

Environmental Management

Approach

The IHI Group implements management that embraces ESG values (ESG management) based on the desire to “Create a world where nature and technology work in unity.”

The Group’s environmental initiatives continue to work to reduce the environmental impact on society at large in an effort to combat climate change, conservation of the global environment, and circular economy.

The Group has established the IHI Group Basic Environmental Policy as a guideline for action in addressing important environmental issues, and will continue to comply with all environmental laws and regulations as well as endeavor to reduce the environmental impact of its plants and offices in local regions while providing products and services that are friendly toward the global environment. In particular, the Group regards measures to counteract climate change as an important issue, and using the amount of GHG emissions during the product/service life cycle as an indicator, propose conducting business in a way that goes hand in hand with carbon neutrality.

Policy

● IHI Group Basic Environmental Policy

The IHI Group establishes action guidelines as follows pursuant to Article 7 (Responsibility for the global environment) of “IHI Group Basic Code of Conduct,” and acts independently and actively.

Article 1. Establishment of Environmental Management System

To ensure continuous improvement of environmental management, the IHI Group establishes an environmental management system, sets specific objectives and executes an action and a performance evaluation.

Article 2. Compliance with Environmental Laws and Regulations

The IHI Group complies with environmental-related laws and regulations/agreements, policies/plans in related industries, and strives to stipulate and apply independent management standards to enhance environmental management.

Article 3. Provision of Environmentally-Friendly Products, etc.

The IHI Group provides society with products, services, and technologies that contribute to the conservation of the global environment and the reduction of environmental burdens.

Article 4. Conservation of Global Environment and Reduction of Environmental Burdens in Business Activities

The IHI Group strives to conserve the global environment and reduce environmental burdens in all of its business activities as follows.

- (1) Conservation of the global environment
Control of air, water, and soil pollution, and reduction of impact on biodiversity and conservation of biodiversity, in order to achieve a sustainable society
- (2) Reduction of environmental burdens
Reduction of energy consumption, greenhouse gas emissions, and water consumption, improvement of the efficiency of global resource use, and reduction of waste generation, in order to achieve a decarbonized and resource-recycling society

Article 5. Environmental Education

The IHI Group, through environmental education, raises awareness of all people engaging in operations, including officers, employees, and temporary staff of IHI Group companies, thereby they are able to act having concern with environmental problems on their own.

Article 6. Disclosure of Information

The IHI Group actively participates in social activities, discloses appropriate and timely environmental information, and communicates with stakeholders to harmonize with local communities, conserve regional environments, and reduce environmental burdens.

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Governance

The IHI Group promotes environmental activities under the ESG Management Promotion Committee, with the Environment Committee, chaired by the Officer in charge of Group ESG at the core.

For environmental activities throughout the value chain, the Group has formed internal cross-sectional organizations for each of the three material issues: climate change, conservation of the global environment, and circular economy, and collaborates with the Environment Committee. Regarding environmental activities at each plant and office, the Group strives to comply with environmental laws and reduce the environmental impact on local communities, and the details of these activities are managed with PDCA by the Environment Committee. The Group disseminates and expands Environment Committee decisions through all Environmental Manager Liaison Groups and regional offices to domestic and overseas Group companies

The details of discussions by the Environment Committee are reported to the ESG Management Promotion Committee, and feedback received from management is disseminated throughout the Group.

Amid discussions at these committees, matters related to important management decision-making are deliberated on by the Management Committee, which serves as the decision-making body for management execution, and are then submitted to the Board of Directors.

● Environmental Management Systems Diagram



● Environment Committee

Chairperson	Officer in charge of Group ESG
Members	Environmental managers in business areas, headquarters representative's offices, and persons at the corporate divisions nominated by the Committee chairperson
Secretariat	Administration Division
Number of meetings convened in FY2023	3

Strategy

The IHI Group drafts Group environmental action plans every three years and strives to engage in comprehensive environmental initiatives. The environmental action plans are formulated based on the IHI Group Basic Environmental Policy, keeping in mind the provision of environmental value demanded by society.

The IHI Group Environmental Action Plan 2023 creates three major pillars for environmental initiatives from fiscal 2023 to fiscal 2025: climate change, conservation of the global environment, and circular economy.

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Risk Management

The IHI Group strives to reduce the Group's environmental impact—a Group-wide risk management initiative—through capital investments to mitigate environmental risks, legal and regulatory compliance, energy saving, waste emission reductions, and more. Each business area and business unit (SBU) drafts action plans at the beginning of the fiscal year in line with each material subject and tracks progress as well as provides support using a PDCA cycle through the Environment Committee.

Collection and Monitoring of Environmental Information

The IHI Group has designated locations subject to environmental management, including overseas Group companies. Each site has appointed a person in charge to carry out environmental activities, and ensure appropriate management by collecting and monitoring environmental information.

The Group companies encompassed by environmental management engage in a variety of different businesses. These entities include companies with production plants, companies overseeing engineering and on-site construction work, as well as companies focused on only administration. Therefore, each company conducts environmental management based on its own characteristics. The Group companies are building a system to efficiently collect environmental data by checking the management system for GHG emissions, energy and water use, etc. at each site. Also, regarding GHG emissions in category 11 of Scope 3, the Group has calculated all target products of the IHI Group by fiscal 2023, and identified products for which data should be collected and monitored.

