

Risk Management

Risk Management

Approach/Policies

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. We manage risk in accordance with the following action guidelines based on the Basic Code of Conduct for the IHI Group.

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.

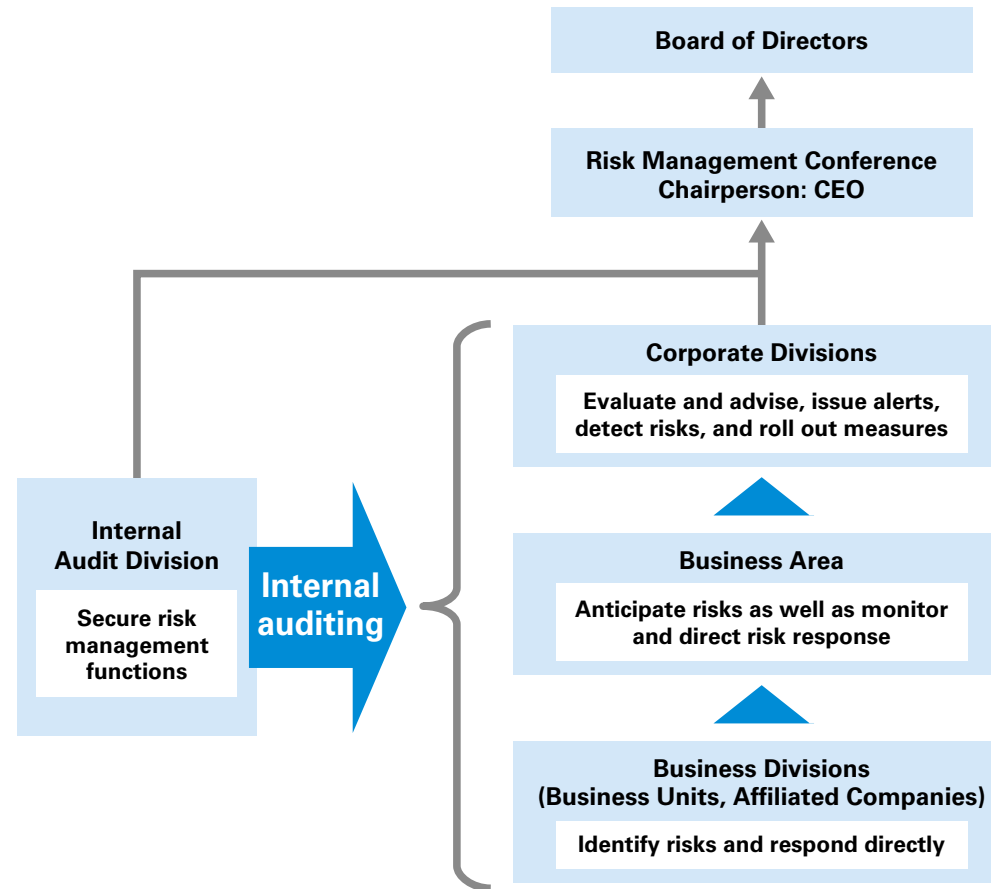
Structure

The IHI Group set up the Risk Management Conference chaired by the Chief Executive Officer (CEO) as a body to review policy initiatives, annual plans, corrective measures, and other matters vital to overall risk management. The Compliance Committee is positioned as the subcommittee of the Risk Management Conference.

P.29 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 multi-layered risk management framework.

Risk Management System



Risk Management Conference

Chairperson	CEO
Secretariat	Corporate Planning Division
Members	General Managers of each Group Risk Management Unit, Presidents of each business area, and others nominated by the Chairperson
Number of meetings convened in FY2022	4

