

# Statement on Modern Slavery Act

- Introduction

IHI Corporation ("IHI"), and its affiliated companies (collectively, "IHI Group"), the reporting entity of this statement, discloses its efforts to prevent slave labor in IHI and its supply chain for the fiscal year 2023 (from April 1, 2023, to March 31, 2024), pursuant to the UK Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018.

1. Organizational Structure, Business, and Supply Chain

- (1) Corporate Structure and Business Overview

Established in 1853, IHI Corporation is a Japanese company headquartered in Koto Ward, Tokyo, and is listed on the Tokyo Stock Exchange. Currently, the IHI Group has 21 overseas business development bases, including in the UK and Australia (as well as France, Algeria, Italy, Turkey, Russia, UAE, India, Thailand, Malaysia, Singapore, Vietnam, Indonesia, Hong Kong, Beijing, Shanghai, Taiwan, South Korea, USA, Brazil), and 138 overseas affiliated companies, of which 116 are subsidiaries. As of the fiscal year ending in March 2023, it employs 28,486 people and had an annual revenue of approximately 1,352.9 billion yen. The IHI Group offers products and services in the areas of "Resources, Energy & Environment", "Social Infrastructure & Offshore Facilities", "Industrial Systems & General-Purpose Machinery", and "Aero Engine, Space & Defense".

- (2) Supply Chain

IHI procures items such as steel and raw materials, electronic components, structural parts, and assemblies from suppliers around the world. IHI sources materials, processed parts, sub-assemblies, products, and equipment from overseas procurement bases in optimal locations. The supply chain includes suppliers responsible for both manufacturing and non-manufacturing, providing goods and services that support the IHI Group business activities. Negotiations are conducted with suppliers with a focus on appropriate procurement prices, and contracts are entered into under agreed payment terms. Unavailable information includes the presence of temporary/seasonal workers or irregularly employed foreign workers at all primary suppliers, and the names of all secondary supplier companies.

==

Data for IHI as an individual company

Regional procurement ratio (based on monetary value):

Japan 60%, Asia 0.5%, North America 34%, Europe 5%, Other 0.5%

Business area procurement ratio:

Resources, Energy & Environment 21%, Social Infrastructure & Offshore Facilities 2.5%,

Industrial Systems & General-Purpose Machinery 2.5%,  
Aero Engine, Space & Defense 67%, Other 7%

## 2. Policies on Modern Slavery

### (1) Basic Code of Conduct for the IHI Group

In the IHI Group, respect for human rights is stipulated in Article 2 of the "Basic Code of Conduct for the IHI Group", and is explicitly set as a norm that all officers and employees of the IHI Group must adhere to. The explanatory booklet of this basic code of conduct has been created in 19 languages and distributed to all officers and employees. This booklet includes an explanation of the clause on respect for human rights, stating, "Oppose child and forced labor/ Never tolerate the use of child labor or of people working under the threat of punishment."

### (2) IHI Group Human Rights Policy

The IHI Group recognizes and contributes to solving global issues based on group management philosophies of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset". As the basis of this activity, we established the "IHI Group Human Rights Policy" in December 2020, in line with the "Basic Code of Conduct for the IHI Group". This policy reflects the opinions of external experts engaged in human rights promotion and was confirmed by the board of directors (available in 20 languages). Through activities based on international norms related to human rights, we will actively fulfill our responsibility to respect the human rights of all people by fostering a corporate culture that respects these rights and promoting respect for them throughout our business activities.

The IHI Group supports and respects international standards for human rights, including those set out in the "International Bill of Human Rights", the International Labour Organization's "Declaration on Fundamental Principles and Rights at Work", the United Nations "Guiding Principles on Business and Human Rights", and "The Ten Principles of the United Nations Global Compact", and the "IHI Group Human Rights Policy" applies to all officers and employees of the IHI Group (including fixed-term employees, employees seconded by other companies, part-time employees, and temporary employees). This policy will be reviewed and revised to incorporate the results of regular risk assessments and integrate issues related to modern slavery in line with international norms and guidelines.

### (3) IHI Group Procurement Policy

We clearly communicate our basic procurement policy to all our suppliers, which is centered on "Fair and Impartial Procurement", "Mutually Beneficial Partnership with our Business Partners", and "Approach to Compliance and Social Responsibility". Furthermore, we distribute the "IHI Group Code of Conduct for Business Partners", which summarizes specific practices related to "Approach to Compliance and Social Responsibility", including the prohibition of forced labor

and child labor, to all our suppliers (available in Japanese, English, and Chinese).

