CSR Management

▶ CSR Framework

Policy

In accordance with the three principles that define the spirit of our creed, the MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. In this way MHI is contributing to the resolution of global issues. Furthermore, MHI believes the basis of corporate social responsibility (CSR) is to engage in business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

In 2007, we formulated CSR Action Guidelines to serve as collective standards for all MHI Group employees. These guidelines provide a concrete and easy-to-understand way for employees to consistently keep CSR in mind as the Group contributes to societal progress through its business endeavors and through a corporate creed centered on the principles of CSR.

In 2015, we formulated the MHI Group Code of Conduct in response to the Group's globalization and diversification. As a global company, the MHI Group employs individuals from difference backgrounds, nationalities, and cultures, and the code of conduct describes how MHI employees should conduct themselves.

In 2011, the United Nations adopted the Guiding Principles on Business and Human Rights. In keeping with international society's increasing emphasis on human rights, in 2014 we formulated the MHI Basic Policy on Human Rights.

CSR Action Guidelines

MHI strives to move the world toward a more secure future. Through our technology, our business practices and our people, we:

▶ **Care for the planet**

We are eco-conscious, and engineer environmentally-friendly technologies that improve sustainability and protect the Earth

▶ **Create a more harmonious society**

We embrace integrity and proactive participation to solve societal challenges

▶ **Inspire the future**

We cultivate global talent who share a vision and desire to move the world forward for generations to come

(Others)

MHI Group Code of Conduct   http://www.mhi-global.com/company/aboutmhi/policy/conduct.html

MHI Basic Policy on Human Rights

Privacy Policy   http://www.mhi-global.com/privacy.html

Policy of Safety and Health

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

MHI Group Supply Chain CSR Promotion Guidelines and Basic Policy Concerning Conflict Minerals
http://www.mhi-global.com/company/procurement/csr/index.html

MHI Group Policy for Social Contribution Activities

CSR Management

CSR Promotion System

MHI has established the CSR Committee as the management-level body for making decisions related to CSR. The CSR Committee comprises four members and is chaired by the CFO and head of the Business Strategy Office (executive vice president). In principle, the committee meets twice each year to determine various policies and material items related to CSR and to conduct status reports.

As is outlined below, we have also put in place various committees, such as the Compliance Committee and the Environment Committee, to deliberate material items related to CSR.

■ **Audit and Supervisory Committee**
Member: Audit and Supervisory Committee Members (five)
Number of times: 17 times a year (FY2015 total includes Board of Statutory Auditors)

■ **Nomination and Remuneration Meeting**
Member: Outside directors (five) and the President and CEO
Number of times: 2 times a year (FY2015)

■ **Compliance committee**
Member: Chainman is Executive vice president, General Council, mad composed of 22members.
Number of times: 2 times a year

■ **Committee for Raising Awareness of Human Rights**
Member: Chairman is Executive vice president, in charge of HR, and composed of 22 members.
Number of times: Anytime, if necessary

■ **Environment committee**
Member: Chairman is Senior General Manager of Technology Strategy Office and composed of 27 members.
Number of times: 2 times a year

■ **International trade control committee**
Member: Chairman is Executive vice president, General Council, and composed of 13 members.
Number of times: 2 times a year

Conformity to International Code of Conduct

Being a global company, MHI always conducts its business activities in accordance with international codes of conduct. In 2004, MHI became a participant in the United Nations Global Compact, committing itself to making ongoing efforts throughout the Group to respect and carry out its Ten Principles spanning four basic areas: human rights, labor, environment, and anti-corruption. We promote CSR activities that are in accordance with ISO 26000, which was formulated in 2010 as an international guideline on the social responsibilities of organizations. We endeavor to disclose information in accordance with Japanese and overseas reporting standards. One such international standard for the reporting of non-financial information is the Sustainability Reporting Guidelines (Fourth Edition, or G4) of the Global Reporting Initiative.

Pick Up

The Ten Principles of the 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.
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.

Participation in the UN Global Compact

Human Rights
■ **Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights; and
■ **Principle 2** make sure they are not complicit in human rights abuses.

