The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>60%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>5</td>
<td>30%</td>
</tr>
<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>16.7%</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>50%</td>
</tr>
<tr>
<td>Personnel and Helplines</td>
<td>7</td>
<td>57.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>41%</strong></td>
</tr>
</tbody>
</table>

TI understands that the company is not involved in offsets and has therefore removed the two relevant questions (A13a and A13b).
A1:
Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company has published a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company. TI notes that there are two statements from the President and the Chairman, but they do not reference the ethics and anti-corruption agenda.

References:

Public:

TI notes:

Company website (date unknown): Vision - Message from President

‘In its long journey together with customers, partners, other individuals and societies since its foundation in 1884, Mitsubishi Heavy Industries (MHI) has sought to pioneer new approaches in manufacturing. These efforts have yielded many products that have enriched the lives of people around the world, and through them MHI has contributed to the development of societies.

In recent years the outstanding growth witnessed by emerging markets, particularly in China and India, underscores the vital need that we establish our presence throughout the global marketplace and maintain all aspects of our operations - our technological capabilities, price competitiveness, customer services and earning strength - at a top level internationally.

The MHI Group's turnover stands at approximately 3 trillion yen. In order to continue to rank in the international market as a manufacturer supporting society and infrastructure, we must target the 5 trillion yen level, working with stakeholders to expand our operation and building new platforms that contribute to society.

To maximize the powerful synergy of the MHI Group, we have reorganized our 700 products into four business domains (divisions): "Energy & Environment," "Machinery, Equipment & Systems," "Transportation" and "Defense & Space."

We are also reorganizing our management structure to ensure each domain actively
expands its business based upon its own optimal business strategy. Accordingly, we have adopted a stance of incorporating that which will benefit us or what we require externally and a shift to global standards of thought and methods, while still maintaining the high technological level and constant drive for improvement that embody the strengths of the MHI Group.

We aim to make the most of our strengths by working with excellent partners in nurturing our business growth, both in terms of size and profitability.

We express our value to society through our CI statement, "Our Technologies, Your Tomorrow."

Every member of the MHI Group shares the firm intention to "continuously provide an assured future where people can live safe, secure and enriched lives through technologies that can excite people and passion as a manufacturer for the sustainability of the earth and humankind."

Inspired by the strong passion of our CI statement, we have taken up the challenge of establishing a corporation with a truly global presence.

Please continue to support the MHI Group in this goal.’

Shunichi Miyanaga
President and CEO

Mitsubishi Heavy Industries Group Integrated Report (Hereinafter MHI Report) (2014), p.3:
For the Year Ended March 31, 2014

‘I believe that the strong desire to deliver technologies that can excite people and a passion for manufacturing are the driving forces that will allow us to remain true to our corporate identity (CI) statement of “Our Technologies, Your Tomorrow.” I also firmly believe that further strengthening and optimally leveraging the technological expertise we have cultivated in the course of 130 years will contribute not only to our own growth but also to social progress and the sustainability of our planet. We will continue taking up these challenges with the firm determination incorporated into our CI statement. I look forward to the sustained support and guidance of all our customers, shareholders, investors, and everyone otherwise involved in MHI’s endeavors.

Hideaki Omiya
Chairman of the Board’.

A2:
Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score:

1

Comments:
Based on public information, there is evidence that the Chief Executive Officer demonstrates a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company. In an interview published in the 2013 CSR report, the Chief Executive Officer mentions the importance of ‘fairness’ and of ‘following rules’. He also mentions several initiatives to combat bribery in transactions with customers from overseas government agencies. The CSR Report 2014 also contains an interview with the CEO, where Shunichi Miyanaga explains his ideas about corporate governance reforms. The company therefore scores 1. To score higher the company would need to provide evidence of at least one more example of such engagement.

References:
Public:
CSR Report (2013), pp.3-4:
‘Interview with the President: Establishing guidelines for prevention of bribery
Miyanaga
We introduced our Guidelines for the Prevention of Bribery Involving Foreign Civil Servants in 2005, recognizing the need to ensure that no bribes or any other irregular transactions occur in social infrastructure-related operations, as many of our customers are overseas governmental bodies. Likewise, we have stepped up efforts to fight corruption, creating Anti-Bribery Rules and Procedural Guidelines in 2012.
Ideally, I would like to foster the understanding of these rules and guidelines using a guidebook that defines acceptable and unacceptable practices in order to contribute to everyone’s happiness and a sustainable business. It will also be crucial to have more supervisors well-versed in the reasoning behind these rules and guidelines and to emphasize that compliance ultimately leads to a happier society.

Matsumoto
MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
So, whether it is in business or CSR activities, the most important factor in carrying out initiatives together with partners is to foster understanding.

Miyanaga

Equality, fairness and safety are the rules, and following these rules contributes to quality of life. Rules are always necessary in achieving such ends as comfort and happiness, and I believe that following these rules will ultimately lead to CSR.


MHI CSR Databook (2014), pp.19-20:

‘Q4: What progress has been made in the two areas of “institute corporate reforms and efficiency Q improvements” and “continue innovations in corporate governance and business execution”? 

We are stepping up outsourcing in an effort to increase efficiency and optimize our corporate divisions, which are a shared resource. Regarding corporate governance, we are reinforcing the Board of Directors’ decision-making and supervisory functions and further enhancing management transparency. As part of our corporate reforms, we are stepping up outsourcing. We established a joint venture with Fuji Xerox Co., Ltd., to handle the Group’s documentation business, and we have centralized manned security services for the Group. We set up the ICT Solution Headquarters to consolidate the Company’s information and communications technologies (ICT). In these ways, we are making inroads into the consolidation and restructuring of the Group’s internal business operations.

These two activities are promoting further efficiencies and the optimization of shared resources. The decision to close the Presidential Administration Office stemmed from our establishment of the Business Strategy Office to strengthen Groupwide strategy planning and execution capabilities and clarify corporate division functions. In corporate governance, we have increased the number of outside directors and are undertaking other reforms proactively and on an ongoing basis. We have also reduced the number of internal directors significantly; the proposal to decrease this number from 16 to 12 was approved at our General Meeting of Shareholders in June 2014. This change should strengthen the decision-making and supervisory functions of the Board of Directors and further enhance managerial transparency. In April 2014, we introduced a Chief Officer System. In addition to the chief executive officer (CEO: President and CEO) and domain CEOs (president and CEO for each of the four domains), three chief officer posts were established: the chief administrative officer/chief risk officer (CAO/CRO), chief financial officer (CFO), and chief technology officer (CTO). The CAO/CRO oversees management auditing, general affairs, legal affairs, human resources, and labor relations; the CFO is responsible for finance and procurement; and the CTO takes charge of technology and innovation as well as ICT. The three chief officers are delegated a portion of authority and responsibilities previously held by the president, overseeing specific companywide matters, and providing support to the domains’.

A3:

Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company’s Chief Executive Officer demonstrates a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure.

References:

Public:
NA
A4:
Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:

2

Comments:
Based on public information, there is evidence that the company publishes a statement of principles representing high standards of business conduct, including integrity, openness, transparency, honesty and trustworthiness. These values are briefly explained on the company’s website and in company documents.

References:

Public:
Company Website, Philosophy and Principles:
‘The Three Corporate Principles: Corporate Responsibility to Society; Integrity and Fairness"shoji Komei"
Maintain principles of transparency and openness conducting business with integrity and fairness.
Global Understanding through Business’

Company Website, Corporate Standards of Conduct:
‘Fairness and Integrity in Corporate Business Activities
Mitsubishi Corporation will continue to develop its business activities in compliance with all relevant laws, international regulations and internal rules. The company will act responsibly and will respect the highest social standards.’

CSR Report (2013), p.2:
‘2. We base our activities on honesty, harmony, and a clear distinction between public and private life.’
(p.6): ‘Close ties with Society: Build a relationship of trust with society through proactive participation in society and trustworthy actions.’

Company website : Management Philosophy and Vision - Creed

‘1. We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society.
2. We base our activities on honesty, harmony, and a clear distinction between public and private life.
3. We shall strive for innovative management and technological development from an international perspective.

Reason for Instituting the Creed

In Japan there are many enterprises with their own "creeds" which simply represent their management concept. Mitsubishi Heavy Industries, Ltd. has a creed of this type, also. This creed was instituted in 1970 on the basis of the policy advocated by Koyata Iwasaki, president of Mitsubishi Goshi Kaisha in the 1920s, to indicate the essential attitude of the company, the mental attitude of the employees, and the future directions of the company. The reason for instituting the present creed is so that all of us can call to mind our one hundred years of tradition, and strive for further development in the future’.

http://www.mhi-global.com/company/vision/contents/index.html

Nuclear Power Plant Exporter’s Principles of Conduct (March 2014), p.2:

‘Seeking to enhance public confidence by upholding high standards of transparency, integrity, ethical behavior, and social responsibility and to promote continuous improvement toward the implementation of global best practices’.

(p.8) : ‘Principles 6 : Ethics

To enhance confidence in nuclear power, vendors undertake to:

6.1 Comply with the highest ethical standards in their interactions with Regulators and Customers;
6.2 Communicate with good faith, and in the spirit of transparency, about these principles;

(…)
6.6 Have in place internal programs to discourage corruption and conflicts of interest and to encourage compliance with anticorruption laws, such as those implementing the United Nations Convention Against Corruption and/or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and seek to obtain a reciprocal commitment from Customers’.


Guidelines to Business Partners, p.1:
‘In particular, we ask all Partners:

(1) To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.

(2) To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.

(3) To share and disclose information proactively. And to ensure accountability to society and corporate transparency’.


MHI Report (2014), p.47:
‘Roles I Would Like to Play

Although this is hard for somebody with ties to the Company to say, I believe that the role being asked of me as an outside director is to speak frankly and encourage deliberation on points that concern me. Japanese culture tends to eschew divergent opinion; that is precisely the reason why outside directors need to adopt the vantage point of shareholders, overseas employees, and a host of other stakeholders. The experience that the Company gains in responding to the questions of outside directors serves as a sort of training in external accountability. In many cases, overseas audiences require specific explanations. Success in this area is linked with the globalization of MHI’s corporate culture. Naturally, I will continue to offer advice proactively in line with my university research theme: global human resources’.

MHI CSR Databook (2014), p.94:
‘The interview with the president clearly states the Company's policy on nuclear power. We give high marks to the fact that the head of MHI is clearly stating the Company's position. We hope to continue seeing such care taken toward transparency and accountability going forward’.
A5:
Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company is a signatory to the UN Global Compact.

References:
Public:
CSR Report (2013), p.5:
‘Interview with the President : Commitment essential to promoting CSR in communities around the world :
Matsumonto : Could you give some examples of how CSR has been connected to business activities ?
Miyanaga : As one example, MHI has been a participant in the United Nations Global Compact since 2004 and abides by its 10 principles across the four areas of human rights, labor, the environment and anti-corruption. In addition, MHI began incorporating the seven core subjects of ISO 26000 in its business plans from fiscal 2012.’

Company Website, Philosophy and Principles:
‘Participation in the UN Global Compact:
Mitsubishi Corporation joined the UN Global Compact in 2010, declaring our commitment to the following ten universal principles in four fields: human rights, labor, environment and anti-corruption. Guided also by the spirit of the Three Corporate Principles, we are promoting initiatives in each of these four areas.’
A6: Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence that the company has appointed a Board committee with responsibility for promoting compliance. The company has a Risk Management & Compliance Committee, which is responsible for monitoring the company’s compliance with its rules, including the CSR guidelines, and its commitment to promote fair and honest business practices. The Committee reports to the President and Vice-president. The group meets twice a year to develop company-wide compliance promotion plans and monitor progress.

References:

Public:
MHI CSR Databook (2014), p. 14:
“Business Compliance Committee: Integration of "Order Compliance Committee" and "Construction Business Act Compliance Committee" for activating and upgrading the committee management

The "Order Compliance Committee" was launched in August 2005 to promote appropriate order-receiving activities after reflecting upon violations of the Anti-Monopoly Act in the past. In fiscal 2013, committee activities also expanded to the prevention of bribery, which has a level of risk on a par with activities related to the Anti-Monopoly Act, and rolled out various initiatives to ensure the same level of compliance as with the Anti-Monopoly Act.

Meanwhile, in fiscal 2003, MHI established "the Construction Business Act Compliance Committee," realizing that compliance with the Construction Business Act was extremely important in light of its involvement in new construction and renovation work on facilities such as electric power generation plants. Partly because they commenced activities at different times, the two committees have worked as separate organizations in their development of various compliance activities related to the Anti-Monopoly Act compliance, prevention of bribery and the Construction Business Act.
However, because the two committees' activities relate similarly to business processes, the majority of their members serve on both committees. Given this fact, the commonality of their discussion content, as well as the reality that the Construction Business Act also requires Anti-Monopoly Law compliance and prevention of bribery, we took the October 2013 transition to a domain-based business structure as an opportunity to integrate the two committees and enhance their activities as the "Business Compliance Committee".


