

# Sustainability

---

<b>Message from the President</b> .....	<b>008</b>
<b>IHI Group Material Issues</b> .....	<b>009</b>
<b>Sustainability Management</b> .....	<b>011</b>

## Message from the President

### Create a world where nature and technology work in unity

### A united IHI Group is engaging in ESG management



**Hiroshi Ide**

Representative Director and President  
Chief Executive Officer

The IHI Group holds the management philosophies of “Contribute to the development of society through technology” and “Human resources are our single most valuable asset.” We have been making contributions to help solve the social issues for the times since our founding in 1853, and now, amid the ongoing instability experienced in recent years in the social environment, companies are expected to also work toward solving many social challenges, including taking action on climate change and resource depletion as well as respecting human rights.

With the belief that solving these challenges should also be viewed through the lens of corporate management, we announced the IHI Group ESG Management in November 2021 with the intent to realize sustainability in both the global environment and people’s lifestyles. In it, we defined our goal to “Create a world where nature and technology work in unity”—a society where all people including future generations are able to live in security and prosperity.

Taking action on climate change is an area of particular focus as we work to realize our goal. In 2021, we established the IHI Carbon-Neutral 2050 plan, where we aim to realize carbon neutrality by 2050 through our business activities as well as through the products and services we offer. We have been globally pioneering development of technology that uses ammonia as fuel, which does not produce CO<sub>2</sub> emissions even when burned. We aim to quickly establish this technology and build the value chain for it from ammonia manufacturing to ammonia use.

In working toward solutions to social challenges, pro-

moting respect for human rights, and within it Diversity, Equity, and Inclusion (DE&I) in particular, is absolutely essential. We have set 2024 as the year to broadly launch DE&I efforts in the IHI Group. We are promoting DE&I through various initiatives and working to make DE&I an integral part of our Group culture. Through mutual acceptance, building on each other’s strengths, and providing fair opportunities to take on challenges, we intend to create an organizational culture where people feel free to think up ideas and state their opinions.

We have worked to strengthen our compliance framework, including training for all IHI Group employees and workplace dialogue sessions, following the misconduct that occurred in our Civil Aero Engine Maintenance Business in 2019. Meanwhile, in April 2024 we announced that some product data provided to customers had been improperly altered within the IHI Group. It is disgraceful that we have again engaged in conduct that would betray the trust of our stakeholders as we were working to rectify our conduct after the similar incident that occurred in the past. We will do everything in our power to ensure that a similar incident does not happen again.

We will continue holding dialogue with all of our many stakeholders and engaging in ESG management as a united IHI Group, aiming to realize our future goal to “Create a world where nature and technology work in unity.”