Labour Standards	■ **Principle 3**	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	■ **Principle 4**	the elimination of all forms of forced and compulsory labour;
	■ **Principle 5**	the effective abolition of child labour; and
	■ **Principle 6**	the elimination of discrimination in respect of employment and occupation.
Environment	■ **Principle 7**	Businesses should support a precautionary approach to environmental challenges;
	■ **Principle 8**	undertake initiatives to promote greater environmental responsibility; and
	■ **Principle 9**	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	■ **Principle 10**	Businesses should work against all forms of corruption, including extortion and bribery.

The seven core subjects of ISO 26000, and MHI's main efforts

1. Organizational governance

Organizational governance

■ Corporate Governance   ■ Risk Management

2. Human rights

Due diligence / Human rights risk situations / Avoidance of complicity / Resolving grievances / Discrimination and vulnerable groups / Civil and political rights / Economic, social and cultural rights / Fundamental principles and rights at work

■ Human Rights   ■ Supply Chain Management

3. Labour practices

Employment and employment relationships / Conditions of work and social protection / Social dialogue / Health and safety at work / Human development and training in the workplace

■ Labor Practice   ■ Occupational Health and Safety   ■ Human Capital Development   ■ Talent Attraction and Retention

4. The environment

Prevention of pollution / Sustainable resource use / Climate change mitigation and adaptation / Protection of the environment, biodiversity and restoration of natural habitats

■ Environmental Management   ■ Climate Change   ■ Water Risk   ■ Biodiversity   ■ Waste Pollution

5. Fair operating practices

Anti-corruption / Responsible political involvement / Fair competition / Promoting social responsibility in the value chain / Respect for property rights

■ Compliance

6. Consumer issues (responsibility towards customers)

Fair marketing, factual and unbiased information and fair contractual practices / Protecting consumers' health and safety / Sustainable consumption / Consumer service, support, and complaint and dispute resolution / Consumer data protection and privacy / Access to essential services / Education and awareness

■ Product Stewardship   ■ Customer Relationship Management

7. Community involvement and development

Community involvement / Education and culture / Employment creation and skills development / Technology development and access / Wealth and income creation / Health / Social investment

■ Social contribution

(Note) The core subjects and issues were determined in reference to Understanding ISO 26000 (November 2010), translated by the Japan Standards Association.
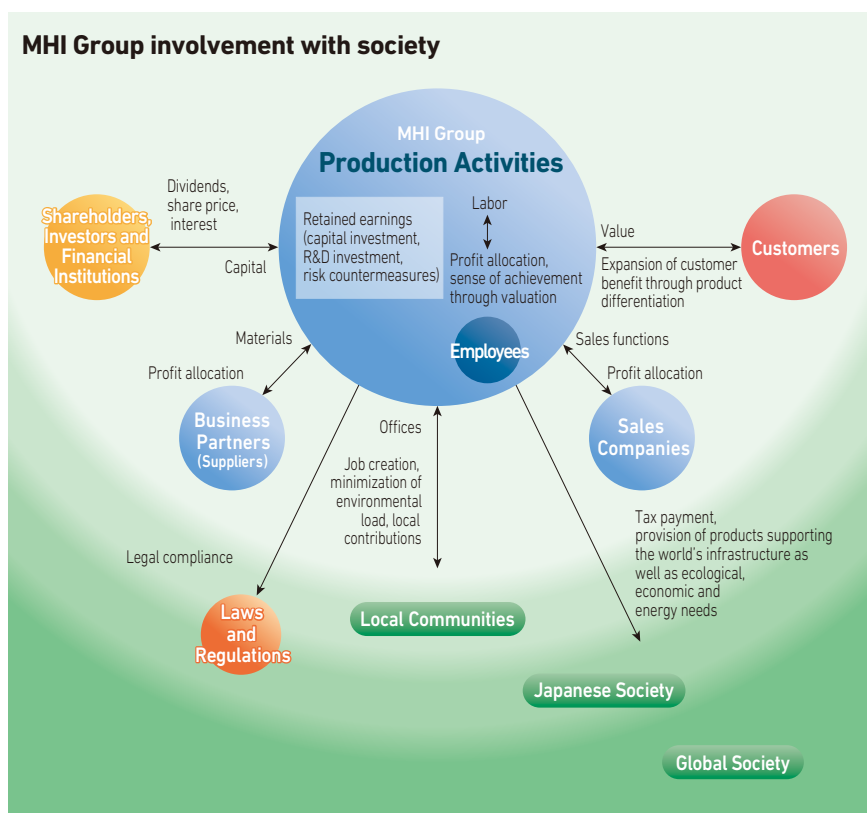
▶ Stakeholders

Our Stakeholders

In accordance with the three principles that define the spirit of our creed, the MHI Group serves as a manufacturing corporation that contributes to societal progress through its business endeavors of delivering products and technologies in support of social and industrial infrastructure worldwide. In this way MHI is contributing to the resolution of global issues.

