

(Translation)

IHI Group Procurement Policy

The IHI Group conducts procurement activities in accordance with the “Basic Code of Conduct for the IHI Group” as set forth below.

Article 1. Fair and Impartial Procurement

We provide business opportunities in an open manner to business partners from around the world, and welcome working with creative and competitive business partners. We also evaluate and select business partners in a comprehensive and fair manner based on factors such as quality, price, delivery schedule, technology development capabilities and financial conditions.

Article 2. Mutually Beneficial Partnership with our Business Partners

We regard our business partners as value creators, and through seeking to realize optimal levels for quality, price and delivery, together with procurement reliability, we aim to establish relationships of trust with our business partners and bring about the mutual enhancement of competitiveness and prosperity with them.

Article 3. Approach to Compliance and Social Responsibility

We comply with the related laws that govern our local and global businesses. To fulfill our social responsibility, we shall conduct CSR procurement with due consideration not only of basic requirements such as quality, price and delivery, but also of human rights, labor conditions, occupational safety and health, the environment, and information management.

To Our Business Partners

We, as the IHI Group, work hard on CSR procurement in our business activities, undertaking our social responsibilities in collaboration with our business partners. Our mission is to fully pay attention to due consideration not only for basic requirements such as quality, price and delivery commitments, but for human rights and labor, health and safety, environment, and information security. With our intent above in mind, we ask for your kind cooperation to drive your own proactive CSR activities in line with the attached “IHI Group Code of Conduct for Business Partners”.

We highly appreciate your understanding that we could confirm progress on your own CSR activities.

**IHI Group
Code of Conduct
for
Business Partners**

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Introduction

We, as the IHI Group, proactively undertake CSR procurement activities to uphold the philosophy of the “IHI Group Procurement Policy”, and has set this Code as a manifestation of the philosophy. We ask you kindly to respect this Code and to further promote CSR activities in line with this Code.

For your better understanding, please kindly note that we differentiate our intent in this Code as below:

Duty: In case “must” is used, full compliance is required. Used in such fields as in laws, regulations, contracts, and human rights.

Request: In case “should” is used, we ask for a proactive approach. Used for matters where CSR activities are desired and/or an international consensus has been established.

Expectation: In case “expected to” is used, we ask for your cooperation. Used for important matters to establish a sustainable supply chain.

Just to clarify, the word “worker” used in this Code refers to all persons (including foreign nationals and migrant workers such as students and technical intern trainees) who are engaged in work as regular employees, temporary employees, contract employees, dispatched employees, part-time workers, interns, or workers employed in any other type or form of employment.

1. Compliance with Laws and Regulations and Respect for International Norms

Please comply with the laws and regulations of the country or region in which you operate and respect international norms.

1.1. Compliance with Laws and Regulations [Clarification]

and Respect for International Norms

- Business partners must comply with the laws and regulations that apply in the country or region in which they operate.
 - In addition to compliance with laws and regulations, business partners should respect international norms.
- Applicable laws and regulations include, for example, laws concerning corporations, competition, subcontracting, trade, personal information protection, intellectual property, and the environment, in each country and region.
 - International norms include, for example, the United Nations (UN)'s International Bill of Human Rights, the Guiding Principles on Business and Human Rights, and the Sustainable Development Goals (SDGs), the Organisation for Economic Co-operation and Development (OECD)'s Guidelines for Multinational Enterprises, and the International Labour Organization (ILO)'s Declaration on Fundamental Principles and Rights at Work and MNE Declaration (Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy).
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2. Human Rights and Labor

Please respect the fundamental human rights of workers and provide an appropriate working environment.

2.1. Prohibition of Forced Labor

[Clarification]

- Business partners must not permit forced labor in any form, including bonded labor and human trafficking.
 - According to the ILO definition, forced labor is all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily. Penalties include confinement, the threat or use of violence, and restrictions on workers' freedom to leave the workplace. Threats include threats of harm to the victim's family, denunciation of illegal workers to authorities, and non-payment of wages to keep workers at work in the hope that wages will eventually be paid.
 - In the case of foreign nationals and migrant workers (including technical intern trainees) in particular, business partners must not take away their identification such as passports and work permits and must not make migrant workers pay expenses such as hiring and placement fees when they are hired.
 - All work must be performed voluntarily, and the right of workers to leave the jobs of their own free will must be respected.
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2.2. Prohibition of Child Labor

- Business partners must not allow children who are under the minimum age for employment to work.
- Furthermore, business partners must not allow young workers under the age of 18 to work at night or to work overtime, or to perform hazardous work that is likely to jeopardize their health or safety.