(4) Internal Policies on Human Rights Risks, Including Modern Slavery Risks

Regarding human rights risks, including modern slavery risks related to employment and treatment of employees, we address these with internal policies, manuals, and guidelines such as the rules of employment, labor agreements, the IHI Group Safety and Health Basic Policy, the Five Safety Principles, a collection of "questions not to ask" concerning recruitment, and the health check implementation standards, which we continually review and improve upon.

3. Human Rights Due Diligence Process

(1) Evaluation and Management of Human Rights Risks Including Modern Slavery Risks at IHI Group Sites

The IHI Group regularly deliberates and decides on human rights risks, including modern slavery risks, through the IHI Group Human Rights Committee, which was held three times in fiscal year 2023. The committee formulates and deliberates on important policies related to human rights and promotes activities based on these policies. Details of important initiatives are discussed at the ESG Management Promotion Meeting and reported to the Board of Directors as necessary. As a promotion system, a "Human Rights Task Team" has been established under this committee, which promotes initiatives to respect human rights in cooperation with human rights officers of relevant departments and each group company.

•The IHI Group Human Rights Committee is chaired by the Officer in charge of Group Human Resources and is comprised of members including president of each business area, general manager of Procurement Strategy Planning Division, general manager of Technology & Intelligence Integration, general manager of Business Development Headquarters, general manager of Intelligent Information Management Headquarters, general manager of Marketing & Sales Headquarters, general manager of Secretariat Division, general manager of Economic Security Division, general manager of Corporate Planning Division, general manager of Corporate Communications Division, general manager of Legal Division, general manager of Administration Division, general manager of Finance & Accounting Division, general manager of Project Risk Management Division, and general manager of Human Resources division.

•The Human Rights Task Team is composed of members from the Human Resources Division, the Procurement Strategy Planning Division, the Corporate Communications Division, the Project Risk Management Division, the Corporate Planning Division, the Legal Division, and the Corporate Marketing & Sales Headquarters.

In fiscal year 2021, the IHI Group underwent a human rights risk assessment to identify potential and obvious human rights issues. The procedure is as follows:

Step 1: We identified potential and actual risks to human rights caused by the business activities of the IHI Group for each type of business and country where the business is deployed. We used social, occupational health and safety, and environmental risk data provided by external experts to extract a wide range of risks.

Step 2: We conducted interviews with relevant departments (each business area, the Procurement Strategy Planning Division, the Human Resources Division, the Corporate Communications Division, the Project Risk Management Division) about the management status of the extracted risks, confirming and evaluating the actual situations related to business activities, employment conditions of workers and supply chain, etc.

Step 3: Based on the results of step 1 and 2, with the cooperation of human rights experts, we identified human rights issues that the IHI Group should prioritize in preventing and responding to.

As a result of the above risk assessment, the IHI Group has set the prohibition of forced labor, the prohibition of child labor, the guarantee of equal opportunity, the prohibition of discrimination and harassment, the guarantee of safe workplaces ensuring the health of working people, and the respect of the basic rights of working people as material human rights issues and promotes human rights due diligence initiatives. In cooperation with external experts, we examined modern slavery risks such as high-risk regions and industries for human rights risks including forced labor and child labor, and risks for foreign workers. As a result, the possibility of human rights risks in Myanmar, a country where we do business, was pointed out in relation to child labor. Additionally, it was necessary to pay attention to human rights risks in Russia, India, Thailand, and Turkey concerning forced labor and human trafficking. It was also identified that foreign workers working in manufacturing sites within the IHI Group's supply chain are often in a vulnerable position, posing serious risks that need to be addressed. This includes the relationship between foreign technical intern trainees in Japan and the risk of forced labor.

Based on the results of the human rights risk assessment, we have been conducting a human rights impact assessment to analyze and evaluate the current situation and impacts of the identified human rights issues over a period of three years from fiscal year 2022 to 2024. This is an evaluation conducted for domestic and overseas IHI Group sites to understand the current situation and actual conditions, focusing on "Material human rights issues". We deployed self-assessment sheets to 59 sites in fiscal year 2022 and 37 sites in fiscal year 2023. These sheets were collected and used

to conduct risk analyses. Please refer to "4. Results of Human Rights Risk Assessment and Initiatives for Prevention, Mitigation, and Remediation" in this statement for the results.

We have set a "Human Rights Risk Assessment Guideline" that describes the criteria and evaluation methods for properly evaluating human rights risks in the IHI Group. Based on the progress of risk assessment and trends in society and regulations, we will regularly review and update evaluation criteria including human rights risks and guidelines in the future.

