

Compliance

Business Ethics & Compliance

Approach

The IHI Group implements its compliance program in accordance with the Basic Rules of Compliance for IHI Group and other internal policies. These activities are conducted not only to address legal compliance but also to respond to the needs of society based on a full proper grasp of society's ever-changing values and expectations. To prevent a recurrence of the Civil Aero Engine Maintenance Business quality issue that we experienced in fiscal 2019, we have been focusing on and reinforcing our compliance and quality assurance systems as part of our risk management activities.

The IHI Group knows that living up to the expectations of stakeholders and earning their trust is vital to drive the sustainable growth of both customers and society. The Basic Code of Conduct for the IHI Group defines the practices necessary to embody this belief. In order to comply with this Code of Conduct, we have established the IHI Group Code of Action as the code prescribing how directors, officers, and employees of the IHI Group should make decision and take action in their daily work. IHI also designated a Compliance Day (May 10th) as an annual event starting in fiscal 2021. A variety of actions are taken to raise awareness about compliance on that day, such as the release of a message from top management and workplace dialogues.

Policies

● Basic Code of Conduct for the IHI Group

We at the IHI Group are committed to implementing what is necessary to meet the expectations and gain the trust of not only our customers, business partners, shareholders and colleagues, but also the local and international communities, while maintaining an awareness of global issues. By doing so, we aim to enhance our existential value as we move forward into the future and realize our Group's management philosophies of "Contribute to the development of society through technology" and "Human resources are our single most valuable asset."

Fundamental and Universal Principles of the Entire IHI Group

Respect for the rule of law and ethical conduct

We strictly observe laws and ordinances based on a clear understanding of their meaning. We also act sincerely and fairly and in accordance with high ethical standards so that we do not violate social rules or international norms.

Respect for human rights

We fully recognize the importance of, and always strive to respect, human rights during our business activities.

Promotion of mutual understanding

In order to promote mutual understanding with those around us, we strive to disseminate information on our business activities, explain the effects of these activities on the surrounding environment, and engage in an exchange of opinions with our broader communities on a daily basis.

Responsibilities toward People, Society, and the Environment

Responsibilities toward people connected with the IHI Group via our products and services

- ① We establish relationships of mutual trust with the people with whom we are involved in the course of our business, help solve social issues in a variety of fields by using our abilities to the utmost, and develop and provide products and services to assure more comfortable lives for people around the world.
- ② We pay full attention to the safety of the products and services we develop and provide and constantly strive to raise the quality level of our products and services by confirming whether they satisfy customers and users.
- ③ We deal appropriately with other parties in our business transactions and seek profit fairly, while at the same time we strive to establish fair and mutually-productive relationships with our customers and business partners.

Responsibilities toward those with whom we work

We strive to respect mutually the character and individuality of all people with whom we work and maintain a safe, supportive, and comfortable environment in which we can work easily.

Responsibilities toward local and international communities

- ① With an awareness that each one of us is a member of society, we actively take part in initiatives to solve the problems faced by society.
- ② No matter the region of the world where we conduct our business, we understand the value of the culture unique to each region and strive to meet the expectations of people living there.
- ③ We take a resolute attitude against organizations and forces that threaten social order and safety.

Responsibilities toward the global environment

Based on our recognition that the global environment provides the foundation for the existence of all societies and cultures, we take care so as not harm that which also will be needed by future generations and strive to protect, and reduce the burdens on, the global environment, not only in the course of our provision of products and services but also in all other aspects of our business activities.

Roles and Responsibilities of Senior Management

Roles of Senior Management

- ① Senior Management recognizes that their role is to ensure the realization of this Code of Conduct and takes the initiative to demonstrate leadership in order to put the purposes of this Code of Conduct into practice.
- ② Senior Management ensures that this Code of Conduct is known to all people with whom they work and constantly strives to establish, maintain, and improve effective internal systems and to enhance our corporate value.

Responsibilities of Senior Management

If a violation of this Code of Conduct occurs, Senior Management will strive to take the initiative to solve the problem, discover its cause, and prevent the recurrence of similar violations. They also will promptly disclose accurate information to society, clarify the responsibilities and scope of the authority of the persons involved, and impartially take disciplinary action even upon themselves.

IHI Group Code of Action

In order to comply with this Code of Conduct, we establish "IHI Group Code of Action" as the code prescribing how directors, officers, and employees of the IHI Group should make decision and take action in their daily work.