[Clarification]

- The minimum age for employment should be the higher of either the minimum working age defined in the ILO conventions or the minimum working age required by local laws and regulations.
- According to the ILO, hazardous work refers to work that may damage the health, safety, or morals of young workers (workers at or above the minimum working age but under the age of 18). For example, young workers must not engage in the following types of work:
 - Work underground in mines or at dangerous heights
 - Work using dangerous machinery, equipment, tools and so forth, or involving the transportation of heavy loads
 - Work involving hazardous substances, heat, noise, vibration, and so forth
 - Work that exposes them to physical, emotional, or sexual abuse

2.3. Prohibition of Inhumane Treatment

- Business partners must respect the human rights of workers and must not subject workers to inhumane treatment that constitutes or may constitute violence and harassment in the world of work.

[Clarification]

- According to the ILO, the term “violence and harassment in the world of work”:
 - refers to a range of unacceptable behaviors and practices, or threats thereof, that aim to cause physical, psychological, sexual, or economic harm (or that result in or are likely to result in physical, psychological, sexual or economic harm);
 - applies to a single or repeated occurrence of the above behaviors and practices, or threats; and
 - includes gender-based violence and harassment.

2.4. Prohibition of Discriminatory Practices [Clarification]

- Business partners must not engage in discrimination or harassment.
 - In addition to prohibition of discrimination, business partners are expected to create workplaces where individuals with diverse personalities and values can maximize their abilities.
- In this section, discrimination means to treat a person, based on their specific grounds, in a manner that differs from normal treatment.
 - Specific grounds refer to matters of thought or belief, such as religious and political opinions, matters for which personal choice should be respected, such as employment status, educational background, pregnancy, childcare, and military service, and innate attributes that an individual cannot choose, such as their race, skin color, sex, ethnicity, and social background.
 - For example, business partners must not discriminate on matters relating to wages, promotions, remuneration, training, hiring, or employment practices.
 - Equal treatment should be the general rule in the normal course of treatment. However, distinctions, exclusions, and preferences based on the specific requirements for a particular job must not be considered as discrimination. For example, according to the ILO, the distinctions listed below are considered acceptable or legitimate.
 - Distinctions based on skills or efforts
 - Disparities in remuneration that reflect differences in years of education and hours worked
 - Compliance with policies aimed at remedying historical discrimination
 - Special protection or assistance measures required by laws and regulations, including those related to health and maternity
 - Special measures to protect the principle of equal treatment and to address any differences
 - Please refer to the description in Section 2.3. for the definition of harassment.
 - Business partners should consider requests
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from workers regarding religious practices to the extent appropriate.

- The IHI Group actively promotes diversity. Business partners are also expected to undertake similar efforts.

2.5. Appropriate Management of Working Hours [Clarification]

Hours

- Business partners must not allow workers to work beyond the limits required by laws and regulations.
- Business partners should appropriately manage workers' working hours and days off, taking international standards into consideration.
- Business partners must properly manage working hours and provide days off and rest periods in accordance with laws and regulations.
- Business partners are expected to set working conditions and rules in place taking workers' work-life balance into consideration with the appropriate management of working hours, so that workers can balance their working and private lives.
- The Code of Conduct of the Responsible Business Alliance (RBA), renowned as an international standard, stipulates that weekly working hours must not exceed 60 hours, including overtime, except in an emergency or unusual situation.

2.6. Appropriate Wages and Allowances [Clarification]

- Business partners must comply with all applicable laws and regulations concerning remuneration paid to workers.
- Business partners should pay wages at a level that allows workers to cover their basic needs (a living wage).
- Business partners must appropriately pay wages at or above the minimum wage and remuneration for overtime in accordance with laws and regulations and must not make unreasonable deductions from wages.
- A living wage is separate from the statutory minimum wage and is a voluntary initiative by companies and other entities that calculate the wage necessary to maintain a minimum living standard.