Company website: Governance:

‘Placing Persons Responsible for Compliance in All Departments and Group Companies
MHI’s Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms, and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the Executive Vice President in charge of compliance, and its members consist of senior general managers from relevant departments at the Head Office, general managers of domestic offices, heads of all works, and general managers from all Planning & Administration Departments at business segments. The committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities’.

Recent Actions to Promote Compliance

| FY2001  | • Established the Compliance Committee  
|         | • Opened an internal whistleblower hotline |
| FY2003  | • Began compliance training |
| FY2004  | • Began a measurement of levels of compliance awareness |
| FY2005  | • Established the Order Compliance Committee |
| FY2006  | • Established departmental compliance committees and a Compliance Liaison Conference |
| FY2007  | • Formulated "Compliance Promotion Regulation" in the Company rules  
|         | • Distributed a "Compliance Guidelines" pamphlet to all employees |
| FY2011  | • Opened an external whistleblower hotline to further promote compliance with anti-trust laws  
|         | • Formulated company rules in response to more stringent anti-bribery regulations in the U.K. |
FY2012
- Set up a Compliance Group in the Management Audit Department (Compliance Section in the General Affairs Department was transferred)
- Established the Risk Management & Compliance Committee as a company-wide organization


Company website: Corporate Governance Structure and Roles
Corporate Governance Structure and Roles (including internal control systems) (as of June 26, 2013)


Company website: Governance
A7:

Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

2

Comments:

Based on public information, there is evidence that the company has appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda. The Executive Vice President chairs the Compliance Committee and is responsible for implementing the CSR agenda, including fair and honest business practices. The current Executive Vice President is Atsushi Maekawa.

References:

Public:
Company website: Photographs of Board Members- Vice President
‘Atsushi Maekawa Senio Executive Vice President’
http://www.mhi-global.com/company/aboutmhi/officers/photo.html

Company website: Governance
‘Placing Persons Responsible for Compliance in All Departments and Group Companies
MHI’s Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms, and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the Executive Vice President in charge of compliance.’
A8:
Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:

2

Comments:
Based on public information, there is evidence that the Risk Management and Compliance Committee conducts a periodic review of the company’s compliance policies and reports to the President and Vice-president.

References:
Public:
Company website: Compliance:
‘MHI’s Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the CAO/CRO, and its members consist of senior general managers from relevant departments at the Head Office, heads of all works, and general managers from the Planning & Administration Departments of all Business Domains. The committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities.

In April 2006, Departmental Compliance Committees were established in all departments of the company in order to strengthen compliance measures for each respective department. These committees are chaired by the member of the Risk Management & Compliance Committee in each department. At the same time, Compliance Liaison Conferences were set up for regularly exchanging compliance information with Group companies. Through these two types of organizations, each department works to consistently implement its own compliance and to act independently and responsibly in carrying out compliance activities.’

Compliance Promotion System (as of April 1, 2014)
MHI CSR Databook (2014), p.23:

‘Strengthening the internal control systems

In compliance with legal requirements, the MHI Board of Directors has determined a basic policy for internal control systems. The company is promoting the strengthening of areas including the oversight function of the Board of Directors, management systems in response to risk types, increasing the effectiveness of compliance including a whistleblower system, management systems between MHI and Group companies and a system which permits effective auditing by statutory auditors. MHI is striving to strengthen these initiatives through internal audits and the PDCA management cycle. The designs and operations of internal controls are monitored annually through internal audits, in line with the internal audit policy which was formulated by the Management Audit Department. Under the internal control reporting system regarding financial reporting, which is stipulated by the Japanese Financial Instruments and Exchange Law (also known as J-SOX), the Management Audit Department and the internal audit divisions of our manufacturing works carried out assessments of the design and operation of the internal controls and concluded that as of the end of March 2014, the MHI Group's internal controls over financial reporting were functioning effectively. The accounting auditors concurred with this assessment. Every year
at the Board of Directors meeting, the current status of initiatives concerning the establishment of internal control systems is reported in order to confirm the effectiveness of our internal control systems’.

(p.104):

MHI Report (2014), p.48:
‘Corporate Governance Framework
MHI is a company with a Board of Statutory Auditors. The Board of Directors makes important management decisions and oversees the execution of business operations. Statutory auditors oversee the execution of director duties by engaging in various activities such as attending meetings of the Board of Directors and other key meetings. Additionally, MHI has established an Executive Committee to provide a forum for discussing important matters related to business execution. This allows for a more cohesive approach to discussion as part of the operational execution framework centered on the president and CEO, and consequently leads to more appropriate management decisions and business execution. In addition, MHI has established various committees to ensure thorough risk management and compliance’.
(pp.48-49): ‘All the outside directors and outside statutory auditors are independent from management and supervise or audit management. In addition, at meetings of the Board of Directors, they receive reports of the status of establishment and operation of internal control systems, including compliance, risk management, and other activities, and the results of internal audits, and they state their opinions when appropriate. In particular, the outside statutory auditors shall regularly exchange opinions with directors while conducting effective auditing through collaboration with the full-time statutory auditors, the internal audit department, and the accounting auditor. Dedicated personnel have been assigned to serve as a Board of Directors’ secretariat, supporting outside directors and outside statutory auditors. This team provides materials prior to Board of Directors’ meetings to ensure that outside officers are thoroughly briefed on important matters. A Statutory Auditors’ Officers Office has also been established and is staffed with dedicated personnel to support statutory auditors in their auditing tasks, thereby helping to ensure that these tasks are performed smoothly’.

(p.50): ‘Risk Management
During fiscal 2013, the General Manager of the Management Audit Department held discussions with the heads of business segments and administrative departments. Together, they identified important risks and strengthened companywide risk control activities in response. They also introduced and operated a risk management system that combines controls centered on voluntary management and assessments by process owners* and
monitoring by the Management Audit Department’.

(p.51): ‘Compliance
The Management Audit Department centrally manages activities aimed at identifying, avert, and reducing risks before a crisis occurs. The Risk Management & Compliance Committee meets twice annually to draw up companywide compliance promotion plans, confirm progress, and engage in other activities. Individual departments have their own compliance committees, which is intended to strengthen compliance at the departmental level. A Compliance Liaison Conference is also in place for regularly exchanging compliance information with Group companies’.
A8(a):

Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:

1

Comments:

Based on public information, there is limited evidence that there is a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based. There is evidence of a plan outlining how to review and implement the human rights strategy of the company. This strategy includes reviewing bribery and anti-corruption issues. Further details are not provided and there is no evidence of improvement plans. The company therefore scores 1.

References:

Public:
Company Website, Compliance:
‘MHI's Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the CAO/CRO, and its members consist of senior general managers from relevant departments at the Head Office, heads of all works, and general managers from the Planning & Administration Departments of all Business Domains. The committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities.
In April 2006, Departmental Compliance Committees were established in all departments of the company in order to strengthen compliance measures for each respective department. These committees are chaired by the member of the Risk Management & Compliance Committee in each department. At the same time, Compliance Liaison Conferences were set up for regularly exchanging compliance information with Group companies. Through these two types of organizations, each department works to consistently implement its own compliance and to act independently and responsibly in carrying out compliance activities.’

MHI 20/12/14
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CSR Report (2013), p.20:

**STEP A: Dialogue between companies and stakeholders at the Human Rights Due Diligence Workshop**

Through **dialogue** with different stakeholders, including human rights organizations, participants have **deepened understanding of human rights issues in business**, and clarifying what can actually be an "issue."

- Hearing of what NGOs and experts think about human rights (Sep 21, 2012)
- Discussion between corporate members about business and human rights (Sep 26, 2012)
- Exchanging opinions and clarifying human rights issues between NGOs and corporate members (Oct 11, 2012)

**STEP B: Identification and intra-sector sharing of main human rights issues by sector at the Human Rights Due Diligence Workshop**

**Sector-specific human rights issues** are identified through discussion, examination and assessment carried out by sectoral groups, based on the **UNEP FL** Human Rights Issues by Sector issued 2011.

- Learning about human rights due diligence (Nov 2, 2012)
- Discussing on what could be potential human rights issues in sector groups (Nov 15, 2012)
- Identifying human rights issues by sector (Dec 14, 2012)

**STEP C: Mapping of existing activities at the individual company**

**Mapping existing activities concerning human rights issues**, assessing the company’s (current) management strategy and examining how the issues can be addressed.

**STEP D: Stakeholder dialogue at the individual company**

Company and experts exchange ideas regarding the human rights issues and measures in order to **prioritize the issues.**

**STEP E: Determination of policy and plan, and implementation at the individual company**

**Determining policy and plan** by reflecting comments from stakeholders, implementing that plan, and monitoring the progress.

(p.21):
MHI CSR Databook (2014), p. 16:

(p.104):

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
### 1.3.2 Codes of Conduct: Systems/ Procedures

- [Improving Compliance Principles/ Guidelines](http://www.mhi-global.com/company/csr/csrreport/pdf/csrreport2014_all.pdf)
- Responsibilities, accountabilities and reporting lines are systemically defined in all divisions and group companies
- Dedicated help desks and ombudsman
- Compliance linked to employee remuneration
- Employee performance appraisal systems integrates compliance/codes of conduct
- Disciplinary actions in case of breach
- Compliance system is certified/audited/verified by third party

A9:

Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company has a formal process for review and where appropriate updates its policies and practices in response to actual or alleged instances of corruption. TI notes there is some evidence of a process to update policies and practices in response to changes in legislation.

References:

Public:
Ti notes:
Company Website, Improving Compliance Principles:
‘Establishing regulations and standards for the more thorough prevention of bribery

MHI strives for fairness in its global commercial transactions by strictly observing the anti-bribery laws of all countries, including Japan’s Unfair Competition Prevention Act, which prohibits the giving of illicit benefits by Japanese citizens to overseas government officials.

MHI established the Guidelines for the Prevention of Bribery Involving Foreign Civil Servants in 2005 to define rules of conduct based on the Unfair Competition Prevention Act. In addition, the Anti-Bribery Rules and Anti-Bribery Procedural Guidelines based on these guidelines were created in February 2012 in order to respond to the enactment of British Bribery Act 2010 (Note) of July 2011 and strengthened regulations in various countries.

In fiscal 2013, MHI conducted the monitoring for each division of MHI and the group companies of domestic and overseas to confirm whether they had built their compliance rules and mechanisms based on MHI rules and standards, in consideration of the form of business operated by each Group company and the local laws and regulations and business practices for overseas Group companies. If necessary, we provided guidance for improvement.
(Note) Generally said to be the most stringent anti-bribery law in the world, having provisions that make it illegal even to neglect to take actions to prevent bribery. The law applies also to foreign companies operating in the U.K.

http://www.mhi-global.com/company/csr/esg/governance/compliance/compliance03.html

CSR Report (2014), p.104:

Notice of the 89th Ordinary General Meeting of Shareholders (June 2014), p.15:

‘5. Part of MHI’s automobile parts business was found to have engaged in inappropriate cartel activities, including inappropriate information exchange, with competitors. Such activities occurred before Mr. Yorihiko Kojima, Ms. Christina Ahmadjian and Mr. Hiroki Tsuda too their offices of Outside Directors. These Outside Directors have regularly made proposals from the perspective of their respective specialist insights regarding measures to be taken, including measures for compliance with antitrust laws with respect to this occurrence.’


MHI CSR Databook (2014), p. 23:
Strengthening the internal control systems

In compliance with legal requirements, the MHI Board of Directors has determined a basic policy for internal control systems. The company is promoting the strengthening of areas including the oversight function of the Board of Directors, management systems in response to risk types, increasing the effectiveness of compliance including a whistleblower system, management systems between MHI and Group companies and a system which permits effective auditing by statutory auditors. MHI is striving to strengthen these initiatives through internal audits and the PDCA management cycle. The designs and operations of internal controls are monitored annually through internal audits, in line with the internal audit policy which was formulated by the Management Audit Department. Under the internal control reporting system regarding financial reporting, which is stipulated by the Japanese Financial Instruments and Exchange Law (also known as J-SOX), the Management Audit Department and the internal audit divisions of our manufacturing works carried out assessments of the design and operation of the internal controls and concluded that as of the end of March 2014, the MHI Group’s internal controls over financial reporting were functioning effectively. The accounting auditors concurred with this assessment. Every year at the Board of Directors meeting, the current status of initiatives concerning the establishment of internal control systems is reported in order to confirm the effectiveness of our internal control systems.

(p. 24):
Creating a Structure to Promote Compliance that Encompasses the Entire Group

Placing persons responsible for compliance in all departments and Group companies

MHI's Compliance Committee was established in May 2001 to strictly observe applicable laws and social norms and to promote fair and honest business practices (altered to the Risk Management & Compliance Committee in December 2012). This committee is chaired by the CAO/CRO, and its members consist of senior general managers from relevant departments at the Head Office, heads of all works, and general managers from the Planning & Administration Departments of all Business Domains. The committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities.

In April 2006, Departmental Compliance Committees were established in all departments of the company in order to strengthen compliance measures for each respective department. These committees are chaired by the member of the Risk Management & Compliance Committee in each department. At the same time, Compliance Liaison Conferences were set up for regularly exchanging compliance information with Group companies. Through these two types of organizations, each department works to consistently implement its own compliance and to act independently and responsibly in carrying out compliance activities.