# IHI Group Material Issues

## Identifying Material Issues

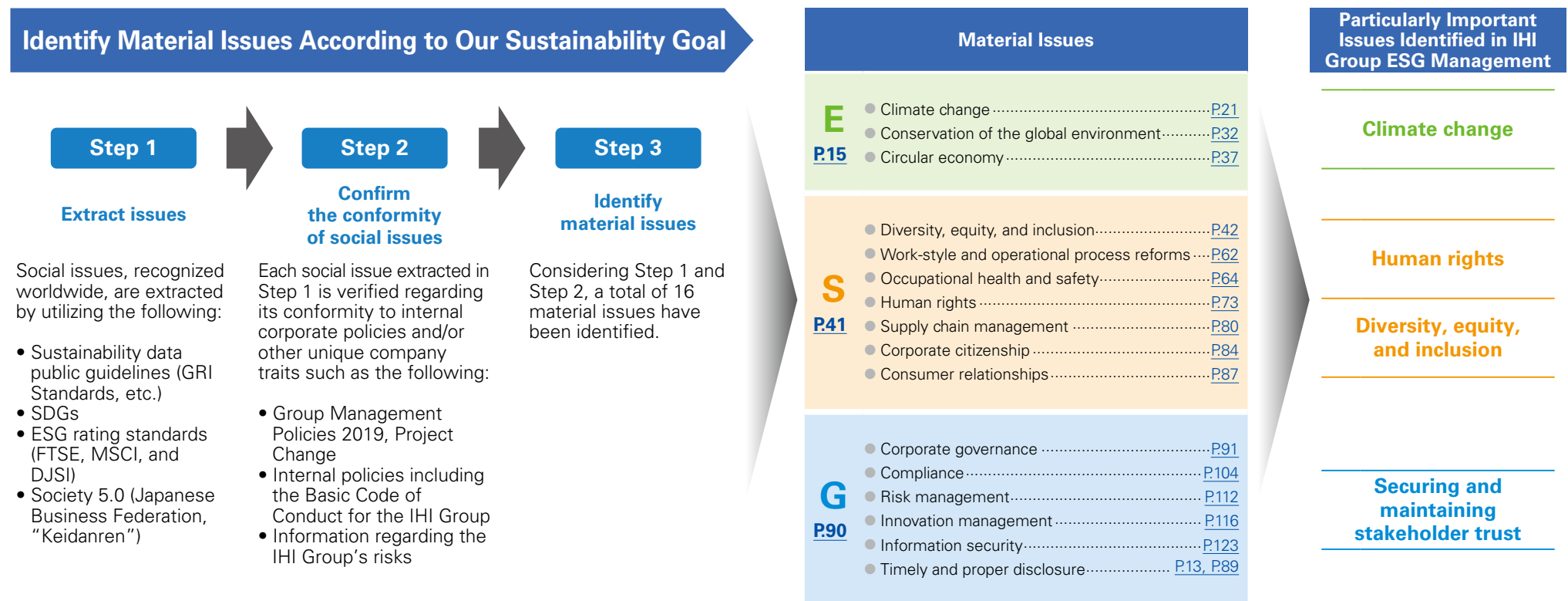
The IHI Group has identified material issues to be prioritized to achieve sustainable growth as a company and realize a sustainable society.

As part of Project Change, formulated in 2020, the IHI Group is striving to “Create a world where nature and technology work in unity” in the near future. By setting this goal, the social issues the Group need to address along with the values it aims to provide have been clarified. The Group has re-identified and revised its 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.

Subsequently, IHI Group ESG Management announced in November 2021 aims to address the global challenge of climate change, respect the human rights of those involved in the Group’s businesses, and empower diverse human resources as the driving force behind value creation. The Group has identified particularly important issues that should be prioritized as ensuring that its human resources are active and earning trust from its stakeholders through integrity management.

