

Sustainability

IHI Group Material Issues	009
Sustainability Management	011

IHI Group Material Issues

Identifying Material Issues

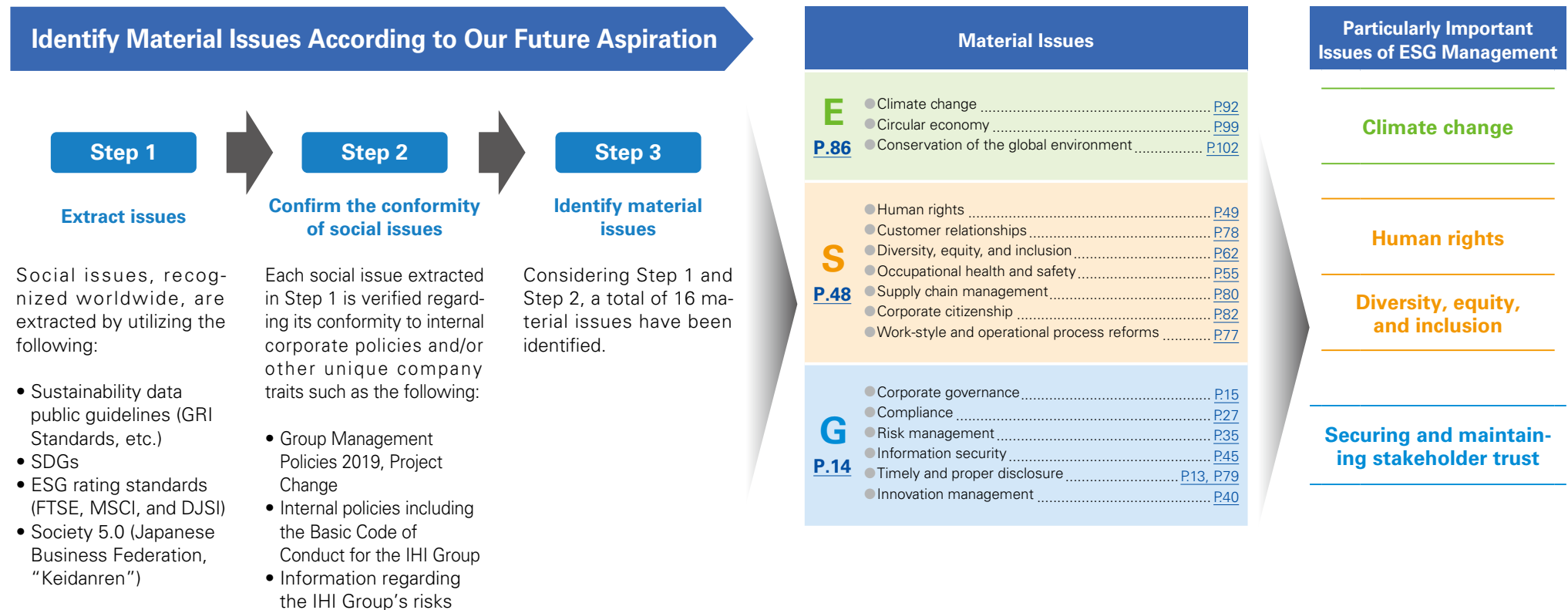
The IHI Group has identified material issues to be prioritized to achieve sustainable growth as a company and realize a sustainable society.

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



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 <ul style="list-style-type: none"> ● Development and social implementation of technologies to achieve carbon neutrality ● Helping provide economic infrastructure that is resistant to natural disasters Reducing GHG emissions <ul style="list-style-type: none"> ● Using energy efficiently ● Using less carbon energy 	Mitigation: <ul style="list-style-type: none"> ● 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-CO₂ 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.	<ul style="list-style-type: none"> ● Reduce waste emissions ● Appropriate management of water resources (investigating water risks and reducing water withdrawal) 	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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 <ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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 <ul style="list-style-type: none"> ● 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 <ul style="list-style-type: none"> ● 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: <ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● 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.	<ul style="list-style-type: none"> ● Dialogue with stakeholders through financial result briefings, individual meetings, etc. ● Information disclosure through report integration and utilization as a tool for dialogue exchange 	

Sustainability Management

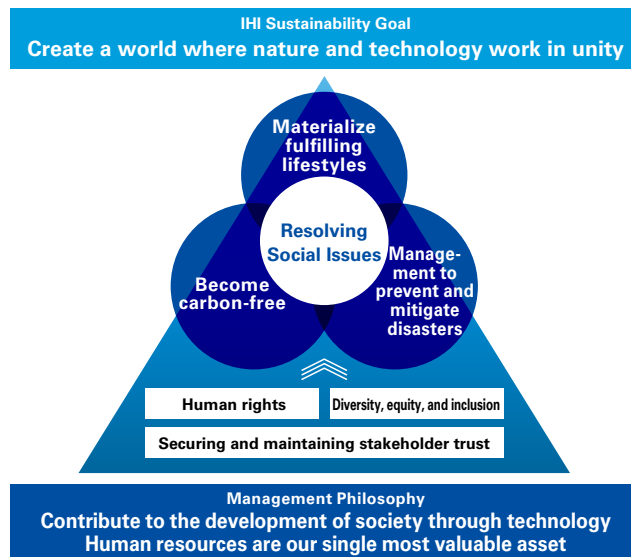
Approach/Policies

The IHI Group implements ESG management based on integrity and considerations for society and the environment, placing ESGs at the core of its values in order to achieve sustainable growth as a company and realize a sustainable society.