Compliance Promotion System (as of April 1, 2014)

- Resident and CEO
- Domain CEO
  - Head of all works
  - General Manager of domestic branches
- All managers
- All employees
- Risk Management and Compliance Committee
  - Chair: CAO/CRO
  - Members: Senior General Managers of Corporate Departments, Heads (or their deputy) of all works, General Managers from all Planning & Administration Departments in each Business Domain
  - Functions: Promote compliance across the MHI Group
  - Secretariat: Risk Management and Compliance Group, Management Audit Department
- Compliance Liaison Conference
- Whistleblower Hotlines
- Departmental Compliance Committee
- Group companies (Domestic: in principle, a Compliance Committee to be established
  - Overseas: Guidance on initiatives for specific countries/regions to be provided by administrative department of MHI)

(p.104)
MHI Group ESGData (October 2014), p. 8:

1.3.2 Codes of Conduct: Systems/ Procedures

- Responsibilities, accountabilities and reporting lines are systematically defined in all divisions and group companies
- Dedicated help desks, and ombudsmen
- Compliance linked to employee remuneration
- Employees performance appraisal systems integrates compliance/codes of conduct
- Disciplinary actions in case of breach
- Compliance system is certified/audited/verified by third party

1.3.4 Codes of Conduct/Anti-Corruption&Bribery: Business Relationships

- Employees group/worldwide: 100%

In FY2013 (ended March 2014), company self-assessments (voluntary audits) to determine whether structures and standards are in place and operable were conducted for all MHI divisions and domestic and overseas Group companies (A Zone & consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards. These assessments confirmed that structures were already in place by the end of FY2013.

1.3.5 Codes of Conduct/Corruption&Bribery: Reporting on breaches

Violations are duly disclosed in the CSR Report and in other publications. No violations were disclosed for the fiscal year.

A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:
2

Comments:
Based on public information, there is evidence that the company has a formal anti-corruption risk assessment procedure implemented enterprise-wide.

References:
Public:
Company website: Risk Management
'Precisely comprehend risks throughout the Group and steadily implement risk reduction measures
MHI precisely comprehends risks throughout the Group and is carrying out measures to steadily reduce these risks.

In fiscal 2012, MHI reorganized and specified risks for the company assigned directors responsible for each risk to carry out more efficient and effective risk control activities. In February 2013, the General Manager of the Management Audit Department held discussions with the heads of 19 business segments and administration departments. Together, they identified the important risks to each segment and department, categorized them according to importance and other characteristics, and laid out risk management processes for each risk. Within this process, they first identified "serious management risks," risks that, having a major impact on operation of the company or requiring an emergency response, need to be managed at a senior-management level, and assigned a corporate director to oversee their control. Next, they divided "other important risks" into "risks to be reduced through auditing and monitoring" and "risks that require a risk management structure" and sought to manage them through these two approaches. In fiscal 2013, MHI will strive further to run an effective PDCA cycle and develop and enhance its risk management system throughout the Group by strengthening risk management activities for the above-mentioned important risks and by operating a risk management system that combines controls centered on voluntary management and assessments by process owners (Note) and monitoring by the Management Audit
MHI is a company with a Board of Statutory Auditors. The Board of Directors makes important management decisions and oversees the execution of business operations. Statutory auditors oversee the execution of director duties by engaging in various activities such as attending meetings of the Board of Directors and other key meetings. Additionally, MHI has established an Executive Committee to provide a forum for discussing important matters related to business execution. This allows for a more cohesive approach to discussion as part of the operational execution framework centered on the president and CEO, and consequently leads to more appropriate management decisions and business execution. In addition, MHI has established various committees to ensure thorough risk management and compliance.

Outside Directors and Outside Statutory Auditors.

For the purpose of receiving advice and oversight of the Company’s management from an objective standpoint not biased by an internal company perspective and based on abundant experience and broad knowledge as a corporate manager, government official, or academic expert, three of the 12 directors elected and three of the five statutory auditors elected are from outside the Company (as of June 26, 2014).

The Company judges all of these outside directors and outside statutory auditors to be independent from its management team on the basis that there are no circumstances that compromise independence from the Company. Specifically, there are no personal relationships, capital relationships, trading relationships or other special interests between the individuals and the Company. In addition, there are no circumstances that compromise the independence of these individuals from the Company as there are no personal relationships, capital relationships or significant trading relationships between companies to which these individuals currently belong or were employed with or belonged to. As a result, the Company has reported to the Tokyo Stock Exchange and other bourses that these individuals are independent directors/statutory auditors. All the outside directors and outside statutory auditors are independent from management and supervise or audit management. In addition, at meetings of the Board of Directors, they receive reports of the status of establishment and operation of internal control systems, including compliance, risk management, and other activities, and the results of internal audits, and they state their opinions when appropriate. In particular, the outside statutory auditors shall regularly exchange opinions with directors while conducting effective auditing through collaboration with the full-time statutory auditors, the internal audit department, and the accounting auditor. Dedicated personnel have been assigned to serve as a Board of Directors’ secretariat, supporting outside directors’.

(pp.50-51): ‘Risk Management’
During fiscal 2013, the General Manager of the Management Audit Department held discussions with the heads of business segments and administrative departments. Together, they identified important risks and strengthened company-wide risk control activities in response. They also introduced and operated a risk management system that combines controls centered on voluntary management and assessments by process owners* and monitoring by the Management Audit Department. “Serious management risks” were identified that need to be managed at a senior-management level because of their major impact on the management operation of the Company or an emergency response is required, and a corporate director was assigned to oversee their control. In fiscal 2014, we will follow this same risk management cycle, but due to the fiscal 2014 transition to the Business Domain Structure and our adoption of the Chief Officer System, this process will take place under the direction of the chief administrative officer / chief risk officer (CAO/CRO). We will review the response to risks important to domains, strengthening management by making the chain of responsibility clearer.

Compliance

The Management Audit Department centrally manages activities aimed at identifying, averting, and reducing risks before a crisis occurs. The Risk Management & Compliance Committee meets twice annually to draw up company-wide compliance promotion plans, confirm progress, and engage in other activities. Individual departments have their own compliance committees, which is intended to strengthen compliance at the departmental level. A Compliance Liaison Conference is also in place for regularly exchanging compliance information with Group companies’.

MHI CSR Databook (2014), p.12:
‘Risk Management & Compliance Committee: Discussing corporate-wide compliance promotion plans.

The Compliance Committee was established in 2001 as an organization that discusses issues such as the state of compliance promotion throughout the Group. It handles the creation of corporate-wide compliance promotion plans and confirms the status of progress. The committee also endeavors to educate employees on compliance awareness, and since fiscal year 2003 has been continuously holding compliance promotion training.’

(p.21): ‘Current Status of Corporate Governance and Internal Controls

Strengthening the oversight functions of the Board of Directors through such measures as appointing outside directors.

The Board of Directors makes important key management decisions and oversees the execution of business operations, while statutory auditors audit the execution of duties of directors and other matters. Currently, 3 of the company’s 12 directors and 3 of its 5 statutory auditors are from outside MHI. These outside directors and statutory auditors provide advice and oversight to the management of MHI based on their broad range of experience and considerable insight as managers, administrators and specialists. They operate from an unbiased position which is independent from the company’s executive management. MHI has also established an Executive Committee to serve as a forum for discussing important matters related to business execution. This allows for a more cohesive
approach in terms of discussions as part of the operational execution framework centered on the President, and consequently leads to more effective management decisions and business execution. In tandem with its transition to the Business Domain Structure from the Business Headquarter Structure in April 2014 the company introduced the Chief Officer System. This system is designed to elicit comprehensive strengths and synergies of the MHI Group and foster the creation of structures that will enable the Group to respond quickly and flexibly to market and customer needs. As a result, we expect to expand our businesses and boost our earnings capacity in global markets. In the Chief Officer System, under the CEO (president) are chief officers to whom the president delegates certain rights and responsibilities. These chief officers include Domain CEOs, as well as the CFO, CAO/CRO, and CTO. The CEO oversees initiatives to address companywide business strategy and issues, while the Domain CEOs manage and execute business in individual Business Domains encompassed by the group-wide strategy. The CFO is tasked with all activities, including management planning, related to finance, accounting, and funding. The CAO/CRO handles administrative tasks including management audits, general administration, personal and labor relations, as well as all of risk management. The CTO manages and executes all activities related to technology management and ICT. Furthermore, the CFO, CAO/CRO, and CTO retain supervisory and command rights companywide pertaining to their spheres of activity, and they provide the structure that underpins the Business Domains. Simultaneous with these initiatives, we have revised the number of directors. We further reduced the number of directors at the general meeting of shareholders in June 2014, increasing the percentage of outside directors. Through this measure, we have reinforced the Board of Directors' decision-making and supervisory functions. Statutory auditors also periodically exchange information and opinions with the Management Audit Department and accounting auditors, and collaborate closely with them in other ways, including receiving audit results and attending accounting audits. The Statutory Auditors' Office has been set up with its own dedicated staff to support the implementation of auditing tasks and facilitate the work carried out by statutory auditors’.

(p.29): ‘Risk Management

Precisely comprehend risks throughout the Group and steadily implement risk reduction measures. MHI precisely comprehends risks throughout the Group and is carrying out measures to steadily reduce these risks. In fiscal 2013, based on discussions between the General Manager of the Management Audit Department and the heads of business segments and administration departments, MHI identified the important risks to each segment and department, and worked to enhance its risk management system throughout the Group by strengthening overall risk management activities for important risks mentioned above and by operating a risk management system that combines controls centered on voluntary management and assessments by process owners (Note) and monitoring by the Management Audit Department. Among the important risks, they identified "serious management risks" that have the potential to significantly affect operations of the company or require an emergency response for management at a senior-management level and assigned a corporate director to oversee their control. As the result, MHI has kept overall risk an acceptable controlled level, without its level increasing. In fiscal 2014, we will continue to develop our activities in line with the same risk management cycle.
used in the previous fiscal year. However, in keeping with the introduction of two new structures, the Business Domain structure and the system of chief officers, we will review the important risks identified for each business segment, clarifying responsibilities in line with the new structure. Going forward, we aim to become a highly profitable company with annual earnings on a scale of ¥5 trillion. Toward this goal, specific initiatives in fiscal 2014 include groupwide risk control activities with a focus on reinforcing business administration, responding to organizational restructuring on the management and control fronts, and compliance-related risk management.

(Note) Organizations and/or persons responsible for establishing and executing risk management mechanisms for individual business functions’.

(p.104):

<table>
<thead>
<tr>
<th>Corruption</th>
<th>Principle 10</th>
</tr>
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<tbody>
<tr>
<td>SO2 Percentage and total number of business units analyzed for risks related to corruption.</td>
<td>Risk Management Activities of Major Related Committees in Fiscal 2013</td>
</tr>
<tr>
<td>SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures.</td>
<td>Creating a Structure to Promote Compliance that Encompasses the Entire Group</td>
</tr>
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Compliance Training and Increasing Awareness | Compliance Training and Increasing Awareness |

<table>
<thead>
<tr>
<th>SO4 Actions taken in response to incidents of corruption.</th>
<th>Principle 10</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Risk Management Activities of Major Related Committees in Fiscal 2013</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Compliance Training and Increasing Awareness</td>
</tr>
</tbody>
</table>
A10:

Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company has a formal anti-corruption risk assessment procedure for assessing proposed business decisions.

References:

Public:
TI notes:
Company website: Risk Management
‘Precisely comprehend risks throughout the Group and steadily implement risk reduction measures
MHI precisely comprehends risks throughout the Group and is carrying out measures to steadily reduce these risks.
In fiscal 2012, MHI reorganized and specified risks for the company and assigned directors responsible for each risk to carry out more efficient and effective risk control activities. In February 2013, the General Manager of the Management Audit Department held discussions with the heads of 19 business segments and administration departments. Together, they identified the important risks to each segment and department, categorized them according to importance and other characteristics, and laid out risk management processes for each risk. Within this process, they first identified "serious management risks," risks that, having a major impact on operation of the company or requiring an emergency response, need to be managed at a senior-management level, and assigned a corporate director to oversee their control. Next, they divided "other important risks" into "risks to be reduced through auditing and monitoring" and "risks that require a risk management structure" and sought to manage them through these two approaches. In fiscal 2013, MHI will strive further to run an effective PDCA cycle and develop and enhance its risk management system throughout the Group by strengthening risk management activities for the above-mentioned important risks and by operating a risk
management system that combines controls centered on voluntary management and assessments by process owners (Note) and monitoring by the Management Audit Department.'

http://www.mhi-global.com/company/csr/csrreport/management/governance03.html
A11:

Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company conducts due diligence that minimises corruption risk when selecting or reappointing its agents. TI notes that the Company has guidelines for business partners, but there is no evidence of a due diligence procedure.