**web Medium-term Management Plan**

### Identification Process of Material Issues



# IHI Group Material Issues

## Targets and Results regarding Material issues

	Material Issues	Vision	Metrics and Targets	Main Results for FY2023	SDGs	
Environment	Climate change		<ul style="list-style-type: none"> <li>2050: Achieving carbon neutrality throughout the value chain by 2050</li> <li>FY2030: Reduce GHG emissions in half compared to FY2019 (Scope 1, 2)</li> <li>FY2025: 12,000 t-CO<sub>2</sub>e reduction in GHG emissions (Scope 1, 2)</li> <li>FY2025: Reduce energy consumption intensity by 3% compared to FY2022</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions (Scope 1, 2): 211,970 t-CO<sub>2</sub>e, reduced by 3,783 t-CO<sub>2</sub>e (compared to FY2022)</li> <li>Energy consumption intensity Including special factors*1: 17.6 TJ/10 billion JPY, increased by 3.5% (compared to FY2022) Excluding special factors*1: 15.6TJ/10 billion JPY, reduced by 8.2% (compared to FY2022)</li> <li>*1 Special factors are the impact of the PW1100G-JM engine additional inspection program, etc.</li> </ul>		
	Conservation of the global environment	<ul style="list-style-type: none"> <li>Reduce the environmental impact of the entire social system</li> </ul>	<ul style="list-style-type: none"> <li>Environmental accidents: 0</li> <li>Environmental law violations: 0</li> </ul>	<ul style="list-style-type: none"> <li>Environmental accidents: 0</li> <li>Environmental law violations: 0</li> </ul>		
	Circular economy		<ul style="list-style-type: none"> <li>FY2025: Reduce waste emissions by 3% or more compared to FY2022</li> <li>FY2025: Reduce water withdrawal by 3% or more compared to FY2022</li> <li>FY2025: Review the definition of recycling rate, determine final disposal amount (more than 90 wt% of all waste)</li> </ul>	<ul style="list-style-type: none"> <li>Waste emissions: 25,410 t, increased by 10.3% (compared to FY2022)*2</li> <li>Reduction in water withdrawal: 5,844 thousand m<sup>3</sup>, increased by 44.8% (compared to FY2022)*2</li> <li>Conducted water stress regional surveys at 73 locations collecting environmental information, identified 6 locations (8.2%) in areas with High Risk or higher</li> <li>The definition of recycling rate was revised and finalized</li> <li>*2 Increase due to temporary changes in production processes at overseas sites</li> </ul>		
Society	Diversity, equity, and inclusion	<ul style="list-style-type: none"> <li>Employees are fully able to demonstrate their talents based on common values</li> <li>Connecting the power of diversity to value creation</li> </ul>	<ul style="list-style-type: none"> <li>FY2030: Increase the ratio of female Officers to 30% or higher</li> <li>FY2030: Increase the ratio of female Managers to 15%</li> <li>FY2026: Increase the ratio of female Managers to 7%</li> <li>FY2026: Increase the ratio of female hires to approximately 20% among university graduates</li> <li>FY2023: Increase the employment rate of people with disabilities to 2.6%</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of female Officers: 18%</li> <li>Ratio of female Managers: 5.3%</li> <li>Ratio of female hires (university graduates): 19.8%</li> <li>Employment rate of people with disabilities: 2.62%</li> <li>Employee engagement: 54 points</li> <li>Registered employees with concurrent work outside IHI/side work within IHI: Approx. 140 in total</li> </ul>		
	Work-style and operational process reforms	<ul style="list-style-type: none"> <li>Improving productivity within the entire organization</li> </ul>				
	Occupational health and safety	<ul style="list-style-type: none"> <li>Ensure workplace environment in which all employees can work safely and in good health</li> </ul>	<ul style="list-style-type: none"> <li>FY2023: Occupational health and safety rate Less than 0.6 (works divisions) Less than 1.2 (construction divisions)</li> </ul>	<ul style="list-style-type: none"> <li>Cases of occupational accidents (injuries with no time lost or higher, in Japan): 54</li> <li>Occupational health and safety rate: 0.95 (works divisions) 2.10 (construction divisions)</li> </ul>		