(2) Assessment and Management of Human Rights Risks including Modern Slavery Risks in the Supply Chain

Our activities to promote CSR among our business partners are carried out under the responsibility of the Group's Procurement Officer, led by the Procurement Strategy Planning Division, and are periodically deliberated and confirmed at the IHI Group Human Rights Awareness Promotion Committee. After deliberation and decision at this committee, important initiatives are reported to the Board of Directors as necessary, following discussions at the ESG Management Promotion Committee Meeting.

In fiscal year 2022, we conducted a risk assessment using the self-assessment sheet of Global Compact Network Japan (GCNJ) (targeting 180 companies, with responses from 173 companies), and found that the risk for small and medium-sized enterprises in Japan was high. In addition, similar trends were suggested from the results of the risk assessment by the IHI Group Self-Check Sheet corresponding one-to-one with the "IHI Group Code of Conduct for Business Partners" (targeting 396 companies). All of these risk assessment items include provisions related to modern slavery, such as the prohibition of forced labor and child labor.

In response to these results, from September to November 2023, we sampled 59 small and medium-sized enterprises in Japan that were considered to have high human rights risks and conducted interviews based on the responses to the IHI Group Self-Check Sheet. During the interviews, we focused on "Human Rights/Labor", "Fair Trade/Ethics", and "Information Security" as described in the IHI Group Code of Conduct for Business Partners. We listened to their potential challenges to further strengthen their efforts toward these areas. As a result, the two main points that were highlighted were "the lack of awareness of human rights" and "the inability to carry out internal training due to lack of resources".

Accordingly, we decided to start with human rights training sponsored by the IHI Group to raise the baseline level (Implemented on June 28, 2024).

For business partners outside of Japan (especially small and medium-sized enterprises), we plan to conduct human rights education adapted from the education conducted in Japan, taking into account local laws and regulations, business customs, and political systems (planned for around

February 2025).

While we will continue assessments using the IHI Group Self-Check Sheet, we will periodically review the evaluation method and switch to evaluations by third-party organizations such as EcoVadis to further enhance the validity, fairness, and transparency of the evaluation.

(3) Implementation of Environmental and Human Rights Evaluation in New Business Investments

Since fiscal year 2023, when participating in new businesses, we have been conducting impact assessments on the environment and human rights, including modern slavery risks, using an ESG checklist (environment and human rights) that we created with reference to the IFC Performance Standards and the Japan Bank for International Cooperation (JBIC) Guidelines for Confirmation of Environmental and Social Considerations, and other guidelines.

For human rights risks, including modern slavery risks, we conduct internal reviews from perspectives such as the prohibition of child labor and forced labor within IHI and subcontractors, as well as occupational health and safety at project sites, and safety education.

(4) Dialogue with Stakeholders

a. Proactive dialogue with foreign irregular workers (including foreign technical intern trainees)

In 2023, with the cooperation of an external human rights NPO, the IHI Group affiliate company and in-house contractors who employ foreign technical intern trainees conducted active dialogues (direct interviews) to understand their complaints about the working environment and conditions. We are implementing corrective measures to address these complaints. For instance, complaints were raised that "the in-house signage is only in Japanese" and "although it was understood that there is only one work location, there were actually multiple". To address the former, we added signage in the languages of the workers' country of origin. For the latter, it was found that the foreign trainees themselves did not understand the contract terms. Therefore, we held a dialogue with the foreign worker management organization through the in-house contractor, and the management organization conducted an explanation meeting for the foreign trainees about the contract. A member of the IHI Group also attended the meeting and confirmed that the trainees voluntarily signed a consent form stating that they understood the content after the meeting. From the perspective of prevention, we asked the organization to hold explanatory meetings not only when hiring new foreign trainees but also regularly for existing employees. Based on the lessons learned from this organization, we plan to sequentially implement similar measures from 2024 onwards, such as requesting preliminary explanatory meetings, for other foreign trainee management organizations.

b. Labor-management consultations

IHI recognizes the freedom of employees to unionize and work together as a labor union and as union members. Our Group will never treat anyone involved in unions unfairly. In addition, as part of our engagement with employees, we conducted collective bargaining with employees in fiscal year 2023 based on mutual trust. Furthermore, at the Central Health and Safety Committee held in fiscal year 2023, we discussed safety measures for unskilled workers in both the construction and service sectors, which is a challenge for the entire IHI Group, as well as safety measures aimed at achieving a workplace with zero work-related accidents. In labor-management relations, we have signed a "labor agreement" based on a trust relationship rooted in mutual understanding. Through regular implementation of management consultation meetings and other meetings, we exchange views and explanations about the management situation and work together to improve the workplace environment.