Compliance

● IHI Group Code of Action

1. We truly understand and will comply with any and all applicable rules.
2. We do not engage in any wrongdoing.
3. We respect human rights.
4. We make safety and quality for our customers a top priority.
5. We enter into fair and legitimate transactions.
6. We never impair the safety of ourselves or our colleagues.
7. We strictly manage and control information.
8. If we discover an issue, we report it immediately.

● Basic Rules of Compliance for IHI Group

Compliance is the foundation for companies to do business in society.

The IHI Group shall act as follows in accordance with the Basic Code of Conduct for the IHI Group:

- Strictly observe all laws, internal rules, and other regulations
- Act in a fair and responsible manner as business people

Governance

■ Compliance Committee

The IHI Group, with its CEO serving as chairman, established the Compliance Committee, a Group-wide committee on compliance under the Risk Management Conference.

The Committee discusses and drafts important policies and promotes compliance activities, which include Competition Law violation and anti-corruption, among others. This Committee is made up of Head of Compliance of each division, with the Officer in charge of Group Compliance as chairperson.

Compliance Committee members roll out the decisions made by the Committee to each division by incorporating them into compliance activities tailored to the division. With regard to Committee activities, results from the previous fiscal year along with plans for the current fiscal year are reported at the Management Committee at the start of each new fiscal year.

In addition, the Legal Division acts as a secretariat to plan and execute compliance activities in accordance with the policies created by the Compliance Committee while also monitoring the progress of compliance activities in each division and providing guidance and support as necessary.

Compliance-related matters that are particularly important regarding operation and management are reported to and discussed by the Board of Directors.

● Compliance Structure



● Compliance Committee

Chairperson	Officer in charge of Group Compliance
Members	Head of Compliance of each division
Secretariat	Legal Division
Number of meetings convened in FY2023	2

Compliance

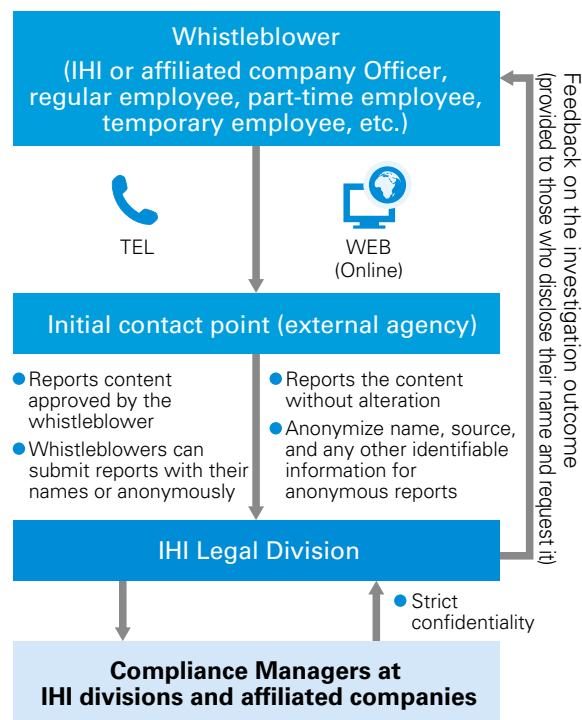
Risk Management

Compliance Hotline

The IHI Group runs the Compliance Hotline as an internal reporting system to quickly identify actions that violate or potentially violate laws, internal regulations, or internal and external rules by IHI Officers and employees to allow IHI to take corrective action as soon as possible. This system prohibits retribution toward whistleblowers. Anyone who engages in retribution against a whistleblower will be disciplined in accordance with applicable employment regulations.

In addition to posting links on screen, the Group also hand out this information at each training session. IHI Officers and employees can directly report to or consult with third-party experts outside of their chain of command via this hotline. The hotline is available inside and outside Japan, always in the appropriate local language.

Framework of the Compliance Hotline



Number of Compliance Hotline Reports

(Unit: Reports, Scope: IHI and affiliated companies)

Item	FY2020	FY2021	FY2022	FY2023
Reports	202	263	286	314

Compliance

Initiatives

Education/Awareness Building

Quality & Compliance Training

IHI extended quality & compliance training for executives and employees at least once a year to all Group companies beginning in fiscal 2019.

The aim of this training is to instill and establish the IHI Group Code of Action as well as its IHI Group Quality Declaration. Training content also touches on the Basic Code of Conduct for the IHI Group.

From fiscal 2020, IHI has been conducting training based on case studies to identify potential causes of and risk factors that lead to quality compliance issues and to prevent similar problems from arising at the IHI Group.