2.7. Freedom of Association and Right to Collective Bargaining

- Business partners must respect the rights of workers, such as the freedom to form and join unions and the right to collective bargaining, in compliance with laws and regulations.
- The rights of workers who do not participate in such activities must also be respected.

[Clarification]

- Where local laws and regulations restrict the freedom of association or the right to collective bargaining, business partners must respect the rights of workers to the extent permitted by laws and regulations.
- Even when there is no trade union, employers should engage in dialogue with workers' representatives.

3. Health and Safety

Please establish a working environment that prevents occupational injury and secure the health and safety of workers.

3.1. Safe Workplaces

- Business partners must ensure safety by identifying and assessing operational safety risks as well as adopting proper design, engineering, and administrative control measures, in compliance with laws and regulations.
- In addition to the minimum necessary efforts to ensure a safe workplace, business partners should endeavor to continuously improve labor and safety standards.

[Clarification]

- Operational safety risks refer to the combination of the frequency and severity of accidents, health problems or other problems caused by electricity, gas, other energy sources, fire, vehicles, or falling objects, and so forth.
- Proper design, engineering, and administrative control measures refer to the elimination or mitigation of risk through the following phased controls.
 - (1) Elimination of risk factors or replacement with safe materials and/or methods
 - (2) Engineering controls
 - (3) Work practice controls
 - (4) Provision of personal protective equipment
- Reasonable consideration in terms of health and safety should also be given to pregnant women and nursing mothers.

3.2. Emergency Preparedness

[Clarification]

- Business partners should identify disasters and accidents that will harm human life and physical safety, including their likelihood of occurrence, so that appropriate measures can be taken, in compliance with laws and regulations.
- Business partners should prepare procedures in case of emergency to minimize harm to workers and assets, install the necessary facilities or the like, and conduct training and drills so that the required action can be taken in an emergency.
- In the event of an emergency, business partners should endeavor to ensure the safety of all visitors, board members, and workers.

3.3. Occupational Injury and Illness

[Clarification]

- Business partners should identify, assess, record, and report the state of occupational injury and illness, and implement appropriate countermeasures and corrective actions, in compliance with laws and regulations.
- Examples of appropriate countermeasures include investigating the causes of occupational injury and implementing measures to prevent recurrence.

3.4. Industrial Hygiene

[Clarification]

- Business partners should identify, assess, and appropriately control the risk of workers being exposed to hazardous biological, chemical, or physical agents in the workplace, in compliance with laws and regulations.
 - Risks should be eliminated or mitigated gradually through proper design, engineering, and administrative controls. See Section 3.1 for details of phased controls.
 - In the case that these measures are not able to sufficiently mitigate risks, business partners should provide workers with appropriate personal protective equipment that has been properly maintained and managed.
 - As with section 3.1, reasonable consideration in terms of health and safety should also be given to pregnant women and nursing mothers.
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<p>3.5. Consideration for Physically Demanding Work</p> <ul style="list-style-type: none">• Business partners should identify and assess physically demanding work and appropriately manage such work, in compliance with laws and regulations, so that it does not lead to occupational injury and illness.	<p>[Clarification]</p> <ul style="list-style-type: none">• Examples of appropriate management include providing a working environment based on ergonomics, improving work sequence, providing regular intervals between each work , education and training, and supportive tools, as well as cooperating and sharing work with other workers.
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<p>3.6. Safety Measures for Plant Equipment</p> <ul style="list-style-type: none">• In compliance with laws and regulations and their internal rules, business partners should evaluate safety risk on plant equipment regularly used by workers to take appropriate safety measures against each risk.	<p>[Clarification]</p> <p>Examples of appropriate safety measures include the use of safety mechanisms (such as fail-safe, foolproof, and interlocks), lockout/tagout, installation of safety devices, or protective walls or the like, and periodical inspections and maintenance against plant equipment.</p>
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<p>3.7. Health and Safety at Facilities</p> <ul style="list-style-type: none">• Business partners should adequately ensure health and safety at dormitories, cafeterias, restrooms, and other facilities provided to workers, in compliance with laws and regulations.	<p>[Clarification]</p> <ul style="list-style-type: none">• Examples of ensuring adequate health and safety include appropriately cleaned and regularly checked facilities, preparation of clean water or food (in case meals are provided), and provision of clean restrooms and dormitories sufficient in size and number.
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<p>3.8. Health and Safety Communication</p> <ul style="list-style-type: none">• Business partners should provide appropriate health and safety information and education and training about various kinds of work-related hazards workers may be exposed to, in compliance with laws and regulations.• Regarding safety issues, business partners should establish a mechanism to collect opinions from workers, take indispensable countermeasures, and notify workers of the results. in compliance with laws and regulations.	<p>[Clarification]</p> <ul style="list-style-type: none">• In a language workers can understand, business partners should clearly post information about health and safety in workplaces and facilities or display them in places where workers can easily locate and access.• Education and training should be regularly provided to in such a case of hiring and job description change.

