

Sustainability

Sustainability and CSR Policy

In accordance with the Three Principles that are at the heart of Our Principles, 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. MHI Group shall not only make contributions through its products and technologies to resolve social issues such as environmental problems, but shall also work on resolving a wide range of social challenges through various activities in the process of its overall business and conduct sustainability management in tandem with its business activities. Furthermore, we believe that this fundamentally entails realizing a sustainable society and ensuring a future for people and the planet by providing exceptional products and technologies, conducting business activities that take diverse stakeholders' interests into consid-

eration and optimally returning profits to all stakeholders.

The MHI Group's CSR Action Guidelines serve as collective standards for all MHI Group employees. These guidelines provide a concrete and easy-to-understand way for employees to consistently keep sustainability in mind as the Group contributes to societal progress through its business endeavors and Our Principles centered on the principles of sustainability.

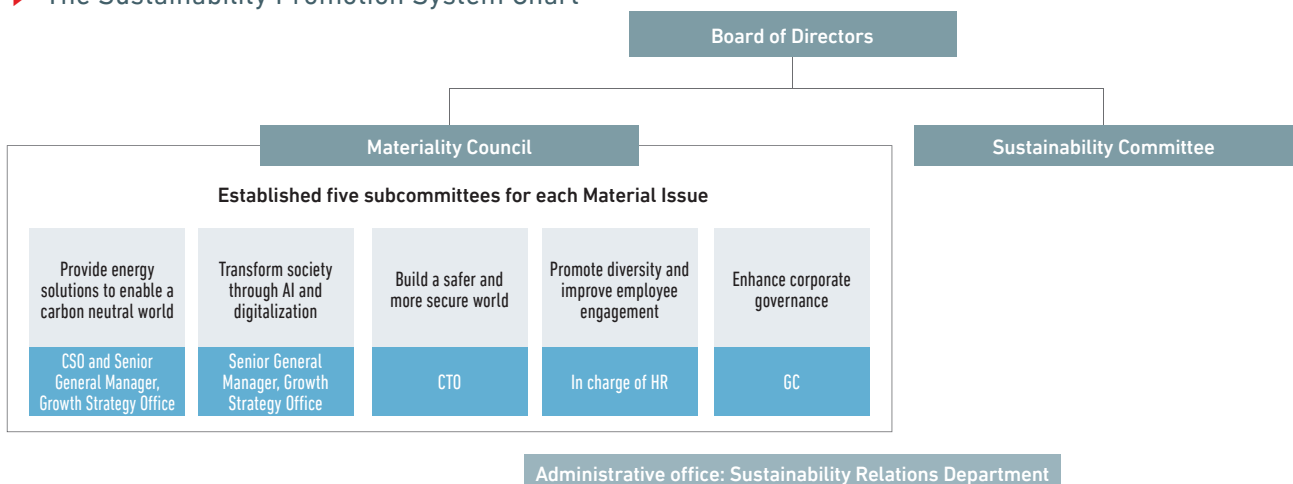
In 2015, we established the MHI Group Global Code of Conduct, a provision of common principles which stipulates how the Group's employees with various backgrounds, nationalities and cultures should act and behave. Regarding the environment, MHI Group has established the Basic Policy on Environmental Matters and Action Guidelines to encourage initiatives to reduce environmental burden based on them in 1996.

Sustainability Promotion System

In order to promote management that takes into account the sustainability of society, we developed and reorganized the former CSR Committee into the Sustainability Committee and established the Materiality Council on October 1, 2021. In consideration of the environmental, social and economic sustainability of companies demanded by the international community, institutional investors and other stakeholders, we will further strengthen our sustainability management system centered on the issues and values faced by modern

society. Matters of importance concerning the challenges involved in approaching sustainability are discussed at the Sustainability Committee, with reports then provided to the Board of Directors in relation to the relevant matters. The contents of activities undertaken in relation to Material Issues are also the subject of reports to be provided to the Board of Directors on a periodic basis and serve as important themes for us to consider when it comes sustainability management.