References:

Public:
TI notes:
Guidelines to Business Partners, p.1:
‘In particular, we ask all Partners:
(1) To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.
(2) To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.
(3) To share and disclose information proactively. And to ensure accountability to society and corporate transparency.
(4) To manage confidential information, technical information, and personal information without unfair nor improper acquisition, usage nor disclosure, through establishing and using a system.
(5) To neither demand nor provide benefits, gifts, or services.
(6) To respect and not to infringe intellectual property rights of others.
(7) To ensure that imports/exports comply with applicable rules and guidance. For each of the above goals, we ask that our Partners implement appropriate internal procedures and controls to improve and maintain compliance’.

MHI CSR Databook (2014), p.16:
In June 2010, MHI drew up the MHI Group Supply Chain CSR Promotion Guidelines, and provided MHI’s business partners with information about CSR activities and programs that are designed to promote a consistent approach to CSR throughout the supply chain. The Guidelines are divided into five points that include comprehensive compliance and promotion of corporate ethics, and assurance of product safety and quality, cost, delivery schedule (QCD), enhanced technological development capabilities, and considerations regarding human rights and workplace safety. Business partners are expected to embrace the MHI Guidelines, which are discussed at dedicated presentations and are also available on the company website. Some 300 business partners took part in a self-assessment survey of CSR programs conducted in fiscal 2011. MHI has incorporated the CSR efforts of business partners as one item for evaluation and is preparing a method which appropriately evaluates these efforts. In fiscal 2012, MHI instituted a partner evaluation method with the aim of optimizing its supply chain and strengthening collaboration with business partners. MHI evaluated all five points (quality, cost, delivery, technology, and management) against a group-wide policy at major partners in each business. MHI also included results on assessments of CSR involvement level into some partner evaluations.

MHI Group Supply Chain CSR Promotion Guidelines

**Compliance and Corporate Ethics**

We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.'
MHI Group ESG Data (October 2014), p.15:

‘1.7.2 Risk Exposure

Examples of a typical environmental innovation introduced in the past 5 years.

Main products and technologies in 2012

- Developed technologies for capturing and storing CO2 exhaust gas emissions
- MALS installed on ferries for realizing energy-efficient maritime transport
- Verification testing of demand-response system for creating smart communities
- Launched modular air-cooled heat pump, the most energy-efficient heat pump worldwide.

CSR Report (2013), pp.. 122-125:

Our company’s KPIs used to measure the environmental performance or efficiency of innovations: e.g. virtual water content, grey energy content, customer CO2 abatement. In order to identify sustainability risks in the supply chain, MHI evaluates partners' performance based on the Supply Chain CSR.
Promotion Guidelines (see URL below).

http://www.mhi-global.com/company/procurement/csr/index.html

MHI Group Supply Chain CSR Promotion Guidelines
We also conduct a detailed survey against major partners(*) requesting for their self-assessment of their performance. (*)The scope of major partners covers approximately 90% of the total procurement spent’.

A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption.

References:
Public:
TI notes:
Guidelines to Business Partners, p.1:
‘In particular, we ask all Partners:
(1) To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.
(2) To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.
(3) To share and disclose information proactively. And to ensure accountability to society and corporate transparency.
(4) To manage confidential information, technical information, and personal information without unfair nor improper acquisition, usage nor disclosure, through establishing and using a system.
(5) To neither demand nor provide benefits, gifts, or services.
(6) To respect and not to infringe intellectual property rights of others.
(7) To ensure that imports/exports comply with applicable rules and guidance. For each of the above goals, we ask that our Partners implement appropriate internal procedures and controls to improve and maintain compliance’.

Company Website, MHI Group Supply Chain CSR Promotion Guidelines:

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.

In particular, we ask all Partners:

1. To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.

2. To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.

3. To share and disclose information proactively. And to ensure accountability to society and corporate transparency.

4. To manage confidential information, technical information, and personal information without unfair nor improper acquisition, usage nor disclosure, through establishing and using a system.

5. To neither demand nor provide benefits, gifts, or services.

6. To respect and not to infringe intellectual property rights of others.

7. To ensure that imports/exports comply with applicable rules and guidance.

For each of the above goals, we ask that our Partners implement appropriate internal procedures and controls to improve and maintain compliance.

https://www.mhi-global.com/company/procurement/csr/index.html

Company Website, MHI Group Supply Chain CSR Promotion Guidelines:

We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.


MHI CSR Databook (2014), p.16:
In June 2010, MHI drew up the MHI Group Supply Chain CSR Promotion Guidelines, and provided MHI's business partners with information about CSR activities and programs that are designed to promote a consistent approach to CSR throughout the supply chain. The Guidelines are divided into five points that include comprehensive compliance and promotion of corporate ethics, and assurance of product safety and quality, cost, delivery schedule (QCD), enhanced technological development capabilities, and considerations regarding human rights and workplace safety. Business partners are expected to embrace the MHI Guidelines, which are discussed at dedicated presentations and are also available on the company website. Some 300 business partners took part in a self-assessment survey of CSR programs conducted in fiscal 2011. MHI has incorporated the CSR efforts of business partners as one item for evaluation and is preparing a method which appropriately evaluates these efforts. In fiscal 2012, MHI instituted a partner evaluation method with the aim of optimizing its supply chain and strengthening collaboration with business partners. MHI evaluated all five points (quality, cost, delivery, technology, and management) against a group-wide policy at major partners in each business. MHI also included results on assessments of CSR involvement level into some partner evaluations.

MHI Group Supply Chain CSR Promotion Guidelines

Compliance and Corporate Ethics

We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.'
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http://www.mhi-global.com/company/procurement/csr/index.html

MHI Group Supply Chain CSR Promotion Guidelines
We also conduct a detailed survey against major partners(*) requesting for their self-assessment of their performance. (*)The scope of major partners covers approximately 90% of the total procurement spent’.
A13:

Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?

Score:

1

Comments:

Based on public information, there is some evidence that the company makes clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption. The company asks its business partners to foster corporate ethics and comply with principles, such as not to give or demand benefits or gifts. The procurement policy states that business partners must comply with rules, regulations and social norms based on the company’s compliance management policy; procurement is only approved if it does not conflict with relevant regulations. However, it remains unclear what the consequences of non-compliance are. The company therefore scores 1.

References:

Public:
Company Website, MHI Group Supply Chain CSR Promotion Guidelines:
‘Compliance and Corporate Ethics
We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.’

Company website: Improving Compliance Principles/ Guidelines
‘Establishing regulations and standards for the more thorough prevention of bribery
MHI strives for fairness in its global commercial transactions by strictly observing the anti-bribery laws of all countries, including Japan’s Unfair Competition Prevention Act, which prohibits the giving of illicit benefits by Japanese citizens to overseas government officials. MHI established the Guidelines for the Prevention of Bribery Involving Foreign Civil Servants
in 2005 to define rules of conduct based on the Unfair Competition Prevention Act. In addition, the Anti-Bribery Rules and Anti-Bribery Procedural Guidelines based on these guidelines were created in February 2012 in order to respond to the enactment of British Bribery Act 2010 (Note) of July 2011 and strengthened regulations in various countries. In fiscal 2012, MHI made efforts to strengthen bribery prevention even further by building compliance mechanisms based on MHI rules and standards and also based on consideration of the form of business operated by each Group company in Japan and overseas as well as circumstances surrounding local laws and regulations and business practices for overseas Group companies.

(Note) Generally said to be the most stringent anti-bribery law in the world, having provisions that make it illegal even to neglect to take actions to prevent bribery. The law applies also to foreign companies operating in the U.K.’

http://www.mhi-global.com/company/csr/csrreport/management/compliance03.html

Company website: Compliance- Organizing a Structure to Promote Compliance that Encompasses the Entire Group

‘Ensuring transparency and legality in order-receiving activities

From 2005 to 2006, MHI was the subject of an investigation by the Japan Fair Trade Commission when it fell under suspicion of violating the Anti-Monopoly Act in construction orders involving steel bridge construction projects and sewage treatment plants. MHI took the investigation very seriously, and established the Order Compliance Committee in an effort to prevent potentially suspect activities from occurring again. MHI has worked diligently to build a stringent system to uphold the Anti-Monopoly Act that ensures the transparency and legality of order-receiving activities. This system includes drawing up rules of conduct for the Public Sector Sales Department, carrying out compliance checks on each instance of competitive bidding for construction contracts, and conducting special monitoring for public-sector order compliance. In fiscal 2012, we sought to strengthen compliance in order-receiving activities by expanding applicability for the public and private sectors in Japan and overseas and revising our rules of conduct. We strived to build compliance awareness among Group employees by holding workshops on the Anti-Monopoly Act at MHI and at Group companies in Japan, Europe, the U.S., and China. We also continued order compliance audits, this time expanding the scope from not just the public sector in Japan, but also to the overseas public sector and the private sector as well, thus confirming that order compliance activities begun in previous years were continuing and that awareness of the Anti-Monopoly Act was spreading within the Group. MHI will continue to take actions to promote a law-abiding mentality in order-receiving activities.

In fiscal 2012, no warnings were issued against MHI by government offices such as the Fair Trade Commission.’


Company website: Procurement Policy

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
‘Openness
We strive to provide business opportunities openly to suppliers throughout the world, and welcome creative and competitive suppliers.

‘Fairness
We provide chances for competition to qualified suppliers, and evaluate and select suppliers fairly based on criteria such as the suppliers’ product quality, price, delivery schedule, technology and financial conditions.

‘Partnership
We regard our suppliers as partners based on the mutual understanding that both partners should benefit from the relationship.

‘Compliance
We comply with rules, regulations and social norm based on our compliance management policy, and all information submitted to MHI will be kept and used properly.

http://www.mhi-global.com/company/procurement/policy/index.html

CSR Guidelines to Business partners, p.1: (Company Website, MHI Group Supply Chain CSR Promotion Guidelines)

‘We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.

In particular, we ask all Partners:

(1)To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.
(2)To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.
(3)To share and disclose information proactively. And to ensure accountability to society and corporate transparency.
(4)To manage confidential information, technical information, and personal information without unfair nor improper acquisition, usage nor disclosure, through establishing and using a system.
(5)To neither demand nor provide benefits, gifts, or services.
(6)To respect and not to infringe intellectual property rights of others.
(7)To ensure that imports/exports comply with applicable rules and guidance.

For each of the above goals, we ask that our Partners implement appropriate internal procedures and controls to improve and maintain compliance.’
This section describes approval processes for suppliers' as well as the requirement for suppliers for approval with the goal of improving product quality by strengthening the global supply chain.

1. Please follow MHI's evaluation rules and standards listed below.
   - Facilities and Technologies (including legal qualifications)
   - Management abilities related to quality assurance
2. MHI specifies rules to regularly evaluate suppliers depending on the importance and complexity of product quality.
3. MHI specifies rules to inform suppliers of the contents of the global procurement manual.
4. MHI specifies rules (including descriptions) to clarify that the procurement of equipment, parts and materials should be conducted according to contract requirement.
5. MHI specifies rules to verify that the procured products conform to requirements on the contract documents.
6. MHI specifies rules to clarify that suppliers should submit an application to MHI after considering the following points when adopting imported products.
   - Specifications required by MHI.
   - Suppliers should acquire authorization of ISO9001, or maintain the local delivery records, or equivalent.
   - Suppliers should verify performance, past non-conformance, maintenance abilities, and test and inspection rules.
   - There is no conflict with relevant regulations.
   - Abilities to provide replacement parts after acceptance.
7. MHI conducts evaluations to verify if a supplier can consistently create stable quality for special construction processes and establishes rules to grant approval on a factory by factory basis depending on special construction processes. This rule basically applies to subcontract suppliers.
8. MHI purchases products, materials or services from customers' approved suppliers if it is specified on the contracts with customers (customers' drawings or specifications).


Company website: Procurement- Contract

‘Aiming at building a fair and honest relationship, MHI provides MHI’s suppliers with a contract information. The suppliers will receive further details from MHI depending on the situation of an individual business transaction.
A supplier and MHI will enter into a contract for business transaction after MHI's selection
procedures based on quotation provided by the supplier.

A13(a):

Does the company explicitly address the corruption risks associated with offset contracting?

Score: NA

Comments:
The company has informed TI that it does not engage in offset contracting.

References:
Public: NA
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:
NA

Comments:
The company has informed TI that it does not engage in offset contracting.

References:
Public:
NA
A15:

Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score:

1

Comments:

Based on public information, there is evidence that the company has an anti-corruption policy. However, the company is not explicit about corruption in its various forms. The company therefore scores 1.

References:

Public:
Company website: Compliance Principles

‘We have promoted the business activities MHI fairly and faithfully in order to "base our activities on honesty, harmony, and a clear distinction between public and private life." As a more specific activity guideline, we established the MHI Compliance Principles in 2001.

Business activities

We will conduct sensible company activities in compliance with laws and in an appropriate manner, and contribute to society by providing safe, high-quality products and services.

1. We will endeavor to provide safe, high-quality products and services.
   2. In conducting business activities, we will pursue fair and free intercorporate competition in compliance with the Antimonopoly Act, the Act against Delays in the Payment of Subcontract Proceeds, etc. to Subcontractors, the Construction Business Act, and other relevant regulations.
   3. Regarding gift-giving and entertainment with civil officers and suppliers, we will not violate laws or deviate from socially accepted practices.
   4. We will implement appropriate accounting and tax accounting in accordance with relevant laws, accounting standards, and internal regulations.
   5. In relation to overseas business, we will follow laws related to import and export and local laws.’