ISO 14001 (Environmental Management System)

The IHI Group has put in place Environmental Management Systems (EMS) at each primary production plant and other environmental management centers to manage environmental efforts with a PDCA cycle. Each of these environmental management centers is acquiring the ISO 14001 certification to ensure each established EMS satisfies international standards for environmental management.

These environmental management centers acquire the ISO 14001 certification through the most suitable review board based on each center's business activities.

ISO 14001 Internal and External Audits

The IHI Group always strives to enhance the level of environmental management through regular internal and external audits of each environmental management center. These audits evaluate the fitness and effectiveness of each EMS in accordance with ISO 14001 standards.

External audits conducted in fiscal 2023 did not find deficiencies at any of the ISO 14001-certified environmental management centers and affirmed that each EMS complied with all of the ISO 14001 requirements.

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Metrics and Targets

● IHI Group Environmental Action Plan 2023 (FY2023–2025) Targets and Results (Scope: IHI and consolidated subsidiaries)

Action Plans	Target	FY2023 Progress and Results
Climate change	A 12,000 t-CO ₂ e reduction in Scope 1 and 2 with capital investment	GHG emissions (Scope 1, 2) reduced by 3,783 t-CO ₂ e compared to FY2022 (Reduction equivalent to 4,700 t-CO ₂ e in Scope 1 and 2 with capital investment)
	Reduce energy consumption intensity by 3% in FY2025 from that in FY2022	Energy consumption intensity increased by 3.5% compared to 170 TJ/10 billion JPY in FY2022 to 176 TJ/10 billion JPY in FY2023 (excluding special factors such as the impact of the PW1100G-JM engine additional inspection program [hereinafter "special factors"], the result for FY2023 was 15.6 TJ/10 billion JPY [8.2% reduction compared to FY2022])
Conservation of the global environment	Zero environmental accidents and environmental law violations	Zero environmental accidents and environmental law violations
Circular economy	Reduce waste emissions by 3% or more in FY2025 from that in FY2022	Waste emissions increased by 10.3% compared to 23,044 tons in FY2022 to 25,410 tons in FY2023 (increase due to temporary changes in production processes at overseas sites)
	Review the definition of recycling rate and determine the amount of final waste disposal (more than 90 wt% of all waste)	The definition of recycling rate was revised and finalized
	Reduce water withdrawal by 3% or more in FY2025 from that in FY2022	Water withdrawal increased by 44.8% compared to 4,037 thousand m ³ in FY2022 to 5,844 thousand m ³ in FY2023 (increase due to temporary changes in production processes at overseas sites)

● ISO 14001 Certification Status

Targets	Item	FY2020	FY2021	FY2022	FY2023
IHI and all affiliated companies	Number of sites	44	45	45	45
	Coverage rate (based on amount of energy consumption) (%)	79.7	80.8	81.3	81.0
	Coverage rate (based on number of sites) (%)	60.3	60.8	60.0	61.6
IHI and affiliated companies in Japan	Number of sites	36	37	37	36
	Coverage rate (based on amount of energy consumption) (%)	—	—	—	84.4
	Coverage rate (based on number of sites) (%)	61.0	61.7	59.7	60.0
Affiliated companies overseas	Number of sites	8	8	8	9
	Coverage rate (based on amount of energy consumption) (%)	—	—	—	60.5
	Coverage rate (based on number of sites) (%)	57.1	57.1	61.5	69.2

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Initiatives

Education/Awareness Building

Environmental Education

The IHI Group conducts environmental education which includes education and awareness building for all employees and everyone in charge of environmental management at each environmental management center.

Environmental education is provided through e-learning with the theme of Sustainability and ESG. Also, the Group has also designated every June as environment month. The IHI Group not only quizzes every employee on environmental topics but also shares information about going carbon neutral through an internal newsletter to heighten their environmental awareness.

In addition, its environmental management centers that have acquired the ISO 14001 certification provide education and training according to these ISO standards.

Environmental Education and Training Participants

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

Eligible Participants	Curriculum	FY2020	FY2021	FY2022	FY2023
Employees	e-learning	Not conducted *	4,625	—	—
	Environmental Quiz	Not conducted *	4,220	1,992	2,674
Environmental Managers	Group Energy Efficiency Training	58	Not conducted	88	68
	Group Waste Training	62	Not conducted	56	51

* Due to the effects of the 2020 COVID-19 pandemic.

P.11 Sustainability Management

Reduction of the Environmental Impact

Costs to Reduce the IHI Environmental Impact

(Unit: Millions of yen, Scope: IHI plants and offices)

Item	FY2020	FY2021	FY2022	FY2023
Investments	334	357	563	1,048
Expenditures	23	92	151	365

Environment-related Capital Investments (FY2023)

(Unit: Millions of yen, Scope: IHI plants and offices)

Category	Amount Invested	Main Items	Investment Effect
Energy-saving/climate change measures*	517	Installation of individual air conditioning systems in factories, etc.	Energy consumption and CO ₂ emission reductions
Environmental risk measures	532	Renewal of aged equipment, etc.	Zero environmental accidents and environmental law violations
Total	1,048		

* When consolidated subsidiaries are included, the amount is 1,478 million yen.