Furthermore, MHI believes the basis of corporate social responsibility (CSR) is to engage in business activities that take its diverse range of stakeholders into consideration and return profits to all stakeholders in optimum fashion, while at the same time providing excellent products and technologies to realize a sustainable society and a secure future for people and the planet.

Based on our creed and CI statement, "Our Technologies, Your Tomorrow," the MHI Group has also instituted CSR Action Guidelines to serve as collective standards for all Group employees when conducting business activities centered on the principles of CSR.

MHI Group involvement with society

Relationship with Stakeholders

The MHI Group prioritizes management initiatives that reflect input from the various stakeholders in its business activities, including customers, suppliers, business partners, Group employees, and local communities. In addition to seeking out stakeholder input in its everyday activities, MHI engages in dialogue with experts and NGOs having specialized expertise related to CSR and global issues, striving to incorporate societal viewpoints.

In fiscal 2016, the MHI Group conducted dialogue with two overseas experts on the themes of business and human rights.

Date: September 14, 2016

Overseas experts: Roel Nieuwenkamp (Chair of the Organisation for Economic Co-operation and Development (OECD) Working Party on Responsible Business Conduct)

Thomas Thomas (CEO, the ASEAN CSR Network (ACN))

Attendees from MHI: Heads of the Corporate Communications Department and CSR Group, and two CSR Group employees

Facilitator: Saul Takahashi (Representative for Japan of the Business & Human Rights Resource Centre)

■ Stakeholder dialogues

Contents	Date	Attendees (Note)	Outline
The material issues and future initiatives	September 15, 2015	Motoko Aizawa (Managing Director and Chair, IHRB US Board, Institute for Human Rights and Business) Amol Mehra (Director, International Corporate Accountability Roundtable) Christopher Schuller (Legal Adviser on Business and Human Rights, German Institute for Human Rights) Allan Lerberg Jørgensen (Department Director of Human Rights and Development, Danish Institute for Human Rights)	Held dialogue with overseas experts centered on formulating a global debate on business and human rights with regard to the content of material issues and future initiatives
The material Issues Identification Process	September 3, 2014	John Morrison (Institute for Human Rights and Business) Catherine Poulsen-Hansen (Danish Institute for Human Rights) Amol Mehra (International Corporate Accountability Round Table)	The MHI Group conducted a dialogue with three experts from overseas concerning our Material Issues Identification Process, which determines what social issues are to be prioritized and addressed.
The main human rights issues in the manufacturing sector	March 13, 2013	Makoto Teranaka (Visiting Professor, Faculty of Contemporary Law, Tokyo Keizai University) Hiroshi Ishida (Executive Director of Caux Round Table Japan, Global CRT Senior Advisor, Professor at Institute of Business and Accounting, Kwansei Gakuin University, Part-time Lecturer Kyushu University Business School)	MHI held a stakeholder dialogue to learn from two experts, Mr. Makoto Teranaka and Mr. Hiroshi Ishida, in order to identify human rights impacts.
Approach to Environmental and Energy Technologies In Line with MHI's "Environment Vision 2030"	February 27, 2012 March 8 and 27, 2012	Mariko Kawaguchi (Head of ESG Research Department Daiwa Institute of Research) Norio Fukao (Professor and Director of Publicity Strategy Headquarters, Nagasaki University)	The MHI Group conducted a dialogue about our "Environment Vision 2030," with outside experts.
Expectations for Science Class Support Activities	February 17, 2011	Takuya Suga (Teacher and Vice Principal, Hiroshima Minamikanon Elementary School) Sumio Endo (Director, Kodomo Uchu Mirai Association) Yuichi Taguchi (Kodomo Uchu Mirai Association)	Discussions were held with the Board of Education and NPO to exchange opinions on "Meeting of Future Space Child" (KU-MA). Kodomo Uchu - Mirai Association.

(Note) Indicated roles and titles are as of the indicated date.

