

# 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.

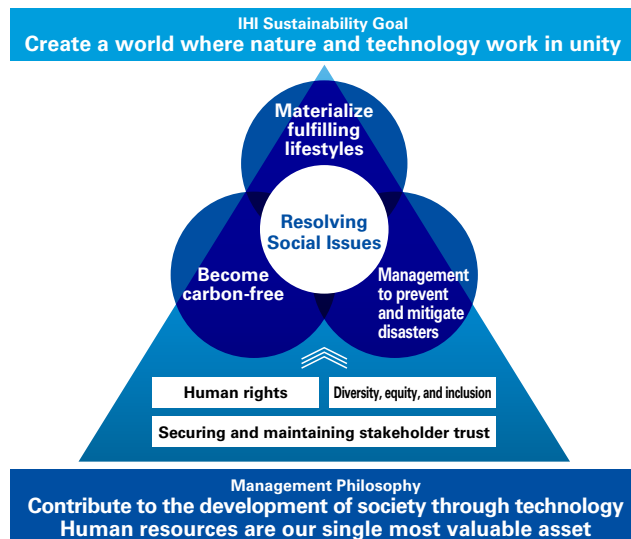
### IHI Group ESG Management

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



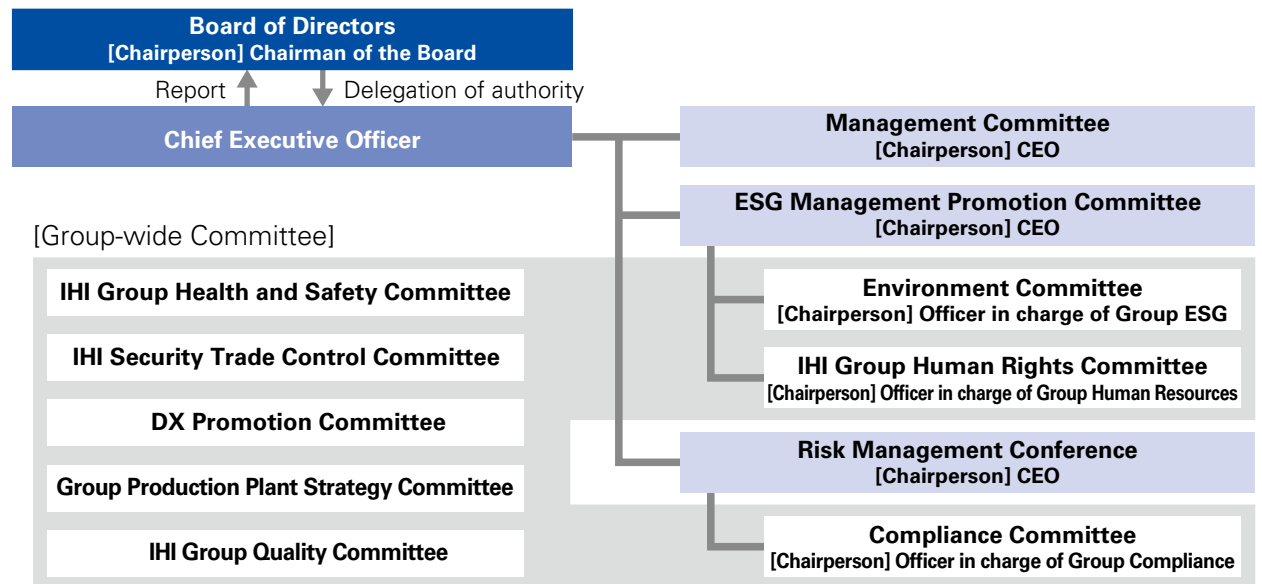
## Governance

### 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