	Human rights	<ul style="list-style-type: none"> <li>Proactively fulfill the responsibility toward respecting human rights for all people</li> </ul>	<ul style="list-style-type: none"> <li>Conduct human rights impact assessments for about 160 IHI Group Companies in three years</li> </ul>	<ul style="list-style-type: none"> <li>Total number of companies conducting human rights impact assessments: 96 (of which 37 in FY2023)</li> <li>The IHI Group Co., Ltd. Human Rights Policy Implementation Guidelines were developed and distributed in Japanese, English, and Chinese</li> </ul>		
	Supply chain management	<ul style="list-style-type: none"> <li>Build sustainable supply chains</li> </ul>	—	—		<ul style="list-style-type: none"> <li>Established a grievance mechanism (from April 1, 2024)</li> </ul>
	Corporate citizenship	<ul style="list-style-type: none"> <li>Engage in social contribution activities that enhance the value of the IHI Group while helping to foster the creation of a habitable and prosperous world.</li> </ul>	—	—		<ul style="list-style-type: none"> <li>Total expenditure for social contribution activities: 532 million JPY (43 million JPY increase compared to the previous fiscal year)</li> </ul>
	Consumer relationships	<ul style="list-style-type: none"> <li>Pay full attention to the safety of the products and services and continue to improve the quality level of the products and services by confirming whether they satisfy customers and users</li> </ul>	—	—		<ul style="list-style-type: none"> <li>QMS certification acquisition rate for domestic business sites and works ISO 9001: 90.6% Acquisition rate including other standards: 96.2%</li> </ul>
Governance	Securing and maintaining stakeholder trust	Corporate governance	<ul style="list-style-type: none"> <li>To earn the trust and support of the IHI Group's shareholders over the long term</li> </ul>	—	<ul style="list-style-type: none"> <li>Conducted trial introduction of ESG Index for the purpose of promoting ESG management in performance-based bonuses (annual incentives) for Officer remuneration (full-scale introduction from FY2024)</li> </ul>	
		Compliance	<ul style="list-style-type: none"> <li>Not only complying with laws and regulations, but also accurately understanding the changing values and demands of society and fulfilling its expectations</li> </ul>	—	<ul style="list-style-type: none"> <li>Compliance hotline reports: 314</li> <li>Competition law violations: 0</li> <li>Anti-corruption law violations: 0</li> </ul>	
		Risk management	<ul style="list-style-type: none"> <li>Ensuring business continuity and the safety of Officers, employees, and their families; securing, preserving managerial resources, and maintaining public trust</li> </ul>	—	—	
		Innovation management	<ul style="list-style-type: none"> <li>Keep providing solutions that help solve social issues through the engineering capabilities centering on "Monozukuri" technology</li> <li>Utilizing intellectual property in the business activities to help solve social issues and increase customer value</li> </ul>	—	<ul style="list-style-type: none"> <li>Research and development expenses: 39.3 billion JPY</li> <li>Patent acquisitions: 564</li> <li>Patents held: 8,172 (4,094 in Japan, 4,078 overseas)</li> </ul>	
		Information security	<ul style="list-style-type: none"> <li>Ensure the confidentiality of customer and business partner information, along with company management and technical information, etc.</li> </ul>	—	—	<ul style="list-style-type: none"> <li>Information security measures evaluation: 3.8 (out of 5)</li> </ul>
		Timely and proper disclosure	<ul style="list-style-type: none"> <li>Honestly fulfill accountability for management direction and major operations</li> </ul>	—	—	<ul style="list-style-type: none"> <li>Dialogue conducted with investors: 361 companies (99 Japanese investors, 262 overseas investors)</li> <li>Dialogue conducted with bond investors: 30 companies (13 investors, 7 banks, 6 financial institutions, 4 securities companies)</li> </ul>