4. Results of Human Rights Risk Assessment and Actions for Prevention, Mitigation, and Remediation

The results of the human rights risk assessment and the actions for prevention, mitigation, and remediation are reported to the Board of Directors as necessary, following deliberation and decision by the IHI Group Human Rights Committee and discussions at the ESG Management Promotion Meeting. We are reviewing modern slavery risks and necessary responses.

(1) Human Rights Risk Assessment including Modern Slavery Risks at IHI Group Sites

The survey conducted in 2022 showed that there were affiliated companies that had deficiencies in internal rules on compliance with the legal minimum working age and health and safety policies. Thus, we conducted additional questionnaire surveys and follow-up interviews, and instructed the companies that are lagging in governance for forced labor and child labor to establish internal rules. Similarly, in the 2023 survey, we have confirmed that improvements have been made to companies that do not stipulate a minimum working age for preventing child labor and companies that do not declare the prohibition of discrimination, urging them to make policy declarations. For improvement items that could potentially become human rights issues in relation to "Material human rights issues", which include the five core areas of labor standards set by the International Labour Organization (ILO) ("Elimination of Forced Labor", "Abolition of Child Labor", "Elimination of Discrimination in Respect of Employment and Occupation", "Freedom of Association and the Effective Recognition of the Right to Collective Bargaining", "Safe and Healthy Working Environment"), namely, Red Flag items, the Human Resources Department, which is the secretariat of the IHI Group Human Rights Committee, is carrying out continuous follow-up as monitoring towards improvement of the number of relevant companies.

Additionally, due to a lack of training for the human rights officers of each group company regarding human rights risks, including modern slavery risks, we created the "IHI Group Human

Rights Policy Implementation Guidelines" (in Japanese, English, and Chinese) in fiscal year 2023 to enhance the understanding of these officers in both Japan and overseas. These guidelines were disseminated to the human rights officers of each company and posted on the company intranet, making them constantly available to all officers and employees.

As a KPI, in the Human Rights Impact Assessment for IHI Group bases, we have set the number of improvement items (Red Flags) that are applicable and improved in relation to the five core areas of labor standards set by the International Labour Organization (ILO) ("Elimination of Forced Labor", "Abolition of Child Labor", "Elimination of Discrimination in Respect of Employment and Occupation", "Freedom of Association and the Effective Recognition of the Right to Collective Bargaining", "Safe and Healthy Working Environment") and "Material human rights issues".

(2) Results of Human Rights Risk Assessment, including Modern Slavery Risks, in the Supply Chain and Countermeasures

In the interviews conducted with our suppliers from September to November 2023, no risks related to "forced labor", "child labor", "discriminatory behavior", and "inhumane treatment" were identified. However, we re-recognized that small and medium-sized enterprises both in Japan and overseas have weak governance, and it is difficult for them to build or enhance their education systems on their own". As individual guidance has its limits, the IHI Group aims to effectively reduce potential human rights risks by providing educational opportunities to key primary suppliers (for details, see "6. (2) Initiatives in CSR Procurement Monitoring" in this statement).

5. Grievance (Remedy) Mechanism

(1) Internal Reporting System for Employees Working within the IHI Group

The IHI Group operates a compliance hotline as an internal reporting system to prevent or detect at an early stage and take appropriate measures against violations or potential violations of laws, internal rules, and internal and external standards by all officers and employees across all business areas, including Japan, and all base countries, including the UK and Australia. In fiscal year 2023, we received multiple reports, including those related to labor issues and harassment, and promptly conducted investigations after forming investigation teams composed of members from related departments for each case. When the results of the investigations confirmed that the reported content was true, we took corrective measures and preventive measures against recurrence in the related departments.

(2) Reporting System for External Stakeholders

The IHI Group participates in the dialogue and remedy platform operated by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), and has established a



mechanism (grievance mechanism) to accept and resolve complaints and reports related to business and human rights from a wide range of stakeholders as of April 1, 2024. The IHI Group will utilize this platform to appropriately respond to complaints and reports from all stakeholders.

6. Evaluation of Effectiveness

With the cooperation of external experts, we have set the following goals for our efforts to address human rights risks, including modern slavery risks, and are evaluating their effectiveness. In fiscal year 2023, planning and evaluation were carried out at the IHI Group Human Rights Committee (May and October 2023, March 2024).