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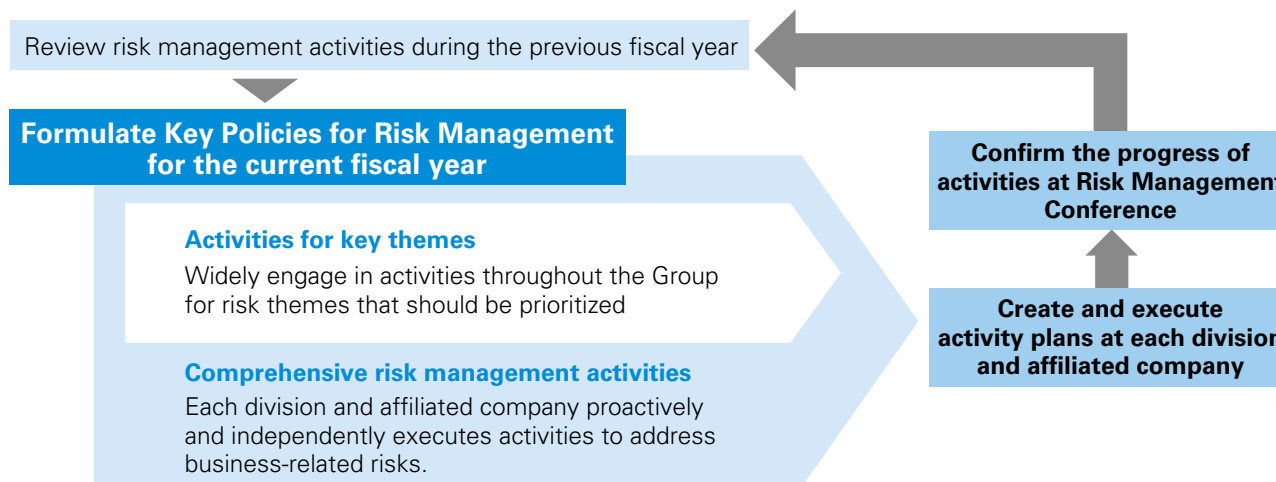
Risk Management Framework

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.

We are working on comprehensive risk management activities for a wide range of business-related risks. We also designate 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.

● Risk Management Activity Flow



Initiatives

In fiscal 2022, the IHI Group implemented initiatives to strengthen risk management through key themes. Progress of these initiatives is verified on a quarterly basis at the Risk Management Conference, furthermore accelerating risk management through a PDCA cycle.

P.27 Compliance

Key Policies for Risk Management in FY2023

Under the Group Management Policies 2023, the IHI Group will accelerate its transformation into a corporate structure capable of responding to destructive environmental changes. We are strengthening our ability to respond to risks that hinder the execution of business scenarios and risks that damage our business operation foundation by building a system to prepare for emergencies. This system will be able to respond to the new social environment where uncertainty is becoming the norm, such as expanding geopolitical risks, advancing inflation, energy and human resource shortages, and frequent occurrences of severe disasters.

● The Key Risk Management Themes for FY2023

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

● Review of Risk Management Activities by Board of Directors

The details of activities examined and confirmed by the IHI Group's Risk Management Conference are reported to the Board of Directors on a quarterly basis.

The Board of Directors evaluates the risk management activities reported by the Risk Management Conference and reflects the results in the risk management activities for the current fiscal year. These reports also play a role in drafting Key Policies for Risk Management for the next fiscal year.

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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, we regard responses to customer and social issues, including climate change countermeasures, as business opportunities, and promote ESG management by incorporating environmental and social values into our 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 risks related to the above-mentioned ESG management material issues.

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Project Risk Management

Approach/Policies

The IHI Group believes that the initial plan has a substantial impact on the subsequent results of both large-scale projects and investments. 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. Based on these factors, we are conducting risk management by establishing review processes and systems before accepting orders and making investments.

Structure

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.