3.9. Worker Health Management

[Clarification]

- Business partners should provide appropriate health management to all workers, in compliance with laws and regulations.
- Appropriate health management refers to conducting health checks at least fulfilling the standard of applicable laws and regulations for the prevention and early detection of workers' illness.

4. Environment

Please comply with regulations relating to the environment, be aware of social trends and social demands, and actively engage in activities that reduce adverse environmental impact.

4.1. Climate Change Countermeasures

[Clarification]

- Business partners are expected to set emission reduction targets for CO₂ and other greenhouse gases.
- Business partners are expected to establish a system to figure out the amount of emissions of CO₂ and other greenhouse gases.
- Business partners are expected to practice energy saving activities through efficient use of energy, and to undertake efforts by using energy with a lower environmental burden both in-house and in their supply chains.
- The IHI Group is endeavoring to reduce CO₂ emissions in such fields as its plants and offices, its supply chains, in line with the Japanese government's policy of aiming for carbon neutrality by 2050. Business partners are also expected to undertake similar activities.

4.2. Proper Management of Water Resources

[Clarification]

- Business partners are expected to identify the intake sources and places for discharging water, and to minimize the impact of water use on intake and discharge.
- Business partners are expected to conserve and reuse water resources.
- Business partners are expected to monitor the volume of water intake and discharge.
- According to laws and regulations, business partners must monitor and control quality of discharged water.
- Business partners are expected to prevent environmental pollution by monitoring water use and discharged water.
- Business partners are expected to monitor and control quality of discharged water even where there are no requirements by laws and regulations.

4.3. Proper Management of Chemical Substances

- Business partners must work to prevent air and soil pollution in accordance with laws and regulations.
- Business partners must strictly control chemical substances from receipt to disposal, in accordance with laws and regulations.
- Business partners must not use prohibited substances regulated by laws and regulations.
- Where laws or regulations require, business partners must control specified chemical substances contained in products.

4.4. Proper Management of Waste

- Business partners must properly handle waste, including hazardous waste such as asbestos or polychlorinated biphenyl (PCB), in accordance with laws and regulations.
- Business partners are expected to monitor the volume of waste generated.
- Where laws or regulations require, business partners must confirm the terms and conditions of the agreements with contractors about collection, transportation, and disposal of waste.
- Business partners are expected to promote reducing, reusing, recycling (3Rs) instead of waste disposal.

4.5. Biodiversity Conservation

- Business partners are expected to work on biodiversity conservation.

[Clarification]

- Business partners are expected to consider natural surroundings and preservation of wild animals and plants in the place where their business is operated.
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5. Fair Business and Ethics

Please comply with laws and regulations, act ethically, and conduct business fairly and impartially.

5.1. Prevention of Corruption and [Clarification]

Accepting Improper Benefit

- Business partners must not directly or indirectly provide or receive anything of value, or promise or propose to do so, in order to obtain improper benefit.
 - Business partners must not engage in excessive gift-giving or entertainment, or bribery of any kind.
- Excessive gift-giving and entertainment refers to gifts and entertainment that are unjustly expensive or frequent beyond the scope of accepted social courtesy.
 - Business partners must not bribe public officials, irrespective of local laws or regulations.
 - Business partners should not unjustly or unreasonably bear costs or donate, including facilitation payments, irrespective of whether they are to public officials, in compliance with laws and regulations.

5.2. Information Disclosure [Clarification]

- Business partners are expected to disclose information that should be communicated to the public, such as management policies, the management condition, and risk information, in compliance with laws and regulations.
- Business partners must appropriately disclose information as required by local laws and regulations.
 - Business partners are expected to disclose information such as management policies, management condition, and risk information, including Environmental, Social, and Governance (ESG) information even where there are no requirements in laws and regulations.