Company website: Compliance- Compliance Training and Increasing Awareness
‘Implementing discussion-based training adapted to daily duties
Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’


Company website: Compliance- Compliance Principles/ Guidelines
‘Establishing regulations and standards for the more thorough prevention of bribery
MHI strives for fairness in its global commercial transactions by strictly observing the anti-bribery laws of all countries, including Japan’s Unfair Competition Prevention Act, which prohibits the giving of illicit benefits by Japanese citizens to overseas government officials. MHI established the Guidelines for the Prevention of Bribery Involving Foreign Civil Servants in 2005 to define rules of conduct based on the Unfair Competition Prevention Act. In addition, the Anti-Bribery Rules and Anti-Bribery Procedural Guidelines based on these guidelines were created in February 2012 in order to respond to the enactment of British Bribery Act 2010 (Note) of July 2011 and strengthened regulations in various countries. In fiscal 2012, MHI made efforts to strengthen bribery prevention even further by building compliance mechanisms based on MHI rules and standards and also based on consideration of the form of business operated by each Group company in Japan and overseas as well as circumstances surrounding local laws and regulations and business practices for overseas Group companies.

(Note) Generally said to be the most stringent anti-bribery law in the world, having provisions that make it illegal even to neglect to take actions to prevent bribery. The law applies also to foreign companies operating in the U.K.’

http://www.mhi-global.com/company/csr/csrreport/management/compliance03.html
The "United Nations Global Compact" is a voluntary initiative initially proposed by Kofi Annan, the UN Secretary General, at the World Economic Forum at Davos in 1999. On that occasion, Mr. Annan called for business corporations and organizations worldwide to embrace and promote a set of principles, now ten in number, within their respective capacities. The Global Compact principles address four issues: human rights, labor, the environment and anti-corruption. Today (as of December 2007), more than 4,800 companies and organizations are party to the compact. MHI became an active participant in 2004. In keeping with the compact's principles, the company is contributing in myriad ways that include the development and dissemination of technologies to protect the environment, support to areas that suffer natural disasters, and promoting the awareness of human rights.

(…)

Anti-Corruption
Principle 10

Businesses should work against all forms of corruption, including extortion and bribery.’

MHI Group ESG Deta (October 2014), p.8:

‘MHI, as a company engaged in global commerce, is fully committed to promoting fair trade under the auspices of the Unfair Competition Prevention Act for preventing illegal payoffs to foreign public officials and other illegal activities, and to basic policies that comply with bribery and anti-corruption laws in each company where it operates. Anti-bribery Rules and anti-bribery Procedural Guidelines based on these principles were created in February 2012 in order to respond to the enactment of the British Bribery Act 2010 of July 2011 and to strengthen regulations in various countries. In FY2012, MHI worked diligently to further strengthen bribery prevention by building compliance mechanisms based on internal rules and standards that take into account the type of businesses operated by each Group company in Japan and overseas, and local laws, regulations and business practices of overseas Group companies. In FY2013, structures and standards were completed and put in place for domestic and overseas Group companies (A Zone = consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards. Company and Group standards prohibit bribery in any form’.

(…)

‘1.3.3 Corruption&Bribery: Scope of Policy

● Bribes in any form (including kickbacks) on any portion of contract payments or soft dollar practices’.

A16: Is the anti-corruption policy explicitly one of zero tolerance?

Score: 0

Comments:

Based on public information, there is no readily available evidence that the company’s anti-corruption policy is one of zero tolerance.

References:

Public:

TI notes:

MHI CSR Databook (2014), p.5: ‘Participation in the UN Global Compact

The "United Nations Global Compact" is a voluntary initiative initially proposed by Kofi Annan, the UN Secretary General, at the World Economic Forum at Davos in 1999. On that occasion, Mr. Annan called for business corporations and organizations worldwide to embrace and promote a set of principles, now ten in number, within their respective capacities. The Global Compact principles address four issues: human rights, labor, the environment and anti-corruption. Today (as of December 2007), more than 4,800 companies and organizations are party to the compact. MHI became an active participant in 2004. In keeping with the compact's principles, the company is contributing in myriad ways that include the development and dissemination of technologies to protect the environment, support to areas that suffer natural disasters, and promoting the awareness of human rights.

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MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
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A17:
Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score:

1

Comments:
Based on public information, there is evidence that the company's main policy documents on compliance and anti-corruption are publicly available. However, there is no document that presents the company’s policy in its entirety, for example a Code of Conduct. The company therefore scores 1.

References:
Public:
Company website: Compliance Principles

'We have promoted the business activities MHI fairly and faithfully in order to "base our activities on honesty, harmony, and a clear distinction between public and private life." As a more specific activity guideline, we established the MHI Compliance Principles in 2001.

Business activities

We will conduct sensible company activities in compliance with laws and in an appropriate manner, and contribute to society by providing safe, high-quality products and services.

6. We will endeavor to provide safe, high-quality products and services.

7. In conducting business activities, we will pursue fair and free intercorporate competition in compliance with the Antimonopoly Act, the Act against Delays in the Payment of Subcontract Proceeds, etc. to Subcontractors, the Construction Business Act, and other relevant regulations.

8. Regarding gift-giving and entertainment with civil officers and suppliers, we will not violate laws or deviate from socially accepted practices.

9. We will implement appropriate accounting and tax accounting in accordance with relevant laws, accounting standards, and internal regulations.

10. In relation to overseas business, we will follow laws related to import and
Company website: Compliance - Compliance Principles/ Guidelines

‘Improving Compliance Principles Clarify Behaviour Standards

‘The MHI Compliance Principles established in September 2001 explicitly set forth required behavior standards so that compliance with applicable laws and social norms can be comprehensively achieved in business activities, societal relationships, and employee relationships. This policy has been printed on cards so that it can be easily carried and has been distributed to all employees, including contract workers. In addition, all employees have been provided with MHI’s Compliance Guidelines in the form of a booklet, which contains straightforward explanations on specific areas requiring caution during the execution of daily duties. Moreover, articles on compliance have regularly been included in company bulletins. From fiscal 2010, illustrated articles have been included to further deepen employee understanding.’

Company website: Compliance - Compliance Principles/ Guidelines

‘Establishing regulations and standards for the more thorough prevention of bribery

MHI strives for fairness in its global commercial transactions by strictly observing the anti-bribery laws of all countries, including Japan's Unfair Competition Prevention Act, which prohibits the giving of illicit benefits by Japanese citizens to overseas government officials. MHI established the Guidelines for the Prevention of Bribery Involving Foreign Civil Servants in 2005 to define rules of conduct based on the Unfair Competition Prevention Act. In addition, the Anti-Bribery Rules and Anti-Bribery Procedural Guidelines based on these guidelines were created in February 2012 in order to respond to the enactment of British Bribery Act 2010 (Note) of July 2011 and strengthened regulations in various countries. In fiscal 2012, MHI made efforts to strengthen bribery prevention even further by building compliance mechanisms based on MHI rules and standards and also based on consideration of the form of business operated by each Group company in Japan and overseas as well as circumstances surrounding local laws and regulations and business practices for overseas Group companies.

(Note) Generally said to be the most stringent anti-bribery law in the world, having provisions that make it illegal even to neglect to take actions to prevent bribery. The law applies also to foreign companies operating in the U.K.’

Company website: Compliance - Compliance Principles/ Guidelines

出口和当地法律。
A17(a):

Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:

0

Comments:

Based on public information, there is limited evidence that the company’s anti-corruption policy is understandable and clear. TI notes that principles on anti-corruption are discussed in group meetings and guidelines are handed out as hardcopies to employees and contract workers. However, given very little documentation is publicly available, it is not possible to assess its understandability.

References:

Public:

TI notes:

Company website: Compliance Principles
‘We have promoted the business activities MHI fairly and faithfully in order to "base our activities on honesty, harmony, and a clear distinction between public and private life." As a more specific activity guideline, we established the MHI Compliance Principles in 2001.

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http://www.mhi-global.com/company/csr/csrreport/management/compliance03.html
A18:
Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company’s anti-corruption policy applies to all employees and members of the Board.

References:
Public:
NA
A20:

Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company has a policy on potential conflicts of interest.

References:

Public:

TI notes:

<table>
<thead>
<tr>
<th>MHI</th>
<th>CSR</th>
<th>Databook (2014), p.100:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison Chart of &quot;Global Reporting Initiative Sustainability Reporting Guidelines (Fourth Edition, or G4)&quot; and &quot;United Nations Global Compact Principles&quot;</td>
<td>Corresponding Global Compact Principle</td>
<td>Relevant page(s) in the CSR Web Site</td>
</tr>
<tr>
<td>Governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.</td>
<td>-</td>
<td>Current Status of Corporate Governance and Internal Controls Promoting Comprehensive and Strategic CSR Activities Activities of Major Related Committees in Fiscal 2013</td>
</tr>
<tr>
<td>4.2 Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization’s management and the reasons for this arrangement).</td>
<td>-</td>
<td>Current Status of Corporate Governance and Internal Controls</td>
</tr>
<tr>
<td>4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.</td>
<td>-</td>
<td>Current Status of Corporate Governance and Internal Controls</td>
</tr>
<tr>
<td>4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.</td>
<td>-</td>
<td>Current Status of Corporate Governance and Internal Controls Building a Better Working Environment Disclosure Principles and IR Activities</td>
</tr>
<tr>
<td>4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including director appointments), and the organization’s performance (including social and environmental performance).</td>
<td>-</td>
<td>Web</td>
</tr>
<tr>
<td>4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.</td>
<td>-</td>
<td>Current Status of Corporate Governance and Internal Controls</td>
</tr>
</tbody>
</table>

Nuclear Power Plant Exporter’s Principles of Conduct (March 2014), p.9: ‘6.6 Have in place internal programs to discourage corruption and conflicts of interest and to..."
encourage compliance with anticorruption laws, such as those implementing the United Nations Convention Against Corruption and/or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and seek to obtain a reciprocal commitment from Customers’.

MHI Group ESG Deta (October 2014), p.5:

### 1.1.7 Audit Conflict of Interest

<table>
<thead>
<tr>
<th>Currency unit:</th>
<th>Amount</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax services</td>
<td></td>
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<td></td>
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<tr>
<td>Other fees</td>
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</tbody>
</table>

**Comments**
- Compensation for certified public accounts and other personnel is disclosed in securities reports and other documentation submitted to the Financial Services Agency. The content is published in the annual report. Please see Auditing Public Accountant Compensation (pg. 64) of Annual Report 2013.
- For now, totals are available in the Attachment to the Notice of the General Meeting of Shareholders. Please see Accounting Auditors on pg. 34 below.

A21:
Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score:
0

Comments:
Based on public information, there is limited evidence that the company takes a stance on gift-giving and receiving, in particular in the CSR Guidelines to Business Partners. However, no sufficiently detailed official statement or policy can be found publicly.

References:
Public:
TI notes:
Company website: Compliance Principles
"We have promoted the business activities MHI fairly and faithfully in order to "base our activities on honesty, harmony, and a clear distinction between public and private life." As a more specific activity guideline, we established the MHI Compliance Principles in 2001.

Business activities
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   17. In conducting business activities, we will pursue fair and free intercorporate competition in compliance with the Antimonopoly Act, the Act against Delays in the Payment of Subcontract Proceeds, etc. to Subcontractors, the Construction Business Act, and other relevant regulations.
   18. Regarding gift-giving and entertainment with civil officers and suppliers, we will not violate laws or deviate from socially accepted practices.
   19. We will implement appropriate accounting and tax accounting in accordance with relevant laws, accounting standards, and internal regulations.
   20. In relation to overseas business, we will follow laws related to import and
Company website: Compliance- Compliance Training and Awareness:
‘Implementing discussion- based training adapted to daily duties
Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’

CSR Guidelines to Business Partners, p.1:
‘Compliance and Corporate Ethics
We ask all Partners to persist in compliance related to all business activities, to foster corporate ethics, and also, to work on building and operating an organization to facilitate this.
In particular, we ask all Partners:
(1) To comply thoroughly with laws and social norms in countries and regions where business activities are conducted.
(2) To maintain free and fair competition, without limitation or obstruction. Moreover, to prevent unfair activities, and to detect and to deal with them as early as possible.
(3) To share and disclose information proactively. And to ensure accountability to society and corporate transparency.
(4) To manage confidential information, technical information, and personal information without unfair nor improper acquisition, usage nor disclosure, through establishing and using a system.
(5) To neither demand nor provide benefits, gifts, or services.
(6) To respect and not to infringe intellectual property rights of others.
(7) To ensure that imports/exports comply with applicable rules and guidance.
For each of the above goals, we ask that our Partners implement appropriate internal
procedures and controls to improve and maintain compliance’.