# Sustainability Management

## Approach

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.

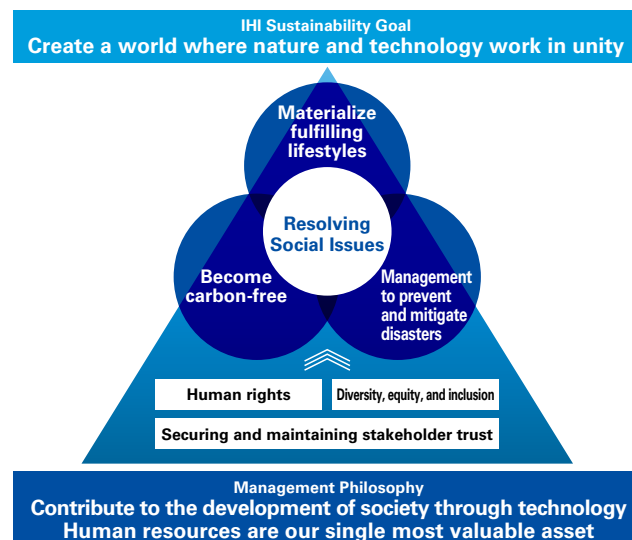
### IHI Group ESG Management

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.

The Group’s businesses will take on various social challenges to create social value as well as enhance corporate value. The IHI ESG STORYBOOK published in fiscal 2021 provides details about the IHI Group’s ESG management philosophy.

web **IHI ESG STORYBOOK**

### IHI Group ESG Management



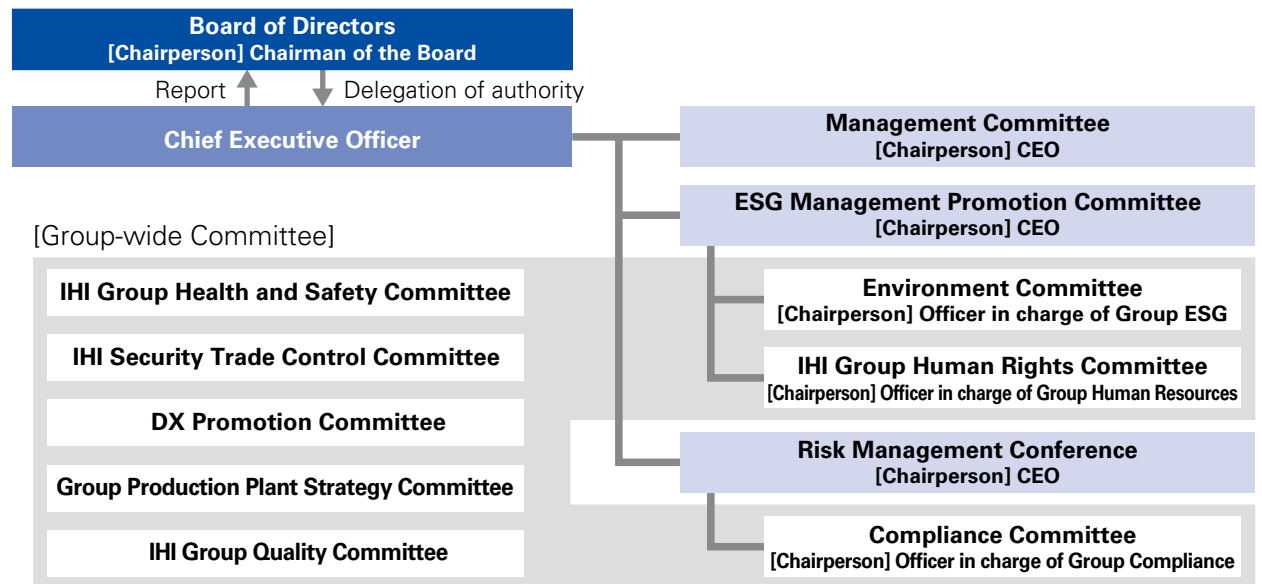
## Governance

### 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. The Group knows ESG management with clearly defined values is essential to governance making these contributions possible. The Group has established the ESG Management Promotion 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. Additionally, the IHI Group has established a Group-wide Committee to address issues such as the environment, human rights, and compliance throughout the entire company. The Group developed a system in which the policies discussed and decided upon by each committee are represented in the specific activities of each division. Matters related to important decision-making regarding ESG management are reported to the Board of Directors as appropriate, and ESG management is implemented Group-wide.

### Sustainability Promotion System



### ESG Management Promotion Committee

<b>Chairperson</b>	Chief Executive Officer
<b>Members</b>	Directors, Executive Officers, and General Managers
<b>Secretariat</b>	Administration Division
<b>Number of meetings convened in FY2023</b>	2

## Sustainability Management








### Initiatives

#### Dialogue with Stakeholders

The IHI Group views its primary stakeholders with a significant influence over ongoing corporate activities as its customers, business partners, shareholders, investors, government agencies, local communities, employees, and NPOs/ NGOs. As such, the Group values and engages in broad dialogue with these stakeholders. The Integrated Report and Sustainability Data Book are published as tools for this dialogue.

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.

