IHI Group Material Issues

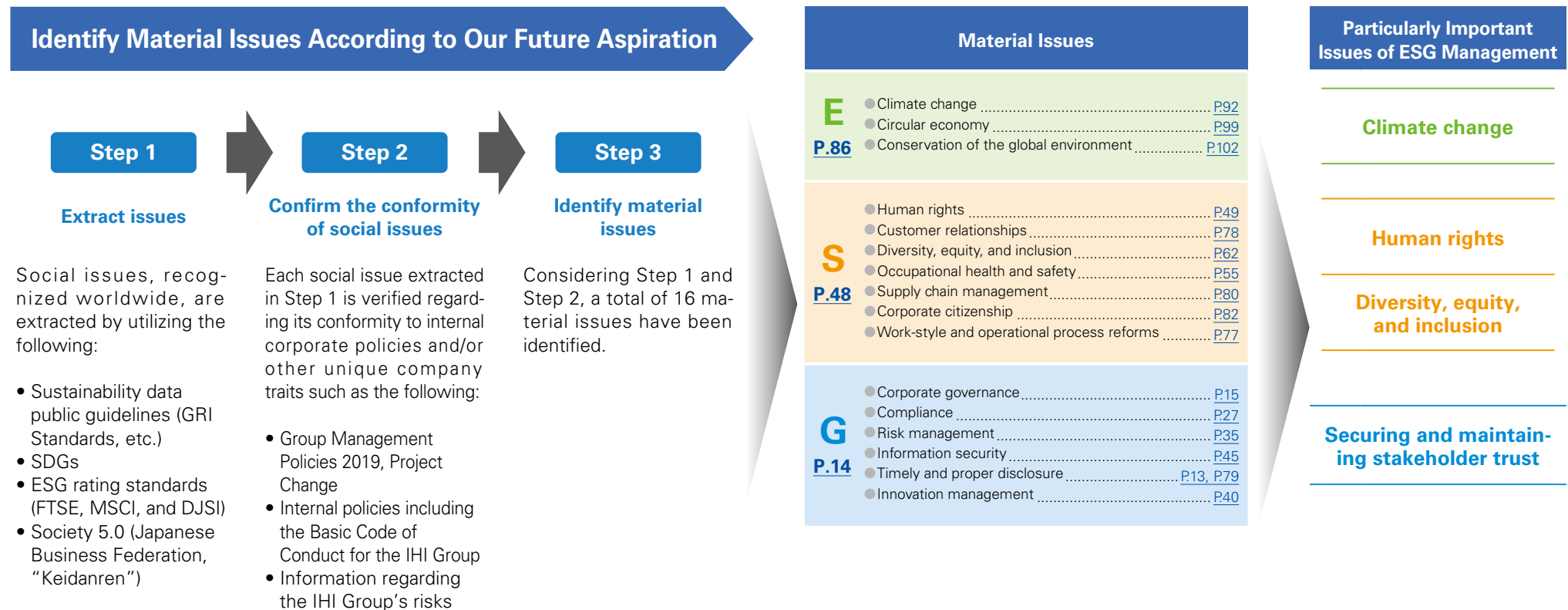## Identifying Material Issues

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, we are striving to create "a world where nature and technology work in unity" in the near future. By setting this goal, the social issues we need to address along with the values we aim to provide have been clarified. We re-identified and revised our 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.

In ESG management, greater importance is placed on engaging in efforts to combat the global challenge of climate change, respecting the human rights of everyone involved in our businesses, empowering diverse human resources as the driving force of value creation, and earning trust from stakeholders through integrity management.

`web` **Medium-term Management Plan**

● **Identification Process of Material Issues**

Identify Material Issues According to Our Future Aspiration

Step 1 → **Step 2** → **Step 3**

Extract issues

Confirm the conformity of social issues

Identify material issues

Social issues, recognized worldwide, are extracted by utilizing the following:

- Sustainability data public guidelines (GRI Standards, etc.)
- SDGs
- ESG rating standards (FTSE, MSCI, and DJSI)
- Society 5.0 (Japanese Business Federation, "Keidanren")

Each social issue extracted in Step 1 is verified regarding its conformity to internal corporate policies and/or other unique company traits such as the following:

- Group Management Policies 2019, Project Change
- Internal policies including the Basic Code of Conduct for the IHI Group
- Information regarding the IHI Group's risks

Considering Step 1 and Step 2, a total of 16 material issues have been identified.

Material Issues

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- Compliance P.27
- Risk management P.35
- Information security P.45
- Timely and proper disclosure P.13, P.79
- Innovation management P.40