MHI Group ESGData (October 2014), p. 19:

1.9.4 Implementation Measures – Manufacturing

Regarding corruption, child labor and other compliance issues, MHI complies with laws and regulations on gift-giving and entertainment for public officials, accounting and tax provisions, and import and export practices, and verifies compliance through voluntary audits and internal audits based on the MHI Compliance Guidelines. In addition, we have been acquiring and promoting acquisition of ISO 14001 and ISO 9001 environmental and quality accreditation.

A22:

Does the company’s anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:

0

Comments:

Based on public information, there is limited evidence that the company takes a stance on the giving and receiving of hospitality and entertainment, to ensure that such transactions are bona fide and not a subterfuge for bribery. However, no sufficiently detailed official statement or policy can be found publicly.

References:

Public:

TI notes:

Company website: Compliance Principles
‘We have promoted the business activities MHI fairly and faithfully in order to "base our activities on honesty, harmony, and a clear distinction between public and private life." As a more specific activity guideline, we established the MHI Compliance Principles in 2001.

Business activities

We will conduct sensible company activities in compliance with laws and in an appropriate manner, and contribute to society by providing safe, high-quality products and services.

21. We will endeavor to provide safe, high-quality products and services.

22. In conducting business activities, we will pursue fair and free intercorporate competition in compliance with the Antimonopoly Act, the Act against Delays in the Payment of Subcontract Proceeds, etc. to Subcontractors, the Construction Business Act, and other relevant regulations.

23. Regarding gift-giving and entertainment with civil officers and suppliers, we will not violate laws or deviate from socially accepted practices.

24. We will implement appropriate accounting and tax accounting in accordance with the relevant laws and regulations.

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
MHI Group ESGData (October 2014), p. 19:

1.9.4 Implementation Measures — Manufacturing

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A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company has a policy that explicitly prohibits facilitation payments. TI notes that ‘contract payments and soft dollar practices’ are prohibited in the MHI Group ESG Deta. However, this question is assessing an explicit prohibition of facilitation payments.

References:
Public:
TI notes:
MHI Group ESG Deta (October 2014), p.8:
‘1.3.3 Corruption&Bribery: Scope of Policy

- Bribes in any form (including kickbacks) on any portion of contract payments or soft dollar practices’.

A24: 
Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:

1

Comments:

Based on public information, there is limited evidence that the company regulates political contributions in order to prevent undue influence or other corrupt intent. The company states that it does not make political contributions beyond the amount stipulated in internal regulations, and that they should be declared. However, there is no further information on guidance or information on the scope of the policy. The company therefore scores 1.

References:

Public:
Company website: MHI Compliance Principles – Relationship between the company and society
‘We will try to preserve the environment and live in harmony with society as a good corporate citizen.

1. We will follow environment-related laws and try to preserve the environment.
2. We will disclose information related to management in an appropriate and timely manner.
3. We will not make political donations exceeding the amounts stipulated in our internal regulations.
4. We will respond firmly to antisocial forces.’


MHI CSR Databook (2014), p.6: ‘The seven core subjects of ISO 26000, and MHI’s main efforts
5. Fair operating practices
Anti-corruption / Responsible political involvement / Fair competition / Promoting social responsibility in the value chain / Respect for property rights

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
Compliance
Fair Dealing’.

(p.18): ‘Relationship between the company and society
We will try to preserve the environment and live in harmony with society as a good corporate citizen.
1. We will follow environment-related laws and try to preserve the environment.
2. We will disclose information related to management in an appropriate and timely manner.
3. We will not make political donations exceeding the amounts stipulated in our internal regulations.
4. We will respond firmly to antisocial forces’.

(p.104):

<table>
<thead>
<tr>
<th>SO2</th>
<th>Percentage and total number of business units analyzed for risks related to corruption.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Principle 10</td>
</tr>
<tr>
<td></td>
<td>Risk Management Activities of Major Related Committees in Fiscal 2013</td>
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<tr>
<td></td>
<td>Creating a Structure to Promote Compliance that Encompasses the Entire Group</td>
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<td>Compliance Training and Increasing Awareness</td>
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</table>

<table>
<thead>
<tr>
<th>SO3</th>
<th>Percentage of employees trained in organization’s anti-corruption policies and procedures.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principle 10</td>
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<thead>
<tr>
<th>SO4</th>
<th>Actions taken in response to incidents of corruption.</th>
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<tbody>
<tr>
<td></td>
<td>Principle 10</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>SO5</th>
<th>Public policy positions and participation in public policy development and lobbying.</th>
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<thead>
<tr>
<th>SO6</th>
<th>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principle 10</td>
</tr>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>SO7</th>
<th>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Creating a Structure to Promote Compliance that Encompasses the Entire Group</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>SO8</th>
<th>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</th>
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</tr>
<tr>
<td></td>
<td>Creating a Structure to Promote Compliance that Encompasses the Entire Group</td>
</tr>
</tbody>
</table>

MHI Group ESG Data (October 2014), p.8:
‘1.3.3 Corruption&Bribery: Scope of Policy
• Bribes in any form (including kickbacks) on any portion of contract payments or soft dollar practices
Direct or indirect political contributions
Japan’s Ministry of International Affairs and Communications periodically publishes official reports.
- Direct or indirect political contributions
- Political contributions publicly disclosed.
- Charitable contributions and sponsorship
- Charitable contributions and sponsorship publicly disclosed

(...)

Under the Political Funds Control Law, the head office's legal affairs department has the means (including document preparation) to reviewing all expenditures, including Group expenditures'.

A25: 
Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, or discloses the issues on which it lobbies.

References:
Public:
TI notes:
MHI CSR Databook (2014), p.104:
A25(a):

Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:

1

Comments:

Based on public information, there is some evidence that the company regulates charitable contributions in order to prevent undue influence or other corrupt intent. The company engages in community-based donations and keeps a record of the amount given. However, there is no specific evidence of a selection procedure, nor of public declaration of donations. The company therefore scores 1.

References:

Public:
Company website: Contributions to Society- Examples of Regional Contribution Activities (FY2011)
‘Donation of Tableware to Nursing Care Services Under the Matching Gift Program
Under the Matching Gift program operated in conjunction with trade unions, MHI commits to match employee donations by value. In fiscal 2011, the combined donations were used to purchase 1,300 items of adaptive tableware for caregiving made using MHI’s shape memory polymer technology for distribution among 63 nursing care facilities in Tokyo, Kanagawa and Osaka.’


MHI Report (2014), p.15:
‘Financial and non-financial highlights
Social contribution expenses (billions of yen) 1.6 2.0 1.4 1.4’.

MHI CSR Databook (2014), p.83: ‘Robust recovery assistance to areas hit by natural disasters
The MHI Group has long embraced a humanitarian perspective and offered assistance and support across the world in the aftermath of large-scale natural disasters. Continuing our

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
reconstruction assistance for communities hit by the Great East Japan Earthquake on March 11, 2011, in fiscal 2013 we again engaged in various activities to support children, such as teaching science classes, sponsoring charity musicals, and hosting a rugby workshop. We also launched new assistance efforts, such as the MHI Miyagi Mini-Fund, which provides assistance to community restoration efforts in the disaster regions, and donating (Note) dishes and eating utensils made from a MHI proprietary shape-memory polymer to social welfare facilities.

(Note) In partnership with the labor union, a matching donation given by the company on top of money donated by employees through the Tomoshibi Fund’.

CSR Guidelines to Business Partners, p.2:
‘5. Contribution to the Region and Society
We ask all of our Partners to work positively on the activities to contribute to the development of international society as well as regional society and to foster the next generation etc. Our Partners are free to determine the most effective way to fulfill their social responsibilities, which may include contributions through normal course of their business, charitable donations or contributions of facilities and/or resources’.

CSR Report (2013), p.27:

<table>
<thead>
<tr>
<th>Change in expenditures on social contribution activities</th>
<th>(million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic research</strong></td>
<td><strong>FY2009</strong></td>
</tr>
<tr>
<td></td>
<td>339</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>537</td>
</tr>
<tr>
<td><strong>Community activities</strong></td>
<td>158</td>
</tr>
<tr>
<td><strong>Sports</strong></td>
<td>114</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>507</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,655</td>
</tr>
<tr>
<td><strong>Percentage of ordinary profit</strong></td>
<td>6.89%</td>
</tr>
</tbody>
</table>

(Note 1) Figures include cash donations, payments in kind, activities by employees, free use of company facilities, etc., converted into monetary equivalents; activities privately performed by employees are not included.

(Note 2) Includes group companies under consolidated accounting.

(Note 3) Social contribution expenditures in FY2010 do not include those related to the Great East Japan Earthquake (donations, fund-raising, etc. during March 11-31, 2011). These expenditures were included in FY2011.

(Note 4) Social contribution expenditures in FY2012 are currently being calculated.

MHI Group ESG Deta (October 2014), p.8:
‘1.3.3 Corruption&Bribery: Scope of Policy
• Bribes in any form (including kickbacks) on any portion of contract payments or soft dollar practices

MHI 20/12/14
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Direct or indirect political contributions
Japan's Ministry of International Affairs and Communications periodically publishes official reports.

- Direct or indirect political contributions
- Political contributions publicly disclosed.
- Charitable contributions and sponsorship
- Charitable contributions and sponsorship publicly disclosed

(...)

Under the Political Funds Control Law, the head office's legal affairs department has the means (including document preparation) to reviewing all expenditures, including Group expenditures’.

(p.33): ‘Contributing to Society entail activities carried out based on Community Ties under the Group’s CSR Action Guidelines. In concrete terms, this means development activities addressing the needs and challenges in each region where businesses are located. More specifically, promoting employee volunteerism, sponsoring charity concerts, and assisting in reconstruction after natural disasters are among the pursuits. For employee volunteerism, the Funds for Community Engagement System (formerly the Social Contribution Fund) was established in-house in FY2012. Under the system, time donated by company employees for volunteer work is converted to a monetary value, which is then converted to an equivalent budget allocation and earmarked for funding the activities of corporate NPOs. In FY2013, support was provided for activities by 16 organizations in fields such as education, social welfare, environmental protection and culture, arts and sports promotion.

- For initiatives under the Funds for Community Engagement System, see important social contribution activities under Community Participation and Development on pgs. 41-42 of the CSR Report 2013 (detailed version).
- For charity concerts, see pg. 164 of the CSR Report 2013 (detailed version).
- For reconstruction assistance after natural disasters, see pgs. 157-159.

⇒ The URL for CSR Report 2013 is below’.

(p.34):

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Donations</td>
<td>40.60%</td>
</tr>
<tr>
<td>Community Investments</td>
<td>40.80%</td>
</tr>
<tr>
<td>Commercial Initiatives</td>
<td>5.05%</td>
</tr>
<tr>
<td>Total must equal</td>
<td>100%</td>
</tr>
</tbody>
</table>

The numbers shown in the chart above are from FY2013. Due to the timing for closing FY2014 accounts, we plan to upload the latest data available in 2014 reports and the 2014 AR onto our website in around October 2014.

A26:

Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

1

Comments:

Based on public information, there is some evidence that the company provides written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda. The compliance principles have been printed on cards and distributed to employees, including contract workers. Moreover, all employees have received a Compliance Guidelines booklet with specific explanations and the principles have been illustrated with figures to make them more comprehensible in fiscal year 2010. However, it was not possible to assess these documents as they are not publicly available. The company therefore scores 1.

References:

Public:

Company website: Compliance- Improving Compliance Principles/ Guidelines:

‘The Compliance Principles Clarify Behavior Standards

The MHI Compliance Principles established in September 2001 explicitly set forth required behavior standards so that compliance with applicable laws and social norms can be comprehensively achieved in business activities, societal relationships, and employee relationships. This policy has been printed on cards so that it can be easily carried and has been distributed to all employees, including contract workers. In addition, all employees have been provided with MHI's Compliance Guidelines in the form of a booklet, which contains straightforward explanations on specific areas requiring caution during the execution of daily duties. Moreover, articles on compliance have regularly been included in company bulletins. From fiscal 2010, illustrated articles have been included to further deepen employee understanding.’

http://www.mhi-global.com/company/csr/csrreport/management/compliance03.html
A27: Does the company have a training programme that explicitly covers anti-corruption?

Score: 2

Comments: Based on public information, there is evidence that the company has a compliance training programme.

References:

Public:
Company website: Compliance- Compliance Training and Awareness
‘Compliance Training and Increasing Awareness
Implementing discussion- based training adapted to daily duties
Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003.
The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor.
In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions.
In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’

MHI Report (2014), p.51:
‘Recent Actions to Promote Compliance
FY2003 Began compliance training (undertaken by 97% in FY2013)’


The Compliance Committee was established in 2001 as an organization that discusses issues such as the state of compliance promotion throughout the Group. It handles the creation of corporate-wide compliance promotion plans and confirms the status of progress. The committee also endeavors to educate employees on compliance awareness, and since fiscal year 2003 has been continuously holding compliance promotion training’.