► The Sustainability Promotion System Chart



Materiality Council

In principle, meetings of the Materiality Council are held twice each year and the President and CEO serves as the Chair. At these meetings, the Council promotes business activities aimed at the achievement of the goals put in place when it comes to Material Issues.

We have established five subcommittees in order to go about improving upon our corporate value through the solving of social issues and achieve mid-to-long-term growth, with each subcommittee having their own individual responsible and department in charge of the respective Material Issue specified by MHI Group in 2020 to which each subcommittee pertains. In doing this, we are working to increase the concrete connections that exist between business activities and each respective Material Issue.

Relationships with Stakeholders

We value input from various stakeholders connected with our business activities, including customers, suppliers, business partners, Group employees and local communities. We place priority on incorporating their input into our management. In addition to sincerely listening to input gleaned from stakeholders in the course of day-to-day business operations, we engage in dialogue with experts

Sustainability Committee

The Sustainability Committee is an organization resulting from the reorganization of the CSR Committee, which was originally organized in 2006. In principle, meetings of the Sustainability Committee are held twice each year and the CSO serves as the Chair. The Committee undertakes deliberations and makes decisions with respect to responses undertaken in relation to challenges having to do with sustainability (such as the fusion of sustainability and business activities and basic policies concerning ESG initiatives) and promotes activities related to such matters with the aim of facilitating the establishment of sustainability management.

and NGOs having specialized expertise related to sustainability and social issues, striving to incorporate societal viewpoints. We are also building mutually cooperative relationships with NPOs etc. and conducting activities to help resolve global social issues in addition to responding to the needs of and challenges facing communities in which our operations are located.

Conformity with International Norms and Information Disclosure

Being a global company, MHI Group always conducts its business activities in accordance with international codes of conduct. We have participated in the United Nations Global Compact (UNGC) since 2004 and are committed to making ongoing efforts throughout the Group to respect and carry out UNGC's Ten Principles spanning four basic areas: human rights, labor, environment, and anti-corruption. We promote

sustainability activities in accordance with ISO 26000, which was formulated in 2010 as an international guideline on the social responsibilities of organizations. We strive to disclose information on our activities in accordance with international reporting standards such as the Sustainability Reporting Standards of the Global Reporting Initiative (GRI).

- ▶ For the latest information on sustainability, please visit our website at:
<https://www.mhi.com/sustainability>
- ▶ For more details on ESG, please refer to "MHI ESG DATABOOK."
<https://www.mhi.com/sustainability/library>

Human Rights Initiatives

Basic Policy

MHI Group is committed to respecting human rights and workers' rights of employees in accordance with international treaties and other guidelines relating to human rights. In May 2015 we established the MHI Group Global Code of Conduct as the common standard for MHI Group. Through establishment of this standard, which was compiled making reference to the UN Guiding Principles on Business and Human Rights, we aim to cultivate a shared corporate culture, one that is rooted in mutual trust and affords dignity and respect to all employees. MHI Group values the individual contributions of all people irrespective of race, color, religion, political convictions, gender, age, nationality, sexual orientation, marital status, or disability.

Ascertaining of Human Rights Risks

We are moving forward with human rights due diligence in adherence with the UN Guiding Principles on Business and Human Rights. In terms of what we are specifically doing in that area, we conduct risk assessments that have us investigating human rights risks within our supply chain (including within in-house operations) in 39 countries where MHI Group has operations, extracting information on the

potential human rights issues being faced, and periodically rethinking things in accordance with the necessity to do so.

In FY2022, we conducted a survey-based investigation for 25 of our suppliers in South-East Asia that were believed to present high levels of potential risk, and subsequently conducted additional on-the-ground investigations for a portion of those suppliers. We discovered no notable human rights risks as a result of those investigations. In FY2023, we are increasing in the scope of investigation and will be conducting investigations on human rights risks existing with our supply chain.