#### ● Main Results of Dialogue with Stakeholders in FY2023 (Summary)

Stakeholders	Main Purpose of Dialogue	Example of Dialogues from FY2023	Frequency	References
Customers	<ul style="list-style-type: none"> <li>Contributing to solving social issues and customer challenges</li> <li>Ensuring product safety</li> </ul>	<ul style="list-style-type: none"> <li>Daily sales activity</li> <li>Conducting customer satisfaction surveys</li> </ul>	Timely	 <b>Customer Relationships</b>
		<ul style="list-style-type: none"> <li>Providing product safety information</li> </ul>	As needed	
Business partners	<ul style="list-style-type: none"> <li>Fair and equitable trade</li> <li>Cultivating mutually beneficial partnerships with business partners</li> </ul>	<ul style="list-style-type: none"> <li>Disseminating the IHI Group Procurement Policy</li> </ul>	Regularly	 <b>Supply Chain Management</b>
		<ul style="list-style-type: none"> <li>CSR procurement monitoring</li> </ul>	Timely	
Shareholders & investors	<ul style="list-style-type: none"> <li>Appropriate information disclosure in a timely manner</li> <li>Strengthening mutual trust</li> <li>Enhancing corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Conducting the General Meeting of Shareholders</li> </ul>	Annually	 <b>Investor Relations</b>
		<ul style="list-style-type: none"> <li>Holding financial result briefings and telephone conferences</li> </ul>	Quarterly	
		<ul style="list-style-type: none"> <li>Conducting individual meetings</li> <li>Conducting business area meetings</li> </ul>	As needed	
Government organizations	<ul style="list-style-type: none"> <li>Forming partnerships with government organizations</li> </ul>	<ul style="list-style-type: none"> <li>Participating in policy boards</li> <li>Participating in joint developments and projects with government organizations</li> </ul>	Timely	 <b>Innovation Management</b>
Local communities	<ul style="list-style-type: none"> <li>Recognizing ourselves as a member of society</li> <li>Contributing to solving social issues</li> </ul>	<ul style="list-style-type: none"> <li>Hosting events for local communities</li> <li>Holding school visits</li> </ul>	Timely	 <b>Corporate Citizenship</b>
Employees	<ul style="list-style-type: none"> <li>Developing and securing human resources, our most important management resource</li> </ul>	<ul style="list-style-type: none"> <li>Conducting employee-awareness surveys</li> </ul>	Annually	 <b>Diversity, Equity, and Inclusion</b>
		<ul style="list-style-type: none"> <li>Operating a compliance hotline</li> </ul>	Regularly	 <b>Compliance</b>
NPOs/NGOs	<ul style="list-style-type: none"> <li>Examining social issues that could lead to business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Announcement of view on human rights</li> <li>Explanation of revised editions of the Guidelines for Multinational Enterprises, etc.</li> </ul>	Regularly	—

#### Dialogue with UN Agencies

In fiscal 2023, the IHI Group re-held the dialogue with the United Nations Development Programme that had been held in fiscal 2022.

During this dialogue, explanations were given of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the climate change provisions of the proposed CSDDD (EU environment and due diligence directive), as well as an exchange of opinions on future dialogue themes.

The United Nations Development Programme calls for Japanese companies to actively participate in international organizations and initiatives, including the United Nations, and to lead the way as a Japanese company, and to carry out continuous and lasting dialogue and engagement with NGOs and other organizations. It was requested that companies engage in discussions from the perspective of “what are we missing?” and that they confront suggestions from society that may conflict with corporate interests head-on.

The IHI Group will listen carefully to these requests and continue to engage in dialogue with its stakeholders.

#### ● Dialogue Results with UN Agencies (FY2023)

UNDP	
Dialogue Topics	Explanation of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the climate change provisions of the proposed CSDDD
Dialogue Partners	Mr. Yusuke Taishi and Ms. Akiko Sato, United Nations Development Programme
IHI Participants	Officer in charge of Group ESG, General Manager of Public-Private-Partnership Promotion Department

## Sustainability Management

### Dialogue with Shareholders and Investors

#### 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 the Group actively engages in communication efforts. In addition to stock investors, the Group also proactively engages in dialogue with bond investors.