(p.13): ‘International Trade Control Committee: Promoting education on legal compliance and updating various rules and manuals

MHI is aware that export controls complying with export-related laws and regulations, such as the Foreign Exchange & Foreign Trade Control Act, are taking on greater importance. Since its inception, the International Trade Control Committee has been convened regularly on a monthly basis, and has reached 316 times (as of March 2014). Through the Committee's activities, MHI carries out stringent screening for the transfers of controlled technologies as well as exports of controlled commodities, or transactions designated to nations and regions which have concerns or are subject to international sanctions, in order to prevent our technologies and commodities from being used for nefarious purposes, such as for weapons of mass destruction. The Committee also draws up and revises effective rules, promotes internal audits and conducts consultations and education activities. In fiscal 2013, MHI continuously promoted e-learning programs for all employees in our export business and saw around 1,500 staff participating. Further training sessions were regularly held for employees responsible for each division and, in addition to conducting training on topics such as highlights of export controls, recent legal changes, and U.S. re-export legislation, employees shared information about past examples of both successful and mistakable export control management, and discussed examples of mistakes that can easily be made in order to deepen their understanding of the issues. English versions of the e-learning materials have also been created to provide support for export control management at overseas subsidiaries’.

(p.25): ‘Ensuring transparency and legality in order-receiving activities

MHI took the October 2013 transition to a domain-based business structure as an opportunity to integrate the "Order Compliance Committee" and the "Construction Business Act Compliance Committee" and enhance their activities into the "Business Compliance Committee." With respect to correcting order-receiving activities, in fiscal 2013 MHI entered into a plea agreement with the U.S. Department of Justice concerning the U.S. Antitrust Laws in connection with the sales of compressors and condensers for automotive air conditioning systems. To date, MHI has made every effort to provide instruction and education about legal compliance. MHI takes seriously the fact that this incident occurred. Specifically, to ensure thorough legal compliance—including at Group companies in Japan and overseas—we are reinforcing compliance training and have introduced a host of measures to prevent recurrence. We have prepared educational videos and are working
with lawyers to conduct presentations about compliance with antimonopoly legislation in Japan and overseas, and preparing e-learning programs.

Among its principal activities in fiscal 2013, the committee sought to foster a thorough understanding of compliance by conducting training sessions about compliance with antitrust law and anti-bribery law at MHI and Group companies in Japan and overseas. Attendees from Japan and abroad numbered 5,000, including people who participated in the previous year’s training sessions. The committee also monitored and audited the status of compliance and industry body activities at MHI and Group companies in Japan. In this manner, MHI is putting all its energies into initiatives aimed at restoring trust in the company as quickly as possible.

Regarding the Construction Business Act, we have revised our system of operational bases in line with our transition to a domain-based business structure. Also, we conducted on-site monitoring at 3 MHI construction sites. To maintain and further augment the level of compliance at Group companies, we performed system monitoring at 12 of the 57 companies that have maintained construction business permissions consistently since fiscal 2011. We also conducted on-site monitoring of construction at 18 companies. Furthermore, we held Construction Business Act training sessions a total of 10 times at MHI works that were attended by 878 people, including employees of Group companies.

Through these activities, we are working to enhance the compliance level at MHI and its Group companies, and to ensure thorough transparency and legality in order-receiving activities’.

(p.27): ‘Firm responses to antisocial forces

MHI's Compliance Principles clearly set forth firm measures to deal with antisocial forces. All MHI facilities have established departments to take measures if unjust demands are made by antisocial forces. The departments will work together to comprehensively deal with the incident as an organization. In addition, MHI has taken actions, including compliance promotion training, to promote the ideal mindset and essential concepts for responding to undue claims. Moreover, MHI pro-actively strives to build close cooperative relationships with police, lawyers, and special institutions, to gain advice and support for dealing with unjust demands. Furthermore, while ordinances for the elimination of organized crime groups have been enacted since 2011 by all prefectures in Japan, the MHI Group has added clauses to its contracts with clients and business partners based on these ordinances in order to exclude antisocial forces’.

(p.28): Compliance Training and Increasing Awareness
Implementing discussion-based training adapted to daily duties

Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2013, the compliance training program included
awareness education through e-learning sessions in the first half. In the second half, the program included training via a discussion-type format. Around 75,000 people participated, amounting to more than 95 percent of MHI Group employees. Of particular note in the second half were discussions themed on "fostering a positive and friendly working environment through communication" and confirming the importance of workplace communication to compliance. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.‘

‘Yearly compliance awareness survey
Since fiscal 2004, every year the Risk Management & Compliance Committee conducts a compliance awareness survey. MHI considered expanding the survey scope to all MHI employees from the current 30% of employees (based on random sampling), and decided to conduct an expanded survey of all employees in fiscal 2013 as part of e-learning compliance sessions. The results showed that 98 percent of employees are aware of compliance, while the indicators "heightened awareness due to participation in training," "recognition of the MHI Compliance Principles," and "workplace environment regarding compliance" set new highs, suggesting that compliance actions are yielding positive results and that compliance awareness among employees is steadily growing’.

(p.65): ‘Procurement Education and Training
Training for employees engaged in procurement activities
Procurement departments at MHI provide a range of training programs designed to ensure compliance with the applicable laws and regulations. In fiscal 2013, MHI concentrated on providing training to more Group companies. Fifty-three young employees, including 32 from Group companies, attended a training session covering procurement-related laws and regulations and important points to be aware of when carrying out procurement work. A total of 92 new employees and employees just transferred to procurement departments, including 44 Group employees, were given an introductory course on basic information concerning procurement practices. Additionally, 416 MHI employees and a further 509 Group employees took an e-Learning course on the Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. MHI remains committed to providing procurement training programs tailored to the company's operational plans and ongoing amendments to legislation’.

(p.70): ‘Improving education to strengthen global responsiveness
MHI is working to improve employee capabilities and enhance education with the aim of being a global corporation that is capable of responding to changes in the rapidly transforming market. Based on on-the-job training (OJT) in workplaces, we are implementing various educational programs starting immediately after hiring according to job level and function. The main themes of education according to job level include leadership and management. With the aim of strengthening our ability to respond to globalization, starting from fiscal 2011 MHI established new systems including MHI Global Training (MGT). In fiscal 2013, 38 employees were dispatched overseas for this training’.

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'Strengthening development of local employees
Training and promoting staff who are hired locally is crucial to MHI's effort to accelerate business globalization. It is therefore important that local employees understand MHI's management principles, the history of the MHI Group, and the types of businesses it operates. It is for this reason that MHI has created and begun distributing to local employees around the world "Introduction to MHI Group", a succinct educational booklet on the MHI Group. MHI will use this material to better educate a growing number of local employees.’

CSR Report (2013), p.24:
• Actively worked to find overseas training opportunities for young employees (since beginning the program in 2012, around 100 young employees were sent abroad in accordance with G-MAP by April 2013)
• Produced curriculum (Starter Kit) presenting the company's history, management philosophy, and business overview to impart essential knowledge to employees and cultivate in each individual a sense of connection with the MHI Group. The Starter Kit was distributed to 187 Group companies (84 overseas companies, 103 Japanese companies)
• Around 560 Group company employees in Japan attended stratified education (such as training for division managers), skill-oriented training, English skill enhancement, and other types of training.’

MHI Group ESG Deta (October 2014), p.8:
‘The Code Of Conduct is clarified under the Compliance Guidelines. Guidelines are printed on cards and distributed to all employees (including contract employees) for ensuring awareness, and Compliance Promotional Training is held twice annually so that employees are thoroughly grounded in compliance practices’.

(p.9):
‘1.4.4 Antitrust Compliance
Internal training and education, please specify.
In FY2013 (ended March 2014), company self-assessments (voluntary audits) on whether structures and standards were in place and operable were conducted for all MHI divisions and domestic and overseas Group companies (A Zone = consolidated subsidiaries) based on MHI codes of conduct and company regulations/standards. These assessments confirmed that structures were already in place by the end of FY2013. In FY2013, briefings on antitrust compliance were held at MHI and domestic and overseas companies (19 in Japan, 5 abroad’).

A28:

Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:

2

Comments:

Based on public information, there is evidence that compliance training is provided to all employees where the company operates. TI notes that in 2012, the company trained over 95% of employees.

References:

Public:

Company website: Compliance- Compliance Training and Awareness:

‘Compliance Training and Increasing Awareness
Implementing discussion-based training adapted to daily duties
Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’

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</tbody>
</table>
A29:

Does the company provide targeted anti-corruption training to members of the Board?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company provides targeted anti-corruption training to members of the Board.

References:

Public:

TI notes:

Company website: Compliance- Compliance Training and Awareness:
‘Compliance Training and Increasing Awareness
Implementing discussion- based training adapted to daily duties

Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’

MHI CSR Databook (2014), p.28: ‘Of particular note in the second half were discussions themed on “fostering a positive and friendly working environment through communication” and confirming the importance of workplace communication to compliance. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’
A30:

Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company provides tailored training for employees in sensitive positions. TI notes that training is provided according to an individual’s rank, but it is unclear if this is tailored according to the risks of a role.

References:

Public:

TI notes:

Company website: Compliance- Compliance Training and Awareness:

‘Compliance Training and Increasing Awareness
Implementing discussion- based training adapted to daily duties
Discussion-based compliance promotion training sessions for all employees have been carried out in all MHI worksites since fiscal 2003. The training is held with the goal of increasing awareness so that employees can properly judge and act in accordance with compliance, no matter what the situation. In the discussions, employees consider what they would do or what the proper action would be if, for example, they were to feel anxiety over compliance because they are faced with strict cost- or delivery-related demands, or if they are pressured by a supervisor. In fiscal 2012, discussions centered on the following themes: managing company secrets and gift-giving and business entertainment; skipping manufacturing and inspection processes; and building a compliance violation-free workplace. Around 35,000 employees (more than 95 percent of all employees) participated. In fiscal 2013, the compliance training program will include e-learning sessions as well as group discussions. In addition to the above, new recruits, newly appointed general managers, section managers and deputy managers, and technical employees in leadership positions receive education according to their respective ranks.’
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A31:
Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has a clear and formal process by which employees declare conflicts of interest.

References:

Public:
NA
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:

1

Comments:
Based on public information, there is evidence that the company can apply disciplinary procedures to individuals who have breached the Codes of Conduct. However, there is no evidence that the company has an explicit commitment to apply disciplinary procedures to employees, Directors and Board members who have violated the Codes of Conduct. The company therefore scores 1.

References:
Public:
MHI Group ESGData (October 2014), p. 8:

1.3.2 Codes of Conduct: Systems/ Procedures

- Responsibilities, accountabilities and reporting lines are systematically defined in all divisions and group companies
- Dedicated help desks and ombudsman
- Compliance linked to employee remuneration
- Employee performance appraisal systems integrates compliance/codes of conduct
- Disciplinary actions in case of breach
- Compliance system is certified/audited/verified by third party


Company Website, Improving Compliance Principles:
‘Firm responses to antisocial forces
MHI’s Compliance Principles clearly set forth firm measures to deal with antisocial forces. All MHI facilities have established departments to take measures if unjust demands are made by antisocial forces. The departments will work together to comprehensively deal with the incident as an organization. In addition, MHI has taken actions, including compliance promotion training, to promote the ideal mindset and essential concepts for responding to undue claims.
Moreover, MHI pro-actively strives to build close cooperative relationships with police, lawyers, and special institutions, to gain advice and support for dealing with unjust demands.

Furthermore, while ordinances for the elimination of organized crime groups have been enacted since 2011 by all prefectures in Japan, the MHI Group has added clauses to its contracts with clients and business partners based on these ordinances in order to exclude antisocial forces’

http://www.mhi-global.com/company/csr/esg/governance/compliance/compliance03.html
A33:
Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:
2

Comments:
Based on public information, there is evidence that the company has multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee to report concerns or instances of suspected corrupt activity. The external whistleblowing hotline can be used over email, phone or fax. Confidentiality and anonymity are guaranteed.

References:
Public:
Company website: Compliance - Organizing a Structure to Promote Compliance that Encompasses the Entire Group
Establishing an external whistleblower hotline
MHI has created the MHI External Whistleblower Hotline since December 2011. Contact can be made through email, fax, or telephone. If the informant wishes, their name and other information will not be disclosed to the company. The Risk Management & Compliance Committee will promptly investigate the reported information. Answers based on the investigation results can be also received via the lawyers that have been entrusted with the operation of the External Whistleblower Hotline.

The establishment of this External Whistleblower Hotline is based on a proposal from the Public Works Business Process Validation and Advisory Committee, which was created in July 2010. It is an effort to receive a broader range of information and strengthen internal checks and balances functions by increasing choices for in-house reports.
Setting clear protection of the rights afforded to in-house informants
With the operation of the hotline, protection of the rights afforded to informants were set out in the 2007 company regulations, entitled "Compliance Promotion Regulations." These
regulations state that the informant's name will not be released without his/her consent, and that the informant will not be placed at any disadvantage because of the information s/he has reported. Employees have been advised of protection of the rights given to in-house informants and have been told of the existence of the hotline. Twice yearly an investigation is conducted to determine whether such individuals’ rights have been violated.’