Remediation (Corrections)

When it comes to initiatives that we are undertaking with respect to human rights due diligence based on the UN Guiding Principles on Business and Human Rights, we are discussing and considering the whole concept of measures serving to correct and remedy human rights violations when they have arisen. In FY2023, we joined JaCER (Japan Center for Engagement and Remedy on Business and Human Rights) in order to go about establishing a remedy system for all of our stakeholders based on the UN Guiding Principles.

Material Issues

To enhance corporate value and grow in the medium to long term through solutions to social issues, in FY2020 we identified Material Issues that MHI Group should be addressing. The Material Issues we identified are reflected within our 2021 Medium-Term Business Plan. Progress of each Material Issue is managed with progress monitoring indicators (KPIs), and the PDCA cycle is steadily applied.

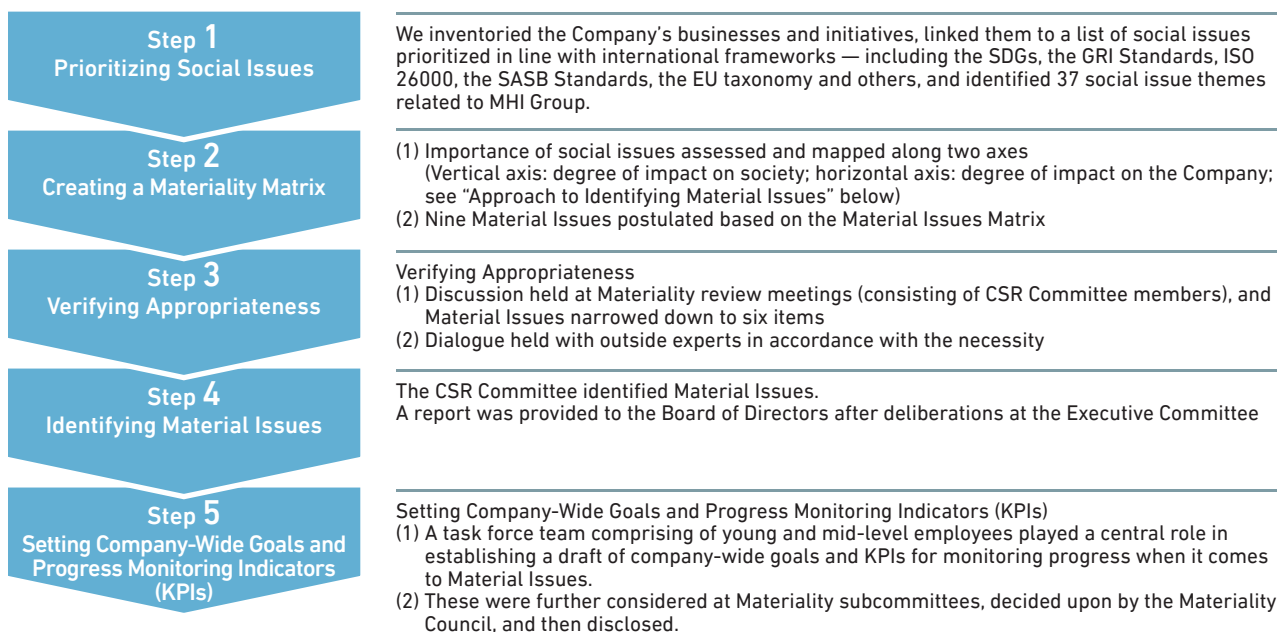
Activities involving engagement with Material Issues embody sustainability management in terms of business. In order to make the activities effective, we have established subcommittees with managers and departments for each Material Issue, and the person responsible and organizing department consider specific measures and roadmaps.

In October 2021, we established the Materiality Council to follow up on business activities aimed at realizing company-wide goals for Material Issues and to instruct business divisions addressing the goals to take necessary measures. Council meetings taking place during FY2022 were held on two occasions, with one held in June and one held in December, during which information on the progress being made with respect to each Material Issue was shared and questions and opinions were freely exchanged. These activities are important themes in sustainability management and are regularly reported to the Board of Directors.