In fiscal 2023, we held the same training program again, mainly for those who had not yet taken it as well as newly appointed Managers.

Compliance Day (May 10th) Activities

The IHI Group designated May 10th as an annual Compliance Day in fiscal 2021, and every year on this day it takes various initiatives to raise awareness about compliance.

Aimed at all Group officers and employees, in fiscal 2023 top management broadcasted a video message and workplace dialogues, etc. on compliance were held.

Number of Compliance Training Participants

Item	Scope of Data	FY2020	FY2021	FY2022	FY2023
Quality & Compliance Training	IHI and subsidiary companies in Japan	24,085	26,243	25,870	25,379
	Subsidiary companies overseas	3,261	4,938	5,334	5,072

Compliance

Tax Compliance

Approach

As new rules regarding international taxation are being introduced, there is an increasing need for companies to ensure transparency and accountability regarding their tax affairs to stakeholders including authorities, investors, and society.

In April 2019, the IHI Group established the IHI Group Global Tax Policy as a fundamental policy in response to the demand for more sophisticated tax governance.

Policy

● IHI Group Global Tax Policy

The IHI Group enacts the Global Tax Policy in accordance with “Basic Code of Conduct for the IHI Group,” for the purpose of developing global tax compliance, and aims at growing sustainably and enhancing corporate value over the future.

1. Respect for the rule of law

The IHI Group observes the laws and ordinances on taxes of each country or region based on a clear understanding of their meaning. The IHI Group also acts sincerely and fairly with high ethical standards so that it does not violate social rules or international norms.

2. Transfer pricing

The IHI Group, by assessing transfer pricing in accordance with the laws and ordinances of each country or region and the International Transfer Pricing Guidelines, is committed to appropriately allocating income commensurate with the contribution of each Group company and to making proper tax payment in each country and region.

3. Tax planning

The IHI Group does not engage in tax planning for the purpose of tax avoidance.

4. Relationship with the tax authorities

The IHI Group, by providing information in the course of tax administration procedures and tax audits appropriately and in a timely manner, strives to maintain a sound relationship with the tax authorities of each country or region.

Governance

The IHI Group strives to implement appropriate tax governance for the entire Group under the jurisdiction of the Director in charge of Group Finance & Accounting Division.

Initiatives

Education/Awareness Building

The IHI Group has translated its IHI Group Global Tax Policy into multiple languages, which it distributes to affiliated companies in Japan and overseas in order to educate while disseminating it throughout the Group.

Tax Stakeholder Engagement & Management

The IHI Group makes tax declarations appropriately and in a timely manner, by observing the tax laws and ordinances in each country or region, striving to maintain a sound relationship with the tax authorities. In addition, in order to promote efforts to improve tax governance, we report the results of our own tax investigations at the Management Committee and undertake measures to prevent recurrence through upper management.

Based on these efforts, the IHI Group ensures its tax compliance and appropriately manages any tax costs and risks.

Compliance

Competition Laws/Anti-corruption Laws

Approach

Commitment to Competition and Anti-corruption Law Compliance

IHI has established the Basic Code of Conduct for the IHI Group to be followed by all the officers and the employees of all the IHI Group companies. The CEO, along with all other members of the IHI Group, is fully committed to complying with all laws including competition laws, as well as anti-corruption laws. The IHI Group revised the IHI Group Competition Law Compliance Policy in fiscal 2021 which now requires each group company to establish operational standards and appoint a management supervisor who is in charge of compliance in competition laws. The policy concretizes the Basic Code of Conduct for the IHI Group from competition law perspective, with the aim of strengthening its competition law compliance system. The IHI Legal Division is continuously taking initiatives to enhance compliance of competition laws and working together with IHI Group companies, providing supports in, for example, establishing effective operational standards that take into account the actual business settings of each group company to prevent any anti-competitive activities to occur. The IHI Group aims to eradicate corruption and prohibits bribery, including facilitation payments and payment of unfair and unreasonable expenses and donations, to all persons, whether they are public officials or not, under the IHI Group Basic Policy Against Bribery of Public Officials established in 2015. To enhance the effectiveness of this policy, the IHI Group has obliged each group company to establish operating guidelines and appoint a chief administrator who is in charge of compliance in anti-corruption laws.