IHI Group ESG Management

The IHI Group aims to create a world where nature and technology work in unity. This means protecting people from the threats of nature in a society offering safety, security, and prosperity to realize sustainability in both the global environment and people’s lifestyles. Our businesses will take on various social challenges to create social value as well as enhance corporate value.

IHI Group ESG Management

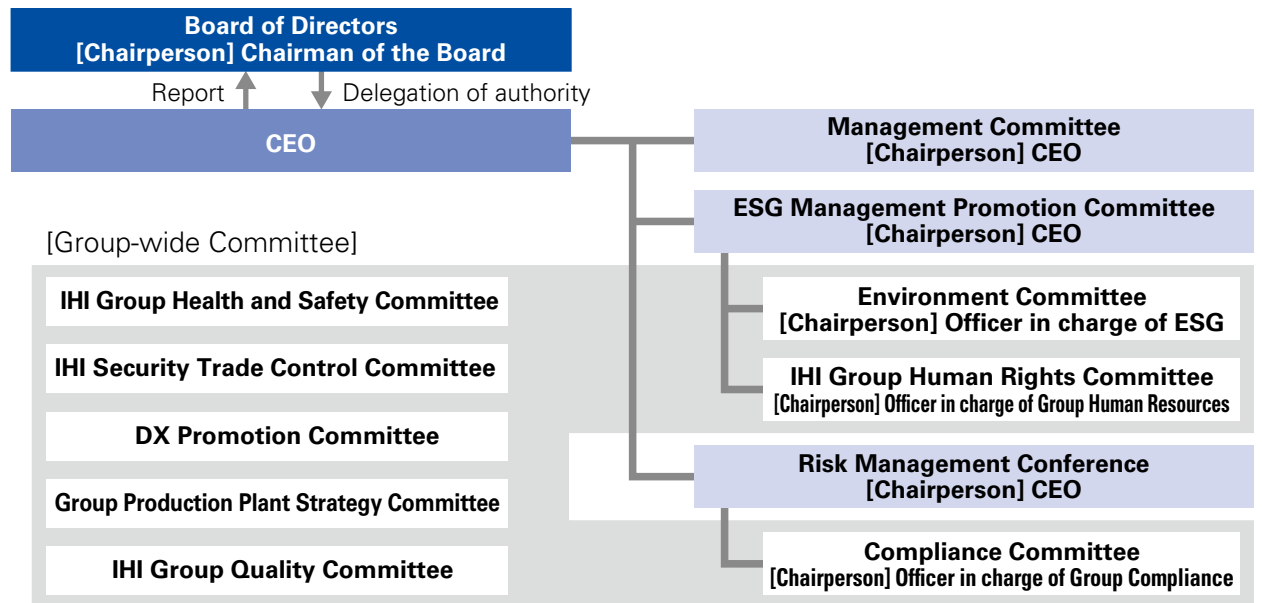


Structure

Sustainability Promotion System

The IHI Group has a duty to contribute to society and the environment in a way that will realize a sustainable society. We know management with clearly defined values is essential to governance making these contributions possible. We have established the ESG Management Promotion

Sustainability Promotion System



Committee, with the Chief Executive Officer (CEO) as its chairperson, for the purposes of examining basic policies and specific activities for ESG management as well as evaluating their progress and making improvements. Matters related to ESG management are reported to the Board of Directors as appropriate, and ESG management is implemented Group-wide.

ESG Management Promotion Committee

Chairperson	CEO
Secretariat	Corporate Planning Division
Members	Directors, Executive Officers, and General Managers
Number of meetings convened in FY2022	2

Sustainability Management

Initiatives

Dialogue with Stakeholders

We view our primary stakeholders with a significant influence over ongoing corporate activities as our customers, business partners, shareholders, investors, government agencies, local communities, employees, and NPOs/NGOs.

As such, we value and engage in broad dialogue with these stakeholders. The Integrated Report and Sustainability Data Book are published as tools for this dialogue. We also released the IHI ESG STORYBOOK in fiscal 2021 to provide details about the IHI Group's ESG management philosophy.

Topics with stakeholders that are considered particularly vital are reported to the Management Committee and Board of Directors, and are thus reflected in our corporate strategy.