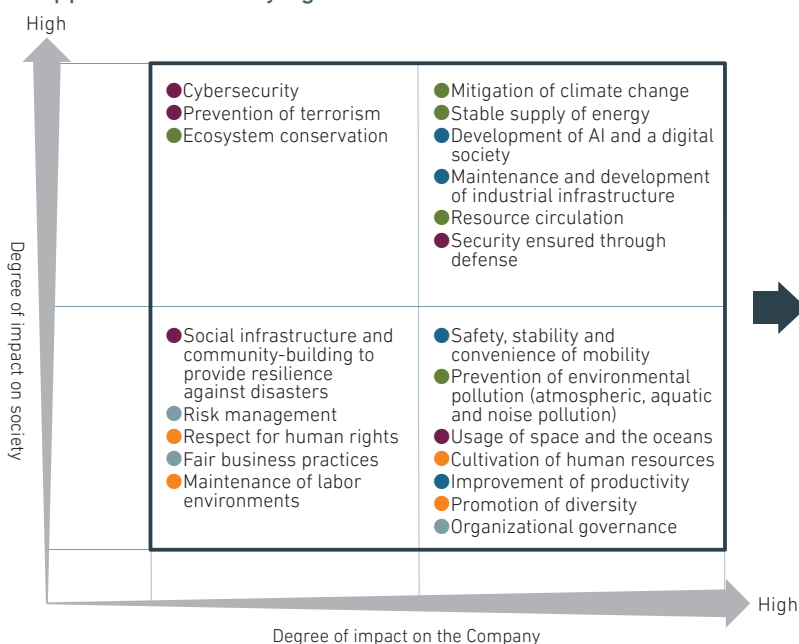
Processes of Identifying Material Issues

When going about identifying Material Issues, we first took an inventory of MHI Group businesses and linked them to a list of social issues prioritized in line with international frameworks — including the SDGs, the GRI Standards, ISO 26000, the Sustainability Accounting Standards Board (SASB) Standards, the EU taxonomy and others.

Activities involving efforts aimed at Material Issues are promoted in coordination with business units and related departments, which primarily means the individuals responsible and coordinating departments relevant to the Material Issue in question, with progress monitored by the Materiality Council and PDCA cycles being implemented accordingly.



► Approach to Identifying Material Issues



Five Material Issues identified based on social issue themes important to MHI Group

- Business Contribution (Business-related)
 - Provide energy solutions to enable a carbon neutral world
 - Transform society through AI and digitalization
 - Build a safer and more secure world
- Foundation to Support Business (Corporate-related)
 - Promote diversity and improve employee engagement
 - Enhance corporate governance

Sustainability

Material Issues for MHI Group - Company-Wide Goals and Progress Monitoring Indicators (KPI)

