

Risk Management

Risk Management

Approach

The IHI Group considers and engages in risk management as the top material issue of management. The basic objectives of risk management are ensuring business continuity and the safety of Officers, employees, and their families, securing managerial resources, and maintaining public trust.

Policy

● Risk Management Policy

The IHI Group manages risk in accordance with the following action guidelines based on the Basic Code of Conduct.

1. Ensure the continuity of the IHI Group's business operations.
2. Improve the public reputation of the IHI Group.
3. Protect the IHI Group's managerial resources.
4. Avoid jeopardizing stakeholders' interests.
5. Achieve recovery from damage as soon as possible.
6. Take responsible action when an issue arises.
7. Meet public requirements regarding risks.

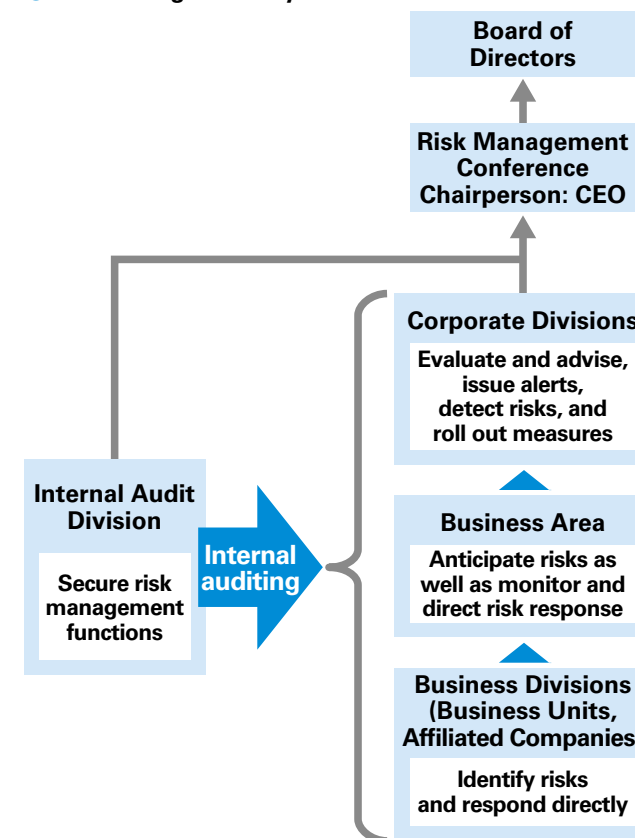
Governance

The IHI Group has established the Risk Management Conference chaired by the CEO as a body to formulate and review policy initiatives and annual plans, assess their progress, and identify issues and take corrective measures, and other matters vital to overall risk management. Details of the Risk Management Conference are reported to the Board of Directors, who then develop systems to achieve risk management initiatives as well as monitor, supervise, and evaluate operation. In addition, the IHI Group established the Compliance Committee, a Group-wide committee on compliance under the Risk Management Conference. This Committee is chaired by the Officer in charge of Group Compliance.

P.105 Compliance Structure

In order to carry out robust risk management, IHI has clarified the roles and responsibilities of business divisions, including affiliated companies, the business area, corporate divisions, and the Internal Audit Division, as well as built a risk management framework.

● Risk Management System



● Risk Management Conference

Chairperson	Chief Executive Officer (CEO)
Members	General Managers of Group Risk Management Units, Presidents of business areas, and others nominated by the Chairperson
Secretariat	Corporate Planning Division
Number of meetings convened in FY2023	4

Risk Management

Risk Management

Risk Management Framework

The IHI Group establishes the Key Policies for Risk Management for each fiscal year. Each IHI division and affiliated company, including those overseas, move forward with independent risk management in accordance with these policies.

The Group is working on comprehensive risk management activities for a wide range of business-related risks. It also designates particularly important risks as the key risk management themes.

Group Risk Management Units made up primarily of IHI corporate divisions provide information and training capitalizing on their expertise, monitor the progress of risk management activities, and offer support to each division.

In fiscal 2023, the IHI Group implemented initiatives based on its Key Policies for Risk Management. Progress of these initiatives is verified on a quarterly basis at the Risk Management Conference, furthermore accelerating risk management through a PDCA cycle.