● Dialogue Results with UN Agencies and NPOs (FY2022)

United Nations Agencies (February 2023, conducted remotely)	
Dialogue Topics	Adapting to climate change and ensuring a fair transition
Dialogue Partners	Mr. Yusuke Taishi, United Nations Development Programme
IHI Participants	Officer in charge of ESG, General Manager of Social Infrastructure & Offshore Facilities Business Areas
Overview	How to aid disaster prevention and reduce danger through business in countries susceptible to natural disasters
NPOs (February 2023, conducted remotely)	
Dialogue Topics	Mineral supply chains and ensuring a fair transition
Dialogue Partners	Mr. Shigeru Tanaka, Pacific Asia Resource Center, NPO
IHI Participants	Officer in charge of ESG, Procurement Strategy Planning General Manager
Overview	Human rights issues at nickel mining sites in light of future increasing demand

● Main Results of Dialogue with Stakeholders

Stakeholders	Main Purpose of Dialogue	Example of Dialogues from FY2022	Frequency	References
Customers	<ul style="list-style-type: none"> Contributing to solving social issues and customer challenges Ensuring product safety 	• Daily sales activity	Timely	P.78 Customer Relationships
		• Conducting customer satisfaction surveys	Timely	
		• Providing product safety information	As needed	
Business partners	<ul style="list-style-type: none"> Fair and equitable trade Cultivating mutually beneficial partnerships with business partners 	• Disseminating the IHI Group Supplier Code of Conduct	Timely	P.80 Supply Chain Management
		• CSR procurement monitoring	Timely	
Shareholders & investors	<ul style="list-style-type: none"> Appropriate information disclosure in a timely manner Strengthening mutual trust Enhancing corporate value 	• Conducting the General Meeting of Shareholders	Annually	web IR
		• Holding financial result briefings and telephone conferences	Quarterly	
		• Conducting individual meetings	As needed	
		• Information services	As needed	
Government organizations	<ul style="list-style-type: none"> Forming partnerships with government organizations 	• Participating in policy boards	Timely	P.40 Innovation Management
		• Participating in joint developments and projects with government organizations	Timely	
Local communities	<ul style="list-style-type: none"> Recognizing ourselves as a member of society Contributing to solving social issues 	<ul style="list-style-type: none"> Hosting events for local communities Holding school visits 	Timely	P.82 Corporate Citizenship
Employees	<ul style="list-style-type: none"> Developing and securing human resources, our most important management resource 	• Conducting employee-awareness surveys	Annually	P.62 Diversity, Equity, and Inclusion P.27 Compliance
		• Operating a compliance hotline	Regularly	
NPOs & NGOs	<ul style="list-style-type: none"> Examining social issues that could lead to business opportunities 	• Dialogues with senior management	Timely	—

Sustainability Management

Approach to Communications with Shareholders and Investors

The IHI Group builds stronger relationships based on trust with all shareholders and other investors by recognizing accurate, timely disclosure of corporate information as a core principle of a sound financial instruments market, which is why we actively engage in communication efforts.

Our basic policy is to promote highly transparent management throughout the entire Group. We always disclose accurate and fair information on important management and business matters in a timely manner from the perspective of investors in capital markets. The IHI Group also sees honest Group accountability as a basic policy to define its management direction and main businesses.

Timely and Proper Disclosure

The IHI Group enhances the scope of various materials disclosed both online and offline for active and fair informational disclosure.

We are deeply involved in active communication efforts with our domestic and overseas investors to gain greater understanding about IHI Group business activities.

While we continued to be impacted by the COVID-19 pandemic in fiscal 2022, we resumed holding in-person meetings at various locations worldwide that we had previously held as well as held phone- and video-based conferences with our management team and investors in North America, Europe, and Asia.

Support of International Initiatives

Task Force on Climate-related Financial Disclosures (TCFD)

P.92 **Climate Change**

United Nations Global Compact

The IHI Group signed on to the United Nations Global Compact initiative to build a sound global society as a registered participating company in February 6, 2022.

The IHI Group management philosophy and ESG management resonates with all ten principles of the United Nations Global Compact on human rights, labor, the environment, and anti-corruption. The Group supports these ten principles and works to realize a society of integrity based on them.

● Current Status of Main Dialogue Topics with Shareholders & Investors (FY2022)

Classification	Main Dialogue Topics	References
General	<ul style="list-style-type: none"> Future business portfolio Business areas that contribute to a medium- to long-term increase in corporate value 	P.4 Medium-term Management Plan
E	<ul style="list-style-type: none"> Initiatives to achieve IHI Carbon Neutrality by 2050 Interim targets for GHG emission reduction Strengths and the uniqueness of the IHI Group in addressing climate change 	P.92 Climate Change
S	<ul style="list-style-type: none"> Issues related to human resource development and career design 	P.62 Diversity, Equity, and Inclusion
	<ul style="list-style-type: none"> Predicting human rights risks in the supply chain 	P.49 Human Rights P.80 Supply Chain Management
G	<ul style="list-style-type: none"> Main issues and countermeasures raised during effectiveness evaluation concerning the Board of Directors Board diversity 	P.15 Corporate Governance