Particularly Important Issues of ESG Management

Climate change

Human rights

Diversity, equity, and inclusion

Securing and maintaining stakeholder trust

IHI Group Material Issues

● Target Initiatives, Goals, and Vision for Material Issues

	Material Issues	Approach/Policies	Target Initiatives	Goals and Vision
Environment	Countermeasures against climate change	Climate change has a tremendous impact on society and economy, and a social issue that questions company sustainability. We believe the social issue of climate change is one that we should work to address through mitigation and adaptation.	**Taking measures against climate change through products and services** ● Development and social implementation of technologies to achieve carbon neutrality ● Helping provide economic infrastructure that is resistant to natural disasters **Reducing GHG emissions** ● Using energy efficiently ● Using less carbon energy	Mitigation: • FY2050: Achieving carbon neutrality throughout the value chain by FY2050 • FY2030: Reduce GHG emissions in half compared to FY2019 (Scope 1, 2) • FY2025: 6,000t-CO$_2$ reduction in GHG emissions (Scope 1, 2) • FY2025: Reduce energy consumption intensity by 3% compared to FY2022 Adaptation: Achieving community infrastructure that can dually be utilized in times of peace, but is strong during emergencies
	Establishing a circular economy	We appropriately manage waste and water resources to improve resource efficiency and reduce environmental impact in order to realize a sustainable society.	● Reduce waste emissions ● Appropriate management of water resources (investigating water risks and reducing water withdrawal)	• FY2025: Reduce waste emissions by 3% or more compared to FY2022 • FY2025: Reduce water withdrawal volume by 3% or more compared to FY2022 • FY2025: Revise the definition of recycling rate, determine final disposal amount (more than 90wt% of all waste)
	Conservation of the global environment	We position environmental law compliance and environmental accident prevention as top priority issues.	● Take measures to prevent water pollution (monitoring wastewater quality, wastewater facility maintenance) ● Prevent soil contamination (identify areas where hazardous substances are used) ● Biodiversity conservation	Zero environmental accidents or environmental law violations
Society	Respecting human rights	Through fostering a corporate culture that respects human rights and human rights initiatives throughout all of our business activities, we fulfill our responsibility toward respecting human rights for all people.	**Promoting human rights due diligence** ● Human rights risk assessment, countermeasures, and monitoring (target: IHI Group sites within Japan and abroad) ● CSR procurement monitoring for business partners	
	Improving occupational health and safety standards	We believe ensuring safety and health to be at the foundation of our business activities and one of our most important management concerns.	● Safety and health management: Eliminating work-related accidents based on the Five Safety Principles ● Health management: Mental and physical health management	Based on our belief that all disasters are preventable, working to achieve zero disasters through total participation from all of our employees
	Active participation from diverse human resources	In order to solve increasingly complex social issues, it is essential that we collaborate and cooperate with various stakeholders, which serves as the foundation for promoting diversity, equity, and inclusion.	**Human resource management and development** ● Promoting institutional reform and fostering a corporate culture that evaluates the reform challenges ● Conducting employee awareness surveys to increase engagement ● Developing educational programs that enable diverse human resources to grow and play active roles **Diversity, equity, and inclusion** ● Active participation by diverse human resources (women, employees with disabilities, etc.) ● Secondary jobs outside of the Company, or additional jobs within it	Active participation from a diverse group of human resources: • FY2030: Increase the ratio of female Officers to 30% or higher • FY2026: Increase the ratio of female Managers to 7% • FY2026: Increase the ratio of female hires to approximately 20% among university graduates • FY2023: Increase the employment rate of people with disabilities to 2.6%
	Working style and business process reform	In the current world, where work values are becoming more diversified, we believe it is important for companies to provide workplaces attractive to workers that respond to a variety of values.	● Improve promotion systems for work-style reform and business process improvements ● Introduce methods and systems that create a comfortable workplace ● Establishing a community that creates new value and innovation	
	Improving consumer relations	While giving due consideration to safety, it is our basic policy to provide socially useful products and services that customers can trust and feel satisfied using, and that contribute to the overall development of society.	● Promote understanding and implementation of the IHI Group Quality Declaration among employees ● Ensure product safety through risk assessment during product development ● Implement customer satisfaction surveys, analysis, and improvement activities	
	Improving supply chain management	We conduct purchasing activities based on the three pillars of the IHI Group Procurement Policy: fair and equitable trade, mutual prosperity with business partners, and approach to compliance and social responsibility.	● Steady supply chains ● Formulating the IHI Group Code of Conduct for Business Partners and monitoring CSR procurement	Preventing business activity stagnation due to natural disasters, infectious disease, conflicts, and so on in order to build a sustainable supply chain.
	Coexistence and mutual prosperity with local communities	We believe it is our corporate responsibility to meet social expectations and are making efforts toward social contribution activities.	● Participation in traditional local community events ● Visiting lectures and SDGs education in order to nurture the next generation of human resources ● Environmental conservation in areas bordering business sites	Putting 1% of net income toward social contribution activities
Governance	Improving corporate governance	We are improving management efficiency to better capitalize on our inherent strengths through corporate governance, defined as a system that ensures sustainable growth and maximizes corporate value, ensuring appropriate operation.	● Evaluate Board of Directors' effectiveness with displayed results ● Backup for improving outside director and auditor effectiveness	
	Thorough compliance	Compliance is the foundation for social business activities, and as such we must comply with laws and corporate regulations, acting in a fair and responsible manner as a business entity.	● Compliance Hotline operation ● Tax compliance: Appropriate management of tax costs and tax risks ● Competition and anti-bribery laws: Developing rules for compliance ● Security trade control: Regulation establishment and operation	
	Thorough risk management	Considering risk management to be a material management issue, we conduct risk management based on the Basic Code of Conduct for the IHI Group.	● Review of risk management activity by the Board of Directors ● Project risk management: Setting up advance screening processes and system for orders and investments ● Crisis management: Formulating a business continuity plan (BCP) with continuous review	Earning stakeholder trust
	Innovative management	Aiming to create a society where nature and technology work in unity, we are undertaking the challenge of developing technology that continuously provides new value.	● Concentrating research funds and human resources toward focus areas ● Promoting public–private partnerships and industry–academia partnerships ● Usage and protection of intellectual property in business activity	
	Improving information security	In order to ensure the confidentiality of customer and business partner information, along with company management and technical information, we strive for proper information management and to maintain and improve information security.	● Taking measures to prevent security risks from three angles: rules, tools, and training ● Quantitative evaluations on information security measure levels	
	Providing timely and appropriate information	On top of corporate disclosure activities, we take into consideration the large impact of customers, business partners, shareholders/investors, governments, local communities, employees, and NPOs/NGOs as key stakeholders, and work to maintain positive dialogue.	● Dialogue with stakeholders through financial result briefings, individual meetings, etc. ● Information disclosure through report integration and utilization as a tool for dialogue exchange	