The IHI Group is deeply involved in active communication efforts with its domestic and overseas investors to gain greater understanding about the business activities.

In fiscal 2023, the management team visited North America, Europe, and Asia and held dialogues with local institutional investors.

#### Timely and Proper Disclosure

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

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

### Main Dialogue Results with Shareholders and Investors (FY2023)

<b>Investors</b>		361 companies (99 Japanese investors, 262 foreign investors) Focusing on active investors such as growth and value investors, analysts, portfolio managers, ESG personnel, voting rights exercisers, etc. of domestic and foreign institutional investors with a wide range of investment styles.
<b>IHI Representative</b>	<b>CEO</b>	Financial result briefings conducted: Twice Dialogues held: 23 times
	<b>Officer in charge of Group Finance &amp; Accounting</b>	Financial result briefings conducted: 4 times Dialogue with sell-side analysts conducted: 37 times Dialogue conducted with Japanese and overseas institutional investors: 91 times
	<b>IR Managers</b>	Dialogue conducted with Japanese and overseas institutional investors: 226 times

### Dialogue Results with Bond Investors (FY2023)

<b>Investors</b>	30 companies (13 investors, 7 banks, 6 financial institutions, 4 securities companies)
<b>Main representative</b>	Senior Executive Officer, Officer in charge of Group ESG, Officer in charge of Group Finance & Accounting, Finance & Accounting Division, etc.
<b>Main theme</b>	Financial & accounting strategy, ESG strategy, human resources initiatives, etc.

### Themes of the Main Dialogues Held with Shareholders and Investors (FY2023)

Classification	Main Dialogue Topics	Reference
General	<ul style="list-style-type: none"> <li>Status of deliberations regarding business portfolio</li> <li>Outlook for future expansion of lifecycle business</li> <li>Impact of additional inspection program on PW1100G-JM Turbofan Engine</li> <li>Prospects for monetization of fuel ammonia value chain business</li> <li>Outlook for future expansion of defense business</li> </ul>	<b>P.4 Medium-term Management Plan</b>
E	<ul style="list-style-type: none"> <li>Initiatives to achieve IHI Carbon Neutrality by 2050</li> <li>Status of consideration for Scope 3 disclosure</li> <li>Disclosure status of interim targets regarding GHG emission reduction</li> <li>Strengths and the uniqueness of the IHI Group in addressing climate change</li> </ul>	<b>P.21 Climate Change</b>
S	<ul style="list-style-type: none"> <li>Specific details about the initiative in the Group human resources strategy</li> <li>KPIs for the Group human resources strategy</li> <li>Scale of investment in human resources</li> </ul>	<b>P.42 Diversity, Equity, and Inclusion</b>
	<ul style="list-style-type: none"> <li>Utilization status of employee-awareness survey results</li> <li>Predicting human rights risks in the supply chain</li> </ul>	<b>P.42 Diversity, Equity, and Inclusion</b> <b>P.73 Human Rights</b> <b>P.80 Supply Chain Management</b>
G	<ul style="list-style-type: none"> <li>Effectiveness of the Board of Directors</li> <li>Activities of Outside Directors</li> <li>Composition of the Board of Directors</li> <li>Background of materiality identification</li> <li>Status of deliberations at the Board of Directors regarding ESG and sustainability</li> </ul>	<b>P.91 Corporate Governance</b>

## Sustainability Management

### Support of International Initiatives

#### Task Force on Climate-related Financial Disclosures (TCFD)

P.21 **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.



### Employee Education

The IHI Group aims to provide each and every employee working at the IHI Group with an opportunity to understand what sustainability/ESG is and to think about it in connection with the IHI Group's policies and activities. The Group (IHI and affiliated companies in Japan) held an e-learning sustainability/ESG program for executives, employees, and temporary employees.

#### Number of Participants in Sustainability/ESG Program

(Scope: IHI and affiliated companies in Japan)

Item	FY2023
Participants	24,185
Completion rate*	83.7%

\*Completion rate: Number of persons completed the program/  
Number of persons eligible for the program