Material Issues (Officer in Charge)	Company-wide Goals	Progress Monitoring Indicator (KPI)
<p>Provide energy solutions to enable a carbon neutral world</p>  <p>▶ CSO and Senior General Manager, Growth Strategy Office</p>	<p>Reduce the CO₂ emissions of MHI Group. Achieve Net Zero CO₂ emissions from its operations by 2040 (Scopes 1 and 2)</p>	<p>Reduce total CO₂ emissions from business activities (Scopes 1 and 2) by 50% by 2030 (compared to 2014 levels), and achieve net zero by 2040.</p>
	<p>Contribution to society throughout the value chain by 2040. Achieve Net Zero CO₂ emissions from its entire value chain by 2040 (Scope 3 + reduction through CCUS)</p>	<p>Reduce CO₂ emissions across the entire value chain (Scope 3 + CCUS contribution for CO₂ reduction) by 50% by 2030 (compared to 2019 levels) and achieve Net Zero by 2040.</p>
		<p>Develop products and services that contribute to decarbonization of the energy supply by 2040 (Energy Transition)</p>
		<p>Develop products and services that contribute to conservation, decarbonization, and automation of energy use by 2040 (Smart Infrastructure)</p> <p>Develop and prove new products and services that contribute to the carbon cycle</p>
<p>Transform society through AI and digitalization</p>  <p>▶ Senior General Manager, Growth Strategy Office</p>	<p>Expand lineup of useful and sustainable AI/digital products meeting needs of customers and users</p>	<p>Steadily increase the number of newly developed advanced AI and digital solutions (services, products, R&D) that solve customer issues</p>
	<p>Contribute to a sustainable society through future-oriented energy management strategies that use AI and digitalization to appropriately and efficiently manage power supply and demand</p>	<p>Propose optimal energy infrastructures to customers according to the characteristics of the region</p> <p>Increase the number of products linked to future-oriented energy management systems</p>
	<p>Improve our working environment to produce creative products</p>	<p>Improve employees' awareness of creative time and environments</p>
<p>Build a safer and more secure world</p>  <p>▶ CTO</p>	<p>Boost the resilience of products, businesses, and infrastructure</p>	<p>Carry out various disaster impact assessments, and promote the development and practical application of resilient designs and technologies</p>
	<p>Implement fully-automated and labor-saving measures</p>	<p>Promote the development and practical application of technologies that enable the remote operation and automatic inspection of products, businesses and infrastructure</p>
	<p>Continuously strengthen cybersecurity measures for all MHI products</p>	<p>Promote the development and practical application of cybersecurity technologies</p>
<p>Promote diversity and improve employee engagement</p>  <p>▶ In charge of HR</p>	<p>Project new value through participation of diverse human resources</p>	<p>Increase the ratio of women on the Board of Directors to at least 30% by 2030</p> <p>Double the ratio of women in management positions by 2030 (compared to FY2021)</p> <p>In accordance with the MHI Group Human Rights Policy, raise awareness of diversity among Group employees through education and other efforts</p>
	<p>Ensure safe and comfortable workplaces</p>	<p>Reduce the number of serious accidents to zero</p> <p>Maintain a labor (work absence) accident frequency at a rate that is equal to or lower than the industry average</p>
	<p>Improve our environment that maximizes employee performance, and develop human resources who are healthy, energetic and able to contribute to society</p>	<p>Raise the employee awareness survey's "engagement" score above the global average by FY2030</p>
<p>Enhance corporate governance</p>  <p>▶ GC</p>	<p>Further enhance deliberations by the Board of Directors</p>	<p>Maintain the ratio of Independent Outside Directors on the Board of Directors at 50% or more (MHI)</p> <p>Assess the effectiveness of the Board of Directors annually to ensure and improve it (MHI)</p>
	<p>Promote legal compliance and honest and fair business practices</p>	<p>Maintain the number of serious laws/regulation violations at zero</p> <p>Continue activities that promote an open organizational culture</p>
	<p>Further promote responsible (CSR) procurement in the global supply chain</p>	<p>Promote sustainability and CSR procurement activities with partners to build a sustainable supply chain</p> <p>Offer continuous educative information to suppliers/business partners in order to establish and maintain sustainable supply chain</p>
	<p>Create opportunities to explain non-financial information</p>	<p>Conduct ESG briefings to investors at least once a year</p>

*1 Mitsubishi Development Pty Ltd: A wholly owned subsidiary of Mitsubishi Corporation that has contributed to global industries for more than 50 years through its developments in the mineral resources sector.

*2 HYFOR (Hydrogen-based Fine-Ore Reduction): A novel direct reduction process for iron ore fines concentrates from ore beneficiation, developed by MHI Group company Primetals Technologies.