Collaboration with our Stakeholder

MHI has operated the in-house system Funds for Community Engagement (former Social Contribution Fund) since fiscal 2012 to promote active involvement in social contribution activities designed to address needs and issues of the local communities around company facilities and contribute to the solution of global societal issues. Under this system, time donated by company employees to volunteer work is converted to a monetary value, which is then converted to an equivalent budget allocation. Money in the budget is used along with the dispatch of employee volunteers to build collaborative relationships with NPOs and other local groups and address social issues together.

■ **List of support recipients in fiscal 2015**

Region of activity	Affiliated organization	Field of activity
Myanmar	Myanmar Engineering Society	Education and environment
India	Plan Japan (international NPO)	Education
Nagasaki (Japan)	Fine Network Nagasaki (NPO)	Social welfare
Yamaguchi (Japan)	Shimonoseki Social Welfare Council (social welfare corporation)	Social welfare
Yamaguchi (Japan)	Shimonoseki Citizen Activity Center	Culture and environment
Hiroshima (Japan)	Mihara City Environmental Committee	Environment
Hyogo (Japan)	Science Café Harima	Education
Hyogo (Japan)	Society for Protection of the Area around Takasago Seaside Park	Environment
Hyogo (Japan)	Community Support Center Kobe (NPO)	Social welfare
Shiga (Japan)	Ritto Forest Club projects, Ritto-city Society of Commerce and Industry	Environment
Shiga (Japan)	Network for Protection Lake Biwa with the Common Reed (Phragmites Australis)	Environment
Aichi (Japan)	MACH B&F (NPO)	Education
Aichi (Japan)	Toki-Shonai River Support Center (NPO)	Environment
Kanagawa (Japan)	Sagamihara City Rugby Ball Association (NPO)	Health and sports
Kanagawa (Japan)	Sherlock Holmes (NPO)	Education
Kanagawa (Japan)	Shinwa Gakuen (Social welfare corporation)	Social welfare and environment
Ibaraki (Japan)	Hitachi Science Club (NPO)	Education

▶ Materiality

Material Issues of MHI Group

We at the MHI Group consider issues that could give significant impact on the creation of corporate and social values within the group as material issues to be addressed with high priority.

The following have been identified as material issues in a materiality assessment conducted within the MHI Group from both corporate and social perspectives in due consideration of internationally recognized standards and the concerns of our stakeholders.

Material Issues

1. An Optimal Governance Structure Based on Our Corporate Culture
   ・An optimized organization to continually contribute to society through business
   ・The assurance of fair operating practices and appropriate labor practices

   Objective
   ・Ensure an organizational culture in which values are shared globally and universally

   Strategic KPIs
   ・Instill globally consistent policies that conform with the international code of conduct (establish universality)
   ・Enhance transparency (assure universality)

2. The Use of Global Human Resources
   ・The attraction and development of human resources with the ability to respond to globalization
   ・Diversity and equal opportunity, including the empowerment of female employees.

   Objective
   ・Be an organization that embraces diversity (Ensure that barriers to diversity are removed)

   Strategic KPIs
   ・Improvement in diversity-related indicators

3. Response to Mega Trends
   ・Innovation and quality control to meet global needs
   ・Enhanced safety and security, including improved information disclosure and transparency

   Objective
   ・Enact strategic measures and business operations that meet the needs of global society

   Strategic KPIs
   ・Improvement in stakeholder evaluations (SRI surveys, customer satisfaction surveys, etc.)

Key Performance Indicators for Material Issues

The MHI Group has set KPIs to enable the specific evaluation of strategic KPI successes and progress toward the achievement of target material issues, and conducts CSR activities accordingly. As the number of initiative indicators increases, we will report on targets, results, and case studies for specific initiatives.

KPI for material Issue 1: Number of whistleblowing cases

We have established the MHI Whistleblowing Hotline, which is available to all employees, including those of Group companies, and the MHI External Whistleblower Hotline. The Compliance Committee secretariat promptly investigates and responds appropriately to all reports made to these hotlines.