Governance

As a part of its internal control, the IHI Group regularly audits on each of its internal divisions and IHI Group companies to ensure that they are in compliance with the IHI Group

Competition Law Compliance Policy and the IHI Group Basic Policy Against Bribery of Public Officials. Additionally, the IHI Group conducts risk assessments, education, and training on competition laws and anti-corruption laws, and reports the status of these activities to its Compliance Committee once every six months. Furthermore, the IHI Group aims to identify and address any compliance issues at the earliest possible stage through the Compliance Hotline.

If any serious compliance issues are discovered, the IHI Group will set up an emergency headquarters headed by the Chief Executive Officer to quickly and flexibly handle the issue, utilizing the expertise of internal and external experts. The emergency headquarters will follow up the matter until the implementation of measures to prevent recurrence are completed.

Risk Management

Competition Law and Bribery Risk Assessment

Every year, the IHI Group conducts assessment on risks to competition laws and anti-corruption laws for each department of IHI and each Group company, considering their respective business settings such as countries in which they operate and their business models. Based on the assessments, appropriate measures are taken.

Initiatives

Education/Awareness Building

In order to prevent anti-competitive behavior to occur, the IHI Group conducts anti-competition law training for all the officers and the employees of IHI Group, which covers competition laws in various countries, such as the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and Unfair Competition Prevention Act in Japan, the Sherman Antitrust Act in United States, and competition laws in the European Union. Moreover, in order to prevent corruption, the IHI Group conducts awareness-raising activities and education regarding com-

pliance with anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act. During fiscal 2023 the IHI Group expanded its scope of e-learning participants, resulting in a significant increase in the number of participants taking part in both training.

These training programs are provided to IHI departments and Group companies based on the results of risk assessments. In addition, the training materials are shared on the company's intranet so that officers and employees are able to refer to them at any time. Also, the IHI Legal Division continuously reviews the effectiveness of the program by reflecting feedbacks from the participants or any development in laws to enhance compliance activities in subsequent years.

Training Participants (Total)

(Unit: People)

Item		Scope of Data	FY2022	FY2023
Officers and employees		IHI and consolidated subsidiaries	2,007	51,222
(Break-down by topic)	Competition law	IHI and consolidated subsidiaries	622	26,148
	Anti-corruption law	IHI and consolidated subsidiaries	1,385	25,074
(Break-down by region)	Japan	IHI and subsidiary companies in Japan	1,784	50,618
	Overseas	Subsidiary companies overseas	223	604

Compliance with Competition Law/Anti-corruption Law

Competition Law/Anti-corruption Law Violations

(Unit: Incidents, Scope: IHI and consolidated subsidiaries)

Item	FY2020	FY2021	FY2022	FY2023
Competition law	0	0	0	0
Anti-corruption law	0	0	0	0

Expenditure to Political Organizations, Economic Organizations, and Other Major Industry Organizations

(Unit: Millions of yen, Scope: IHI)

Item		FY2020	FY2021	FY2022	FY2023
Expenditure	Political organizations	10	10	10	10
	Economic organizations	57	52	55	55
	Other major industry organizations	122	119	122	123

Compliance

Security Trade Control

Approach

The IHI Group has established a series of Security Trade Control Rules to properly implement security trade control for the purpose of maintaining peace and safety in Japan and as part of the international community. The IHI Group is making an effort to reduce the risk of legal violations and economic sanctions by not only complying with the Foreign Exchange and Foreign Trade Act (FEFTA) but also Group companies overseas in compliance with all laws in each country and region they operate in as well as conducting trade controls with consideration to foreign laws with extraterritorial application.