MHI Report (2014), p.51:

MHI CSR Databook (2014), p.23: ‘Strengthening the internal control systems

In compliance with legal requirements, the MHI Board of Directors has determined a basic policy for internal control systems. The company is promoting the strengthening of areas including the oversight function of the Board of Directors, management systems in response to risk types, increasing the effectiveness of compliance including a whistleblower system, management systems between MHI and Group companies and a system which permits effective auditing by statutory auditors. MHI is striving to strengthen these initiatives through internal audits and the PDCA management cycle. The designs and operations of internal controls are monitored annually through internal audits, in line with the internal
audit policy which was formulated by the Management Audit Department. Under the internal control reporting system regarding financial reporting, which is stipulated by the Japanese Financial Instruments and Exchange Law (also known as J-SOX), the Management Audit Department and the internal audit divisions of our manufacturing works carried out assessments of the design and operation of the internal controls and concluded that as of the end of March 2014, the MHI Group's internal controls over financial reporting were functioning effectively. The accounting auditors concurred with this assessment. Every year at the Board of Directors meeting, the current status of initiatives concerning the establishment of internal control systems is reported in order to confirm the effectiveness of our internal control systems’.

(p.25): ‘Implementing internal and external whistleblower hotlines for all employees and clients
A hotline has been established specifically for business clients and employees (including contract employees) of MHI and all Group companies, who wish to report or discuss potential unlawful or dishonest acts they have come upon. Contact can be made through email, phone and so on. The Risk Management & Compliance Committee will promptly investigate the reported information including report to the CAO/CRO if necessary. Information on what should be reported is contained in the Compliance Guidelines distributed to all employees and in bulletins published in-house. Furthermore, in order to increase choices for informants on compliance, the External Hotline was established in December 2011 in addition to the internal hotline. This was followed by the sequential establishment of Harassment Contact Hotlines inside and outside of the company starting in January 2012 as a measure to respond to "power harassment" (workplace bullying & harassment), which is becoming an increasingly serious social issue.

Setting clear protection of the rights afforded to in-house informants
With the operation of the hotline, protection of the rights afforded to informants were set out in the 2007 company regulations, entitled "Compliance Promotion Regulations." These regulations state that the informant's name will not be released without his/her consent, and that the informant will not be placed at any disadvantage because of the information s/he has reported. Employees have been advised of protection of the rights given to in-house informants and have been told of the existence of the hotline. An investigation is conducted to determine whether such individuals' rights have been violated.

Establishing an external whistleblower hotline
MHI has created the MHI External Whistleblower Hotline since December 2011. Contact can be made through email, fax, or telephone. If the informant wishes, their name and other information will not be disclosed to the company. The Risk Management & Compliance Committee will promptly investigate the reported information. Answers based on the investigation results can be also received via the lawyers that have been entrusted with the operation of the External Whistleblower Hotline. The establishment of this External Whistleblower Hotline is based on a proposal from the Public Works Business Process Validation and Advisory Committee, which was created in July 2010. It is an effort to receive a broader range of information and strengthen internal checks and balances functions by increasing choices for in-house reports’.
MHI Group ESG Data (October 2014), p.7:
‘Whistle-blowing
Pg.68 Building Systems to Promote Compliance Covering The Group
Pg.69 Operating Consulting and Information Hotlines for Employees and Business Partners’.

(p.9): ‘1.4.4 Antitrust Compliance
Encouraging and enabling employees to express their concerns regarding potential antitrust breaches (i.e. through dedicated helplines, company ombudsman, whistleblowing policies, etc.).’
A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:
2

Comments:
Based on public information, there is evidence that the company has whistleblowing channels available to all employees in all geographies. Both internal and external whistleblowing hotlines can be used by all employees in all geographies.

References:

Public:
Company website: Compliance- Organizing a Structure to Promote Compliance that Encompasses the Entire Group:
‘Implementing internal and external whistleblower hotlines for all employees and clients
A hotline has been established specifically for business clients and employees (including contract employees) of MHI and all Group companies, who wish to report or discuss potential unlawful or dishonest acts they have come upon. Contact can be made through email, phone, or fax. The Risk Management & Compliance Committee will promptly investigate the reported information and communicate with the Executive Vice President in charge. Information on what should be reported is contained in the Compliance Guidelines distributed to all employees and in bulletins published in-house. Furthermore, in order to increase choices for informants on compliance, the External Hotline was established in December 2011 in addition to the internal hotline. This was followed by the sequential establishment of Harassment Contact Hotlines inside and outside of the company starting in January 2012 as a measure to respond to "power harassment" (workplace bullying & harassment), which is becoming an increasingly serious social issue.

Establishing an external whistleblower hotline
MHI has created the MHI External Whistleblower Hotline since December 2011. Contact can be made through email, fax, or telephone. If the informant wishes, their name and other information will not be disclosed to the company. The Risk Management & Compliance Committee will promptly investigate the reported information. Answers based on the investigation results can be also received via the lawyers that have been entrusted with the
operation of the External Whistleblower Hotline. The establishment of this External Whistleblower Hotline is based on a proposal from the Public Works Business Process Validation and Advisory Committee, which was created in July 2010. It is an effort to receive a broader range of information and strengthen internal checks and balances functions by increasing choices for in-house reports.’


MHI CSR Databook (2014), p.23: ‘Strengthening the internal control systems
In compliance with legal requirements, the MHI Board of Directors has determined a basic policy for internal control systems. The company is promoting the strengthening of areas including the oversight function of the Board of Directors, management systems in response to risk types, increasing the effectiveness of compliance including a whistleblower system, management systems between MHI and Group companies and a system which permits effective auditing by statutory auditors. MHI is striving to strengthen these initiatives through internal audits and the PDCA management cycle. The designs and operations of internal controls are monitored annually through internal audits, in line with the internal audit policy which was formulated by the Management Audit Department. Under the internal control reporting system regarding financial reporting, which is stipulated by the Japanese Financial Instruments and Exchange Law (also known as J-SOX), the Management Audit Department and the internal audit divisions of our manufacturing works carried out assessments of the design and operation of the internal controls and concluded that as of the end of March 2014, the MHI Group's internal controls over financial reporting were functioning effectively. The accounting auditors concurred with this assessment. Every year at the Board of Directors meeting, the current status of initiatives concerning the establishment of internal control systems is reported in order to confirm the effectiveness of our internal control systems’.

(p.25): ‘Implementing internal and external whistleblower hotlines for all employees and clients
A hotline has been established specifically for business clients and employees (including contract employees) of MHI and all Group companies, who wish to report or discuss potential unlawful or dishonest acts they have come upon. Contact can be made through email, phone and so on. The Risk Management & Compliance Committee will promptly investigate the reported information including report to the CAO/CRO if necessary. Information on what should be reported is contained in the Compliance Guidelines distributed to all employees and in bulletins published in-house. Furthermore, in order to increase choices for informants on compliance, the External Hotline was established in December 2011 in addition to the internal hotline. This was followed by the sequential establishment of Harassment Contact Hotlines inside and outside of the company starting in January 2012 as a measure to respond to "power harassment" (workplace bullying & harassment), which is becoming an increasingly serious social issue.

Setting clear protection of the rights afforded to in-house informants
With the operation of the hotline, protection of the rights afforded to informants were set out in the 2007 company regulations, entitled "Compliance Promotion Regulations." These
regulations state that the informant's name will not be released without his/her consent, and that the informant will not be placed at any disadvantage because of the information s/he has reported. Employees have been advised of protection of the rights given to in-house informants and have been told of the existence of the hotline. An investigation is conducted to determine whether such individuals' rights have been violated.

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A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:

1

Comments:
Based on public information, there is some evidence indicating that the company has formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively. Biannually the company reviews whether the rights of whistleblowers have been violated. However, there is no evidence of other mechanisms. In particular, there is no evidence that an annual compliance survey enquires about employees’ satisfaction with the whistleblowing process. The company therefore scores 1.

References:
Public:
Company website: Organizing a Structure to Promote Compliance that Encompasses the Entire Group
‘Setting clear protection of the rights afforded to in-house informants

With the operation of the hotline, protection of the rights afforded to informants were set out in the 2007 company regulations, entitled "Compliance Promotion Regulations." These regulations state that the informant's name will not be released without his/her consent, and that the informant will not be placed at any disadvantage because of the information s/he has reported. Employees have been advised of protection of the rights given to in-house informants and have been told of the existence of the hotline. Twice yearly an investigation is conducted to determine whether such individuals' rights have been violated.’


Annual Report (2014), p. 28:
Compliance Training and Increasing Awareness:
‘Yearly compliance awareness survey
Since fiscal 2004, every year the Risk Management & Compliance Committee conducts a compliance awareness survey. MHI considered expanding the survey scope to all MHI employees from the current 30% of employees (based on random sampling), and decided to conduct an expanded survey of all employees in fiscal 2013 as part of e-learning compliance sessions. The results showed that 98 percent of employees are aware of compliance, while the indicators "heightened awareness due to participation in training," "recognition of the MHI Compliance Principles," and "workplace environment regarding compliance" set new highs, suggesting that compliance actions are yielding positive results and that compliance awareness among employees is steadily growing’.

MHI Group ESG Deta (October 2014), p.7:
‘Whistle-blowing
Pg.68 Building Systems to Promote Compliance Covering The Group
Pg.69 Operating Consulting and Information Hotlines for Employees and Business Partners’.

(p.9): ‘1.4.4 Antitrust Compliance
Encouraging and enabling employees to express their concerns regarding potential antitrust breaches (i.e. through dedicated helplines, company ombudsman, whistleblowing policies, etc.).’
A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

1

Comments:
Based on public information, there is some evidence that the company has well-publicised resources available to all employees where help and advice can be sought on corruption-related issues. Evidence suggests that queries can be addressed via the internal hotline. However, it is unclear if this hotline is specifically for reporting corruption incidents. The company therefore scores 1.

References:

Public:
Company website: Compliance- Organizing a Structure to Promote Compliance that Encompasses the Entire Group:
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MHI CSR Databook (2014), p.23:
‘Strengthening the internal control systems

MHI 20/12/14
HTTP://WWW.MHI-GLOBAL.COM/
In compliance with legal requirements, the MHI Board of Directors has determined a basic policy for internal control systems. The company is promoting the strengthening of areas including the oversight function of the Board of Directors, management systems in response to risk types, increasing the effectiveness of compliance including a whistleblower system, management systems between MHI and Group companies and a system which permits effective auditing by statutory auditors. MHI is striving to strengthen these initiatives through internal audits and the PDCA management cycle. The designs and operations of internal controls are monitored annually through internal audits, in line with the internal audit policy which was formulated by the Management Audit Department. Under the internal control reporting system regarding financial reporting, which is stipulated by the Japanese Financial Instruments and Exchange Law (also known as J-SOX), the Management Audit Department and the internal audit divisions of our manufacturing works carried out assessments of the design and operation of the internal controls and concluded that as of the end of March 2014, the MHI Group’s internal controls over financial reporting were functioning effectively. The accounting auditors concurred with this assessment. Every year at the Board of Directors meeting, the current status of initiatives concerning the establishment of internal control systems is reported in order to confirm the effectiveness of our internal control systems’.

(p.25): ‘Implementing internal and external whistleblower hotlines for all employees and clients

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(p. 28):
‘Yearly compliance awareness survey
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MHI Group ESG Deta (October 2014), p.7:
‘Whistle-blowing
Pg.68 Building Systems to Promote Compliance Covering The Group
Pg.69 Operating Consulting and Information Hotlines for Employees and Business Partners’.

(p.9): ‘1.4.4 Antitrust Compliance
Encouraging and enabling employees to express their concerns regarding potential antitrust breaches (i.e. through dedicated helplines, company ombudsman, whistleblowing policies, etc.).’

A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:

1

Comments:

Based on public information, there is evidence that the company has a commitment to non-retaliation for bona fide reporting of corruption. However, there is no evidence that disciplinary measures are applied to employees who breach this policy. The company therefore scores 1.

References:

Public:

Company website: Organizing a Structure to Promote Compliance that Encompasses the Entire Group
‘Setting clear protection of the rights afforded to in-house informants

With the operation of the hotline, protection of the rights afforded to informants were set out in the 2007 company regulations, entitled "Compliance Promotion Regulations." These regulations state that the informant’s name will not be released without his/her consent, and that the informant will not be placed at any disadvantage because of the information s/he has reported. Employees have been advised of protection of the rights given to in-house informants and have been told of the existence of the hotline. Twice yearly an investigation is conducted to determine whether such individuals' rights have been violated.’


MHI Group ESG Deta (October 2014), p.7:
‘Whistle-blowing

Pg.68 Building Systems to Promote Compliance Covering The Group
Pg.69 Operating Consulting and Information Hotlines for Employees and Business Partners’.
Encouraging and enabling employees to express their concerns regarding potential antitrust breaches (i.e. through dedicated helplines, company ombudsman, whistleblowing policies, etc.).

Information Sources:

Company website:
http://www.mhi-global.com/

CSR Guidelines to Business Partners:

CSR Report (2013):

MHI CSR Databook (2014):

MHI Group ESG Data (October 2014):


Notice of the 89th Ordinary General Meeting of Shareholders (June 2014):

Nuclear Power Plant Exporter’s Principles of Conduct (March 2014):