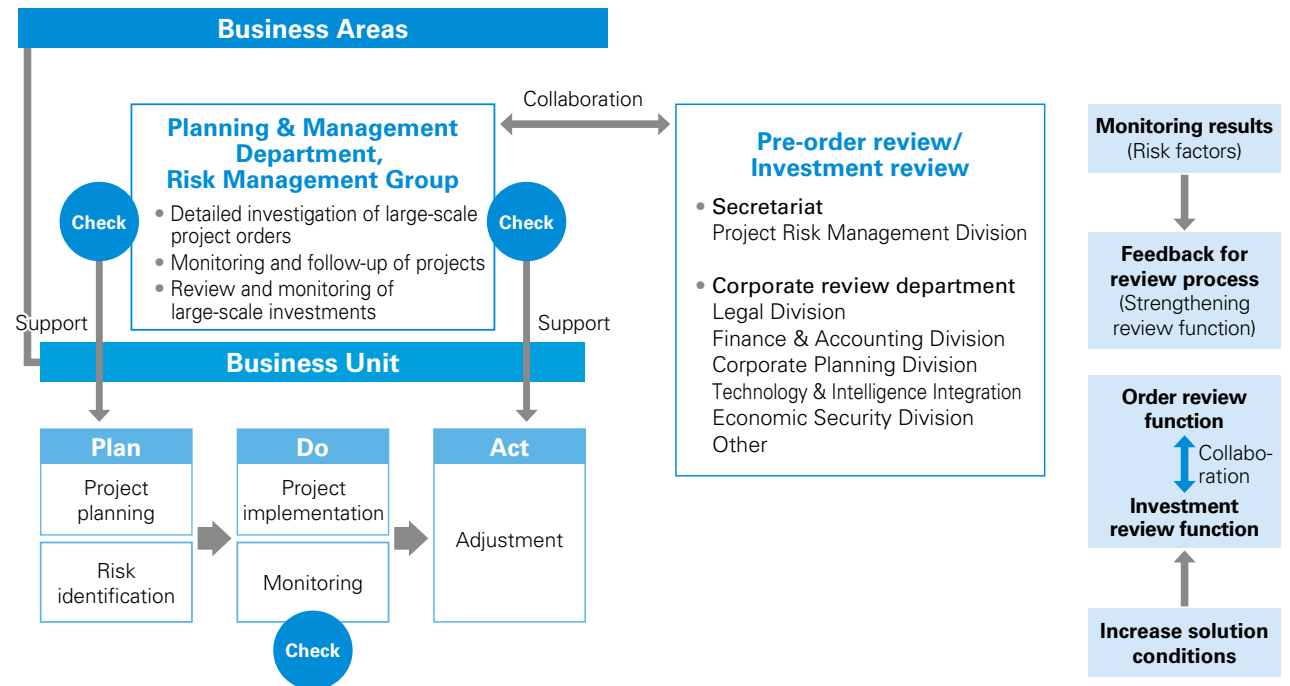
After ordering and investment is underway, we monitor the progress to ensure things are going according to the initial plan, if there are any new incidents, or that risks are handled appropriately in cooperation with the corporate review department and the department in charge of risk management of each business area.

Initiatives

The number of downward revisions for large-scale projects is decreasing, indicating a certain degree of success in project risk management. We believe that the effects of improving the accuracy of our estimates by strengthening our estimate system as well as enhancing the resource management of key members involved in project execution and other initiatives have become apparent. In fiscal 2022, we especially have strengthened our post-order monitoring, including on-site surveys, for large-scale projects by affiliated companies overseas, which are on the rise. In response to the recent price fluctuations, we have launched a mechanism to monitor

social trends and other factors regarding procurement-related risks that may affect the profits and schedules of large-scale projects. As the IHI Group continues to invest in growth and development-focused businesses in the future, 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. We will identify risks at an early stage through information collection. We are 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 IHI Group.

Project Risk Management System



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Crisis Management

Approach/Policies

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

In the event of a situation that could have a serious impact on management or business operations, we 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.

Initiatives

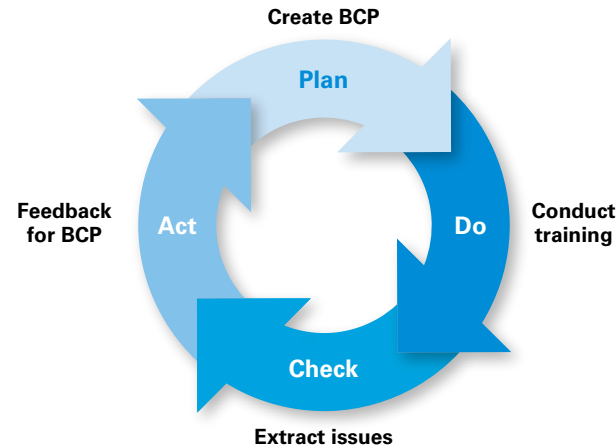
Disaster Prevention Initiatives

To prepare for severe disasters, the IHI Group has built a system to ensure both employee safety and business continuity. In addition, we have clarified the organizational structure and necessary actions in our internal rules, during both normal times and during times of disaster.

The Group has also established a BCP for each representative office, division, and affiliated company, invites outside experts, and revises the plans on a regular basis through routine training and classroom work to verify the effectiveness.

Every March, we conduct Group-wide response training, which the President and other management executives take part in to prepare for severe disasters. By changing the training day, time, and estimated damage of a disaster each year, the effectiveness of the BCP can be tested from various angles.

Continual Revisions to the BCP



Measures to Prevent the Spread of COVID-19

The IHI Group strives to ensure business continuity by prioritizing the health and safety of employees, their families, and every other stakeholder above all and engaging in measures to prevent the spread of COVID-19 infection and any potential cluster infections.

In response to COVID-19, which spread rapidly in 2020, guidelines were formulated to prevent the spread of the virus throughout the Group for each department (offices, plants, construction sites) based on the policies and instructions of the government and local governments. Furthermore, in order to respond flexibly to remote work (working from home), we have upgraded the system by examining online-based business processes.