Governance

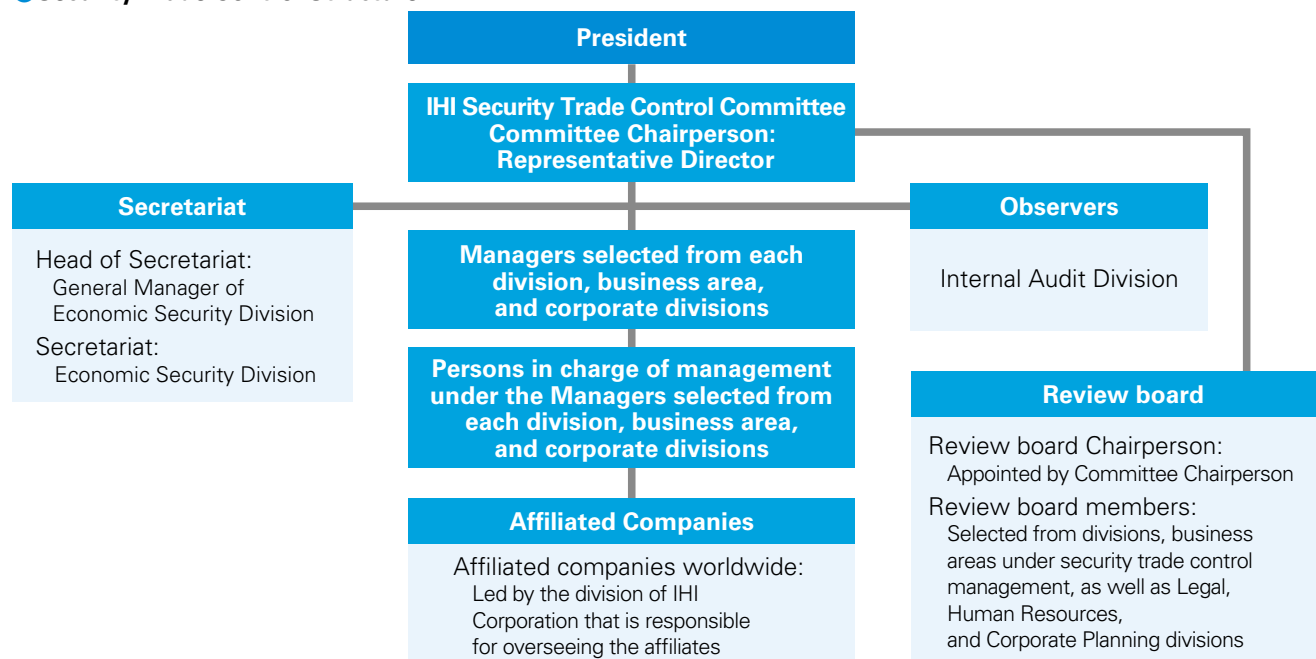
IHI Security Trade Control Committee

The IHI Group has set up its own Security Trade Control Committee for addressing proper trade control.

The IHI Security Trade Control Committee is a committee led by the Representative Director and composed of Committee members (Managers selected from each division, business area, and corporate divisions), and the secretariat (Economic Security Division). At the Committee, the Committee members conduct review, audit trade control practices, activities to share, raise awareness, and educate the IHI Group on the latest information about relevant laws and regulations.

In fiscal 2023 this Committee meeting was held three times, sharing audit results, management concerns, and security trade conditions including the situation overseas, and horizontally disseminating them to improve management quality throughout the IHI Group.

Security Trade Control Structure



IHI Security Trade Control Committee

Committee Chairperson	Representative Director
Members	Managers selected from each division, business area, and corporate divisions
Secretariat	Economic Security Division
Number of meetings convened in FY2023	3

Compliance

Risk Management

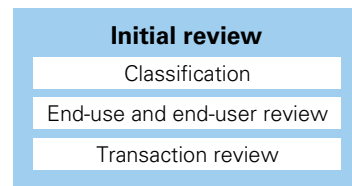
Security Trade Control Review

The IHI Group conducts reviews as part of a three-line defense system for security trade control. After its transaction division conducts an initial review of every transaction, each division and business area conduct its own secondary review for validity and legality. Concerning highly sensitive cases or ones which require approval from the Ministry of Economy, Trade and Industry, a third review is conducted by the representative director. The Group has put into place a system that properly and thoroughly reviews all necessary cases depending on the details of the transaction.

Security Trade Control Review System

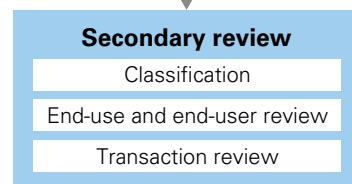
First defense line

(Transaction division)



Second defense line

(Divisions and business areas)

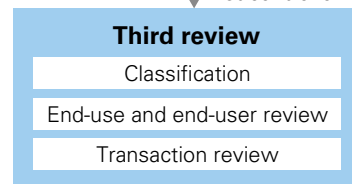


Not applicable to list control
(Catch-all control cases)
Non-concerns

Approval

Third defense line

(Chairperson and review board)



Transaction approval
(Including instances where export is permitted after obtaining necessary licenses)

Approval

Note: Carrying out additional necessary procedures such as applying for government licenses

Transaction denial

Initiatives

The IHI Group provides security trade control education for its employees at each specific level. Furthermore, the Group promotes STC Expert/STC Legal Expert certification acquisition, sponsored through an external organization.

Security trade control requires comprehensive and precise understanding of complex laws and regulations. The Group strives to ensure correct understanding of these laws and regulations by each employee as well as proper management.