Initiatives and Progress in FY2022

- Reduced CO₂ emissions in 2021 by 42% (compared to 2014 levels). • Forecasting a reduction in 2022 CO₂ emissions of 47% (compared to 2014 levels).
- Drafted basic concepts and management systems for Carbon Neutral Management. • Began installation of the renewable-energy power generation equipment at Mihara Machinery Works to achieve a Carbon Neutral Factory. (to be completed by the end of FY2023)
- Disclosed CO₂ emissions for 2021 in ESG DATABOOK 2022.
- Calculating CO₂ emissions for 2022.
- Successfully completed the world's largest hydrogen mixed firing validation test with 20% hydrogen at Plant McDonough-Atkinson's high-efficiency large-frame GTCC facility.
- Formed alliance with ExxonMobil which will advance next-generation carbon capture technologies and enable integrated CCS offering by deploying MHI's CO₂ capture technology as part of ExxonMobil's end-to-end CCS solution.
- Contributed to restarting and safe & stable operation of existing nuclear plants in Japan. Jointly have been developing advanced light water reactor SRZ-1200, which will meet the world's highest standards of safety, with Hokkaido Electric Power Co., Inc., The Kansai Electric Power Co., Inc., Shikoku Electric Power Co., Inc. and Kyushu Electric Power Co., Inc. Also, developing new type reactors (small light-water reactors, high temperature gas-cooled reactors and fast reactors) in order to meet the diversified needs in the future.
- Awarded Pre-FEED contract for carbon capture plant at a cement production facility in UK.
- To expand use of carbon capture in hard-to-abate sectors, signed collaboration agreement with ArcelorMittal, BHP and Mitsubishi Development Pty Ltd*1 for development of carbon capture in the steel industry.
- Signed a MoU with Fortescue, voestalpine and Mitsubishi Corporation to jointly evaluate green ironmaking plant using HYFOR*2 process.
- Working toward demonstration of biowaste utilization (hydrolysis) and recycling of decommissioned large structures.
- Confirmed the basic performance of the prototype for the next generation unmanned forklift (based on ΣSynX), and conducting demonstration activities for an automated picking solution at YHH*3. Further development of intelligent logistics systems is also continuing.
- An automated material handling system for maritime transportation is under development.
- An intelligent system for operation of industrial machines is under development.
- Within our central R&D organization, MHI Group conducts advanced research and development, and the results are applied widely across our business areas. This allows us to promote the development of solutions such as AI and digital products and services for diverse business units.
- Conducted feasibility study of optimal energy infrastructure solutions for Southeast Asia, considering regional characteristics based on an assessment balancing social, economic, and environmental factors.
- Started external verification with expanded control functions for heating equipment for use in carbon neutral EMS products.
- The following were implemented in order to make MHI a more creative workplace:
 - Internal community site (EKKYO BASE): Organized collaboration projects (8 times with 3,000 total participants). Expanding opportunities for dialogue and co-creation between MHI Group employees and other companies to foster new business development and organizational culture improvement.
 - Future Design Task Force: R&D on co-creation is ongoing in order to establish future design processes.
 - Formulated a human resource development plan in the field of Digital Innovation, under the strategic goal of developing approximately 20 thousand Digital Innovation experts groupwide.
 - Advanced efforts in promoting groupwide use of CRM (Customer Relations Management), utilization of data foundation, and development of future IT architecture.
 - Launched human resource development program at YHH for entrepreneurship from October 2022.
- Developed resilience indicators for products and services based on recovery and resistance.
- Goal setting is underway for each business unit and has been completed for 8 of the total 31 business units.
- A company internal meeting was held on "Risk Assessment and Measures for Resilience and Business Development."
- Investigating new business potential in the area of disaster prevention. (Collaboration with Kyoto University Disaster Prevention Research Institute)
- Typhoon damage simulation was presented in the MHI Technical Review and International Conference (AJK2023).
- Disaster prevention simulations including tsunamis, typhoons and heavy rains were carried out for seven Japanese factories in the company.
- A study of the disaster countermeasure system was carried out (Nuclear Energy Systems).
- Confirmed functional performance of the unmanned forklift prototype of the intelligent logistics system (ΣSynX).