Key Policies for Risk Management in FY2024

During its second year under the Group Management Policies 2023, the IHI Group will accelerate its transformation into a corporate structure capable of responding to destructive environmental changes. The Group will take a proactive approach toward responding to the new social environment where uncertainty is becoming the norm, such as expanding geopolitical risks, advancing inflation and human resource shortages, and frequent occurrences of severe disasters.

The Key Risk Management Themes for FY2024

The IHI Group will strive to foster sustainable growth and improve corporate value through focused efforts on each of the themes described below.

1. Responding to risks that damage our business operating foundation
 - Compliance
 - Quality assurance
 - Economic security
 - Information security
 - Human rights
 - Risk of talent shortage
2. Responding to risks that hinder the execution of business scenarios

P.104 Compliance

Addressing ESG Risks

In the IHI Group ESG Management announcement made in November 2021, the IHI Group identified measures to combat climate change, respect human rights, promote diversity, equity, and inclusion, and secure and maintain the trust of stakeholders as material issues for ESG management. In the Group Management Policies 2023 announcement made in May 2023, the Group regards responses to customer and social issues, including climate change countermeasures, as business opportunities, and promotes ESG management by incorporating environmental and social values into its business evaluations.

Through internal organizations and various activities centered on the Risk Management Conference and the ESG Management Promotion Committee, the IHI Group conducts key theme activities and comprehensive risk management activities for ESG risks related to the above-mentioned ESG management material issues. The IHI Group's risk management activities also include ESG risks, which are monitored, supervised, and evaluated by its Board of Directors.

Risk Management Activity Flow



Risk Management

Project Risk Management

Approach

The IHI Group believes that the initial plan has a substantial impact on the subsequent results of both large-scale projects and investments, and therefore manages risk through established screening processes and systems before accepting orders and pursuing investments. In particular, the impact of the initial plan is particularly significant in the case of projects including new elements or elements that have not been implemented for a long time, and under management these impacts are taken into consideration.

Governance

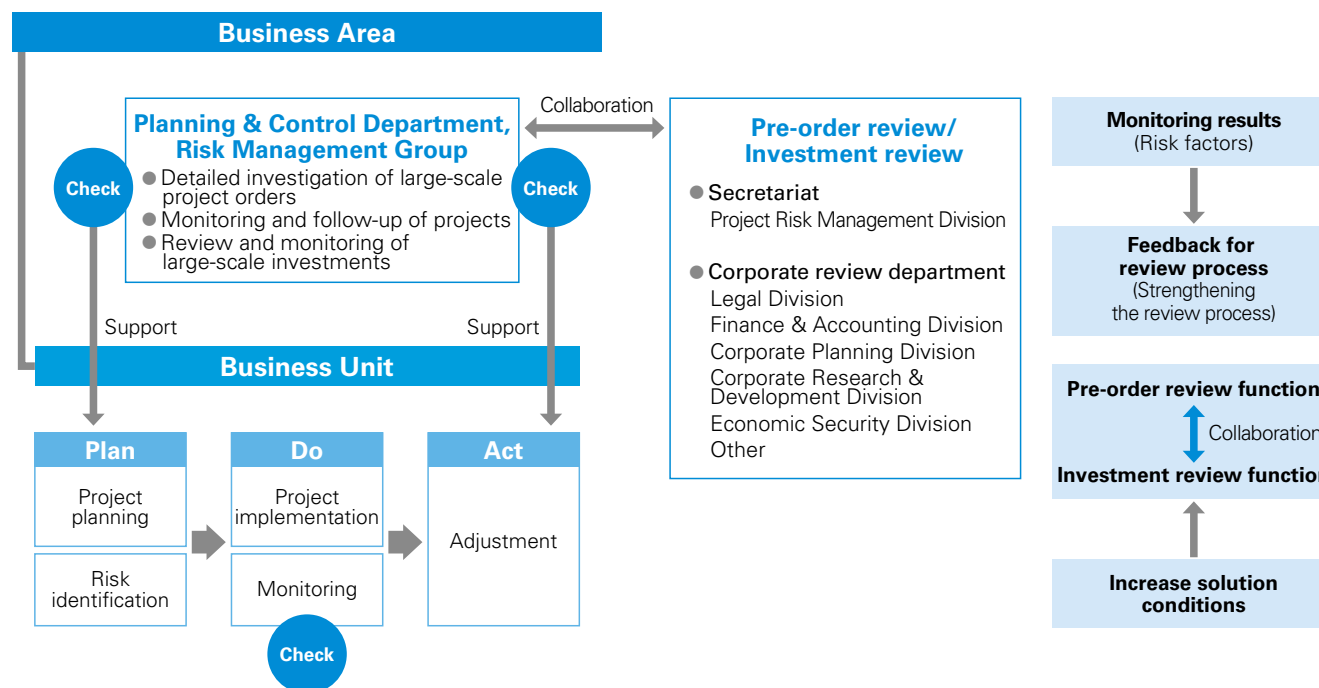
As a pre-order and pre-investment review, we check the appropriateness and risks in the initial plan, confirm no experience and inexperienced factors, and conduct a review by internal and external experts, as well as a multilateral and comprehensive review by the review department.

