion JPY, reduced by 8.2% (compared to FY2022)</li> <li>*1 Special factors are the impact of the PW1100G-JM engine additional inspection program, etc.</li> </ul>	       
	Conservation of the global environment		<ul style="list-style-type: none"> <li>Reduce the environmental impact of the entire social system</li> </ul>	<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: Review the definition of recycling rate, determine final disposal amount (more than 90 wt% of all waste)</li> </ul>	<ul style="list-style-type: none"> <li>Waste emissions: 25,410 t, increased by 10.3% (compared to FY2022)*2</li> <li>Reduction in water withdrawal: 5,844 thousand m<sup>3</sup>, increased by 44.8% (compared to FY2022)*2</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> <li>*2 Increase due to temporary changes in production processes at overseas sites</li> </ul>	
Society	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>	
Governance	Securing and maintaining stakeholder trust	Corporate governance	<ul style="list-style-type: none"> <li>To earn the trust and support of the IHI Group's shareholders over the long term</li> </ul>	—	<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>Not only complying with laws and regulations, but also accurately understanding the changing values and demands of society and fulfilling its expectations</li> </ul>	—	<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	<ul style="list-style-type: none"> <li>Ensuring business continuity and the safety of Officers, employees, and their families; securing, preserving managerial resources, and maintaining public trust</li> </ul>	—		
		Innovation management	<ul style="list-style-type: none"> <li>Keep providing solutions that help solve social issues through the engineering capabilities centering on "Monozukuri" technology</li> <li>Utilizing intellectual property in the business activities to help solve social issues and increase customer value</li> </ul>	—	<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>Ensure the confidentiality of customer and business partner information, along with company management and technical information, etc.</li> </ul>	—	<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>Honestly fulfill accountability for management direction and major operations</li> </ul>	—	<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>	