- Started system design on the highway Vehicle-to-Infrastructure system, which uses wireless communication to connect ICT-enabled "connected" vehicles and related infrastructure components, in preparation toward realizing a future of autonomous mobility.
- Continued to promote the research & development of unmanned defense equipment.
- Continued to promote research & development of intelligent operation systems for paper converting machinery.
- Delivered a monitoring platform (Synx-Supervision) for steelmaking plants.
- A remote monitoring and operation support system (MaiDAS) for a waste incinerator plant has been verified and presented at a major academic conference.
- Demonstrated a security check patrol with a single-rotor unmanned drone. • Developing a labor-saving system for ferry cargo handling.
- Developing a solution for automating the nut tightening work of aircraft panels by human and robot cooperation.
- Demonstrated the automatic generation function for an inspection map in a catalytic inspection system of a flue gas treatment unit.
- In FY2022, cybersecurity R&D investments increased 3.0 times the level of FY2020.
- In order to strengthen the security resistance of our factories, evaluation and verification of network security detection devices were conducted in Sagamihiro Machinery Works, YHH, Nagoya Guidance & Propulsion Systems Works – Komaki North Plant and other locations.
- The basic security requirements set by Charter of Trust*4 were reflected in the company standards.
- Industrial control system security manager meetings were held twice to share the security measures of factory infrastructure.
- Continued our training program for potential future executive candidates in collaboration with each business unit.
- Expanded various employee support systems with consideration to childcare and caregiving in order to enable employees to continue their careers. Promoting a workplace environment and organizational culture allowing for a balance of professional and private life.
- Started development of educational materials (e-learning) on the topic of respecting human rights in MHI Group. About 75,000 employees world-wide took the course.
- A subcontractor's fatal accident occurred. The root cause analysis was undertaken immediately to prevent recurrence and measures were announced to all departments in MHI.
- The rate of lost-worktime injuries was less than the industry average.
- Conducted early detection and root cause analysis based on data from past accidents, and studied and developed countermeasures across divisions.
- The 4th MHI Group Employee Survey was undertaken in March 2023.
- President's Town Meeting was held at 4 sites in Japan.
- Announced pulse survey tool to all MHI Group and continuing operational improvement.
- Maintained the percentage of independent outside directors at 50% (6/12) and worked to speed up decision-making processes and strengthen oversight functions.
- Engaged in the following initiatives to evaluate the effectiveness of the Board of Directors in FY2022.
 - Conducted questionnaires to all members of the board. • Discussed the results of these evaluations in meetings of independent outside directors and reported the same to Board of Directors meetings. • Established policies based on the results of the effectiveness evaluation and finalized the draft of disclosure, both by the resolutions of the Board of Directors. Also started planning the agenda schedule for FY2023.
- There were no serious laws/regulation violations. • Case studies related to compliance were published monthly to raise awareness within the company.
- Compliance information tailored to each region was shared with Group companies outside Japan in an effort to prevent compliance issues.
- Ensuring that overseas group companies set up hotlines for reporting on compliance issues.
- Implemented the following compliance training for employees both within and outside Japan.
 - Japan: e-learning, discussion-based training, job grade-based training
 - Outside Japan: e-learning
- Implemented a CSR questionnaire for overseas partner companies with a certain amount of regular purchase orders from MHI, and obtained their agreement to the MHI Group Supply Chain CSR Promotion Guidelines.
- Delivered educational materials on CSR procurement when sending the periodical CSR questionnaire for partner companies, and confirmed widespread understanding within each company. • Performed CSR procurement education at business briefings and meetings with partners
- Held an ESG briefing in March 2023 to explain MHI Group's framework for addressing sustainability and the progress toward achieving KPIs for each material issue.

*3 YHH (Yokohama Hardtech Hub): A co-creation space operated by MHI in Yokohama.

*4 Charter of Trust: An initiative by private corporations to build trust in cybersecurity. MHI has participated in this initiative since April 2019.