After ordering and investment is underway, we monitor the progress to ensure things are going according to the initial plan, if there are any new incidents, or that risks are handled appropriately in cooperation with the corporate review department and the department in charge of risk management of each business area. Post-order and post-investment monitoring results are regularly reported to the Management Committee and Board of Directors.

Risk Management

In continuation from fiscal 2022, during fiscal 2023 the IHI Group has been especially focused on post-order monitoring, including on-site audit, for large-scale projects by affiliated companies overseas, which are on the rise. By

Project Risk Management System



utilizing a mechanism launched in fiscal 2022, the Group is continuously reviewing and monitoring social trends and other factors regarding procurement-related risks that may affect the profits and schedules of large-scale projects. As it continues to invest in growth and development-focused businesses, in addition to current steps to prevent downward revisions, the IHI Group will seek information from the project formulation stage for highly novel projects, the number of which is likely to increase. The Group will identify risks at an early stage through information collection.

The number of downward revisions for large-scale projects is decreasing, indicating a certain degree of success in project risk management. The Group believes that the effects

of improving the accuracy of its estimates by strengthening its estimate system as well as enhancing the resource management of key members involved in project execution and other initiatives have become apparent.

The IHI Group is conducting Project Manager Training for employees who plan to work as Project Managers in the future as part of strengthening the project management capabilities of the Group.

Project Management Course Participants (total)

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

Item	FY2021	FY2022	FY2023
Participants	101	108	76

Risk Management

Crisis Management

Approach

The IHI Group has formulated a crisis management structure, response procedures, and Business Continuity Plans (BCP) for the entire Group to respond to emergency situations as part of the Basic Rules of Crisis Management for IHI Group.

Governance

Crisis Management Structure

In the event of a situation that could have a serious impact on management or business operations, the Group will consider the degree of impact, such as the severity, ripple effects, and continuity of the crisis, set up a Crisis Management Headquarters according to the level of the crisis to deal with the damage and take appropriate measures to minimize damage. At the highest crisis level, the head of the Crisis Management Headquarters is, in principle, the CEO. Under the direction of the CEO, the Group gathers information, reports on crisis levels, and takes appropriate countermeasures.

Risk Management

Disaster Prevention Initiatives

The IHI Group makes preparations for the occurrence of large-scale earthquakes, typhoons, and other wind and flood disasters which have become increasingly severe during recent years by ensuring the safety of its employees, quickly restoring damaged factories, and continuing its business operations. Internal regulations clarify organizational structure and any proceedings to be implemented during normal times and during times of disaster. In the event of a large-scale disaster, a system to promptly confirm the safety of employees and their families has been introduced, and safety response drills are regularly conducted.

Each of the IHI Group's business sites and divisions uses Business Continuity Plans (BCP) tailored to their location and outside experts are invited to review and revise these plans on a regular basis through routine training and classroom work to verify their effectiveness. As part of tabletop training, the Group created training scenarios for when power, communications, water and sewage, and other major equipment are rendered unusable based on past disaster response experience, and drills are conducted in order to simulate factory restart 24, 48, and 72 hours following disaster.

Every March the Group conducts Group-wide response training, which the President and other management executives take part in to prepare for severe disasters, used to verify the effectiveness of BCPs from a variety of angles which include assessing the condition of affected business sites and their surrounding customers, arranging relief supplies to aid recovery, and inspecting modes of transportation.

As disasters that occur overseas have different regional characteristics, preparedness activities for them are conducted based on the results of risk assessments.

Continual Revisions to the BCP

