

MHI Group Global SCM Guideline

“FAIR”



Our Technologies, Your Tomorrow

Introduction

The MHI Group Global Code of Conduct, established in May 2015, summarizes the principles and requirements that all MHI Group employees must adhere to.

The MHI Group SCM Guideline is a supplement to the Code of Conduct. The contents of these Guidelines is to summarize the matters which we should keep in mind during the course of conducting business involving procurement of products and services from a third party.

In these Guidelines, the third parties involved in such business transactions, such as suppliers, are referred to as, "Partners."

"FAIR", as the title of these Guidelines, is the term which expresses the essence of these Guidelines in one word.

FAIR

We, the MHI Group members involved in procurement, shall put into actual practice the principles of the FAIR Guidelines, with both pride and energy, as part of contribution to growth of MHI Group.

- A. We shall create and maintain a fair and proper relationship with our Partners.
- B. Our work with our Partners shall be executed in an open and transparent manner.
- C. We shall duly observe all applicable rules & regulations.

Detail is following.

Explanation of “FAIR” Guideline**A. We shall create and maintain a fair and proper relationship with our Partners.****1. Build a fair and just relationship with Partners**

- Partners and MHI Group Companies are business partners existing on an equal footing, working in harmony and in the pursuit of mutual prosperity. We shall endeavor to build trust through everyday interactions and cooperation towards mutual development.
- You must never force any Partners to accept unfair trade conditions. In many countries, unfair trade is prohibited by anti-competition laws. You should take special care to refrain from any activity which deviates from such laws and regulations.
- The members involved in any transactions with Partners must not request such Partners to purchase MHI Group products.

2. Be aware of the consequences of the acceptance of excessive gifts, entertainment and hospitality.

- You should avoid receiving gifts, entertainment and hospitality from Partners to the greatest extent possible. Even when you receive such courtesies unavoidably in the course business or socializing, you must request Partners strongly to carry out giving gifts or entertainment within the range of sound judgement and common sense. Excessive gifts, entertainment and hospitality may create the grounds for suspicion of adhesion and unfair trade. Therefore, when you receive such business courtesies, you must report such activity to your immediate supervisor, and record such events accordingly.

3. Comprehend the separation between public and private activity.

- It is of utmost importance that the member be fully aware of the separation between public and private activity, and the two areas should not mix in any way, shape or form.
- Members should never request any personal profit or benefit from any Partners.
- Discussing MHI Group business related matters with individuals who are not directly related to one’s work is strictly prohibited.
- In order to avoid any suspicion of unlawful activity or corporate adhesion in the eyes of one’s immediate vicinity, members must be careful to communicate in a manner which is consistent with this Guidelines and common sense.

- Reference to “MHI Group Global Code of Conduct”
 2. Basic behavioral requirements
 3. Fair competition (cont’d)
 4. Anti-corruption (cont’d)
 7. Conflict of interest
 8. Insider trading
 9. Information security and intellectual property rights

B. Our work with our Partners shall be executed in an open and transparent manner.**1. Members should select Partners rationally, from an economic standpoint, under the standard of fair and equal competition.**

- When determining which Partners to do business with, members shall take rational economic factors into consideration, such as reliability and stability in terms of quality, price, delivery period, safety, environmental impact, compliance, and research and technical development capabilities.
- One should not engage in any non-competitive activity or any action that might lead to the suspicion of non-competitive behavior such as,
 - treating some Partners favorably without just cause.
 - making demands to Partners which have no purpose and do not conform to ethical standards and company policy.

2. Enact simple procedures to prevent unjust occurrences

- To prevent all unjust occurrences or losses that could transpire in procurement activity, it is vital to conduct business utilizing procedures that are clearly and easily understood by third parties and that do not raise suspicion. Procedures must be recorded exactly and must be kept within a period fixed.

Also, when making decisions concerning business, one must clearly separate one's work procedures from the sales department and other departments and be independent of other business divisions.

- Reference to "MHI Group Global Code of Conduct"
 - 2. Basic behavioral requirements
 - 3. Fair competition (cont'd)
 - 4. Anti-corruption (cont'd)
 - 7. Conflict of interest
 - 15. Financial integrity
 - 16. Anti-money laundering

C. We shall duly observe all applicable rules & regulations.

1. Observance of Company Rules & Regulations

- In the course of doing business with Partners, members of MHI Procurement (inclusive of MHI Group members) are to carefully understand and be aware of the laws, rules, regulations and customs of the country and area of the Partner whom which one is conducting business with, and take such matters into full account, while ensuring that under all circumstances, ethical and standard business practices, as well as MHI rules and regulations are being adhered to and maintained.

In the course of doing business, there are obviously many laws, rules and regulations related to procurement activities which each member needs to be aware of. In addition, in the course of time, such laws, rules and regulations are subject to change. Nonetheless, each member is expected to make an effort to stay informed of such changes, and abide by such changes and revisions accordingly.

The primary laws, rules and regulations which each member needs to be aware of, are as follows:

- Domestic Laws / International Laws
 - Competition Laws
 - Taxation Laws
 - Environmental Laws
 - Common Laws
 - Export Control Related Laws
 - IP Related Laws
 - Laws related to Protection of Personal Information
 - Labour Laws
 - International Human Rights Laws
- Each member of the MHI Group, while in the course of doing business shall, based on the Code of Conduct, be aware of the rules and regulations set forth by the MHI, as well as other rules and regulations set forth by each Group Company. Furthermore, each member must make a conscious effort to ensure that such rules and regulations are carefully followed, in order to create a harmonious work environment.

2. Strict observation of Social Rules and Manners

- When doing direct business with Partners, it is essential to be aware that one is acting on behalf of MHI Group. Acting in a disrespectful manner towards Partners not only damages your image as a businessperson, but also reflects poorly on MHI Group as a whole.

3. The Maintenance and Protection of Confidential Information

- Information related to daily business, especially engineering data, sales, as well as confidential information related to finance and assets, (plant machinery & equipment, products, factory fixtures, cash on hand) are all considered to be extremely valuable corporate property. Should such information be inadvertently leaked outside the company, this could not only lead to illicit use by other parties and cause great public duress, but may also lead to a considerable commercial and financial impact on the Company. Thus, it is important to be keenly aware of such danger, and to take adequate and proper precautions to ensure that such confidential information is properly maintained and protected.
- In regards to confidential information obtained internally, or from Customers or Partners, such information must not be leaked to any parties which are not directly related to one's business dealings. In the event that such information needs to be shared as part of one's work responsibilities, the sharing of such information cannot be permitted without abiding to internal

procedures and without obtaining proper authorization. This also applies toward our Partners.

4. Requests to Partners and Group Companies

- One condition which members must uphold in the course of succeeding in the competitive global marketplace, is maintaining the concept of fair play and integrity within the relationships of MHI Group's supply chain. If the need arises, please insist any Partners or Group Companies to abide by the examples set by formal rules and regulations, as well as common social standards.

- Reference to "MHI Group Global Code of Conduct"

1. Introduction
2. Basic behavioral requirements
3. Fair competition (cont'd)
8. Insider trading
9. Information security and intellectual property rights
10. Privacy
11. Occupational environment and human rights

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