■ **Number of whistleblowing cases, by Type**

Type	FY 2013	FY 2014	FY 2015
Labor and the work environment	76	48	39
Overall discipline and breaches of manners	52	49	24
Transaction-related laws	8	14	8
Consultations and opinions	49	26	11
Other	55	48	49
Total (number of corrections and improvements)	240 (150)	185 (110)	131 (85) (Note)

(Note) 17 cases out of 131 are still under investigation (as of June 2016)

KPI for material Issue 2: Number of female managers

In July 2014, MHI set a target to increase the number of the Company's female managers (in positions of section manager and higher) threefold from the current level by 2020, and is promoting the active participation of women in the workplace in conjunction with its pursuit of diversity management.

■ **Number of female managers**

FY 2014	FY 2015
85	104

(Note) The values given are the numbers reported by Mitsubishi Heavy Industries, Ltd. and Mitsubishi Hitachi Power Systems, Ltd., in principle.

Processes Defining Material Issues

Material issues are specified and verified in the following cycle, following Step 1 through Step 4, from the perspective of stakeholder dialogue.

STEP 1: Understand the issues

Based on the opinions of various stakeholders in relation to its business activities, the MHI Group recognizes issues having environment, society, and governance (ESG) aspects from a social perspective, and identifies requests and expectations of the MHI Group.

STEP 2: Identify material issues

MHI prioritizes issues that have been identified from two perspectives: (1) materiality to stakeholders (degree of impact) and (2) materiality to the MHI Group's business activities (relatedness and degree of impact). Issues determined as having a high degree of materiality are identified as material issues.

STEP 3: Authorization and review

The CSR Committee authorizes the management of specified material issues. These issues are also reviewed during stakeholder dialogue and other opportunities.
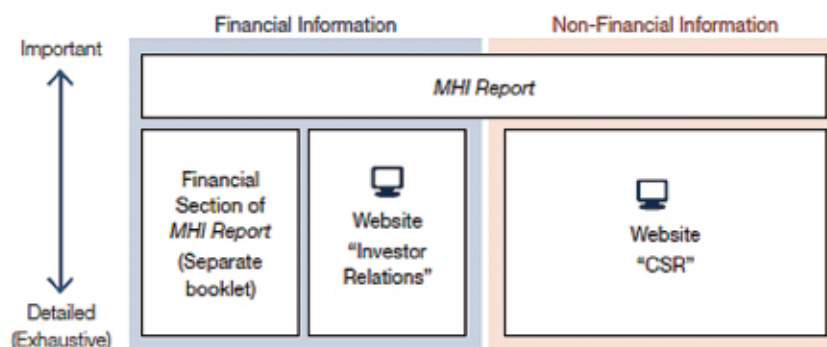
STEP 4: Report

Results and the status of progress of initiatives related to material issues are disclosed in MHI's integrated and CSR reports.

▶ Reporting

Structure of Information Disclosure

MHI Report contains information that is material. More detailed information is available on our website.

MHI Report (Annual Report) and Other Reports   http://www.mhi-global.com/finance/library/index.html

The Financial Section of MHI Report   http://www.mhi-global.com/finance/library/annual/pdf/report_2016_financial.pdf

"CSR" section of our website.   http://www.mhi-global.com/company/csr/index.html

Coverage / Assurance

In principal, the scope of reporting for financial and non-financial information includes MHI and its consolidated subsidiaries. The scope of some non-financial information is for MHI on a non-consolidated basis, in which case it is identified as such. The target scope for non-financial information averages between 50 percent and 75 percent.

Reference Guidelines

- International Integrated Reporting Council (IIRC)
  International Integrated Reporting Framework

- Global Reporting Initiative
  Sustainability Reporting Guidelines (Fourth Edition, or G4)

- Ministry of the Environment of Japan
  Environmental Reporting Guidelines (2012 version)

Forward-Looking Statements

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. As such, these projections involve risks and insecurity. For this reason, investors are recommended not to depend solely on these projections for making investment decisions. It is possible that actual results may change significantly from these projections for a number of factors. Such factors include, but are not limited to, economic trends affecting the Company's operating environment, currency movement of the yen value to the U.S. dollar and other foreign currencies, and trends of stock markets in Japan. Also, the results projected here should not be construed in any way as being guaranteed by the Company.

Recognition from Society

The MHI Group practices management with a focus on CSR and conducts a wide range of activities to enhance its business, environment and society, including corporate governance and risk management. Thanks to efforts like these, MHI was again included in the eco-funds, formed based upon surveys of companies conducted by corporate rating agencies in Japan and overseas, and MS-SRI, a socially responsible investment index coordinated by Morningstar Japan K.K.