(1) Efforts within IHI Group Locations

- Number of IHI Group locations where risk assessments were conducted (implementation rate): Out of 135 investigation targets, 96 locations (59 in fiscal year 2022 and 37 in fiscal year 2023), with an implementation rate of 71%
- Number of Red Flag instances at IHI Group locations, including the prohibition of forced labor and child labor, and the number of improvements made:

	Fiscal Year 2022	Fiscal Year 2023
Number of Red Flag	39	15
Improvements Made	31	In Progress

(2) Initiatives in CSR Procurement Monitoring

- Number of proactive dialogues conducted to reduce potential risks (Direct interviews with the technical intern trainees employed by subcontractors within the IHI Group): Implemented in 2 out of 8 total targeted business sites in fiscal year 2023, with the remaining 6 business sites to be sequentially implemented from fiscal year 2024.
- Proportion of suppliers that have undergone evaluation by a third-party organization to provide a fairer and more objective evaluation (from April 2024): Encourage participation at the first education session.

Scheduled education for suppliers (fiscal year 2024): First education session ("Human Rights & Labor"), second education session ("Fair Trade & Ethics"), third education session ("Carbon Neutral").

## 7. Training for IHI Group Employees and Business Partners

### (1) Implementation of Training for Group Employees

We have been conducting the following training to prevent modern slavery and human trafficking. The training content is periodically reviewed and improved, taking into account the results of human rights due diligence within the IHI Group and trends in international rules, under the guidance of external experts.

#### a. E-learning on Human Rights Awareness

We regularly conduct e-learning on business and human rights for all officers and employees of the IHI Group, including content on the prohibition of forced labor and child labor, which are material issues for the IHI Group. In 2021, we conducted e-learning with the theme of "IHI Group Human Rights Policy" (available in 22 languages), and in 2022, we focused on "Business and Human Rights". Furthermore, Article 2 of the Basic Code of Conduct for the IHI Group, Respect for Human Rights, prohibits discrimination in addition to prohibiting modern slavery. To prohibit discrimination and promote DE&I, we conducted e-learning with the theme of "DE&I" in December 2023. We require all new employees in 2023 to take e-learning on the "Your Guide to IHI Group's 'Basic Code of Conduct'" and the IHI Group Human Rights Policy, ensuring that all employees understand respect for human rights.

#### b. Training for Human Rights Awareness Promotion Committee Members

In May 2023, we held a training session on the theme of "Human Rights & DE&I", followed by another in October on the theme of "Just Transition". We invited external experts as instructors, and all members of the IHI Group Human Rights Committee participated. The training covered the importance of considering the human rights of vulnerable people such as children and migrant workers, and the issues that companies should address related to human rights & DE&I in their value chains. The composition of the committee is as stated in "3.(1) Evaluation and Management of Human Rights Risks Including Modern Slavery Risks at IHI Group Sites".

#### c. Training for Human Rights Task Team

The Human Rights Task Team conducts regular monthly study sessions with external experts to address human rights risks, including the risk of modern slavery, with expertise. They receive advice on the IHI Group's human rights measures and reflect it in their activities. The composition of the task team is as stated in "3.(1) Evaluation and Management of Human Rights Risks Including Modern Slavery Risks at IHI Group Sites".

(2) Participation in Initiatives

We actively participate in external discussions to grasp the latest trends and cases, aiming to improve and strengthen our approach to our company's global human rights issues. IHI has declared its support for the "10 Principles of the UN Global Compact" and, as part of this, has been a member of the "Global Compact Network Japan (GCNJ)" since 2022. We continued to participate in 2023, deepening our understanding of respect for human rights, including the risk of modern slavery, human rights due diligence, and various human rights education.

In fiscal year 2023, we participated in the "Business and Human Rights Academy" sponsored by United Nations Development Programme (UNDP), where the person in charge of the Human Rights Task Team systematically learned about human rights issues including modern slavery, and human rights due diligence, through lectures by domestic and international experts on human rights and group work by participating companies.

(3) Future Initiatives

In relation to the implementation of environmental and human rights evaluations in new business investments, it has become clear that managerial-level employees need to improve their ability to identify and address signs of human rights risks, including the risk of modern slavery, in their own workplaces. Therefore, we plan to conduct customized training tailored to each business sector (scheduled for October 2024 onwards), deploy e-learning on business and human rights, including modern slavery, for all group employees (scheduled for around December 2024), and implement human rights education training for key business partners (scheduled for around July 2024).

8. Consultation Process

In preparing this statement, IHI conducted consultations with its affiliates based in the UK and Australia (Terratec Australia PTY.Limited, Indigo TopCo Limited, Bernex UK Limited, Ionbond UK Limited, IHI ENGINEERING AUSTRALIA PTY.LTD., IHI Europe Ltd. ).

This statement was approved by the IHI Board of Directors at its meeting on August 26, 2024, and was signed on behalf of the Board by the Representative Director, who is responsible for it.

President and Chief Executive Officer

Hiroshi Ide