5.3. Respect for Intellectual Property [Clarification]

- Business partners should protect their intellectual property and respect the intellectual property rights of others, in compliance with laws and regulations.
- Intellectual property rights are rights required by laws or regulations, and include patent rights, utility model rights, design rights, trademark rights, and copyrights. Intellectual property includes trade secrets and technical know-hows, in addition to intellectual property rights.

5.4. Conduct of Fair Business

- Business partners must comply with laws and regulations concerning fair competition and trade.
- Business partners must eliminate all relationships with anti-social forces.

[Clarification]

- Business partners must comply with laws and regulations concerning fair trade, including competition laws, and must not engage in illegal acts such as cartels, bid-rigging, and other agreements to restrict competition, unfair trade practices, and misleading representations.
- Representations in catalogs or other materials and advertising for products and services must not express untruths or mislead consumers and customers, and must exclude content that slanders or infringes the rights of other companies or individuals.
- Business partners must not make false reports, responses, or falsify documents.
- Anti-social forces refer to groups or individuals who make unjust demands using violence, force, and threatening, fraudulent, or other means to pursue economic gain, as well as terrorists.

5.5. Whistleblower Protection

- Business partners must ensure confidentiality of the whistleblower's report and their anonymity in case they wish to remain anonymous, and must protect them from being treated unfairly because of their report.

6. Quality, Safety, and Stable Supply of Products

Please establish production and crisis management system which enables to stably secure and supply products and services meeting quality and safety standards.

6.1. Product Safety

- Business partners must design, manufacture, and sell products meeting safety standards required by laws and regulations for sufficient product safety.

[Clarification]

- Business partners are expected to ensure product safety through the management of traceability between materials, parts, and processes.

6.2. Quality Control	[Clarification]
<ul style="list-style-type: none">• Business partners must comply with all applicable laws and regulations concerning the quality of products and services, and satisfy the quality requirements of the IHI Group.	<ul style="list-style-type: none">• The IHI Group has issued the "IHI Group Quality Declaration" to strengthen our quality assurance system and quality management, including our supply chain. Business partners are also expected to undertake similar activities.
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6.3. Stable Supply	[Clarification]
<ul style="list-style-type: none">• Business partners are expected to establish a system that can stably secure and supply products or services.	<ul style="list-style-type: none">• Business partners are expected to regularly monitor the workload of their manufacturing equipment and workers, and take appropriate countermeasures when it is likely to exceed their capacity.• Business partners are expected to regularly check the workload in their suppliers' manufacturing equipment and workers, and establish a multiple source policy to prepare for any contingency.• Even in case of emergency caused by natural disaster, pandemic, or the like, business partners are expected to establish a system to maintain stable supply.
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6.4. Liability over Product Accidents and Nonconformities	[Clarification]
<ul style="list-style-type: none">• In the case of a product accident or upon obtaining information involving product safety, business partners must promptly conduct an investigation, disclose information, and take appropriate measures, including contacting and reporting to regulatory authorities.• In the case that a product or service shipped to the IHI Group does not meet the quality standards or regulations of the shipping business partner, or the IHI Group's quality requirements, the business partner must promptly report to the IHI Group, conduct investigation, and take appropriate countermeasures.	<ul style="list-style-type: none">• A product accident refers to a situation in which an accident caused by a product defect results in or may result in loss of life or physical injury.

7. Information Security

Please work on the proper management of information and on maintaining and improving information security in order to ensure the protection of confidential business information, corporate management information, technical information, and other information.

7.1. Defense against Cyber Attacks

[Clarification]

- Business partners should implement protective measures against threats such as cyberattacks and conduct management to prevent damage to themselves and others, in compliance with laws and regulations.
- Business partners should strive to prevent trouble caused by cyberattacks, such as information leaks or falsification and system breakdown.
- Business partners are expected to establish a plan for prompt recovery from cyberattack.

7.2. Protection of Personal Information

- Business partners must properly manage and protect all personal information of their customers, suppliers, consumers, workers, and so forth, in compliance with laws and regulations.

7.3. Protection of Confidential Information

[Clarification]

- Business partners must properly manage and protect the confidential information of their customers, suppliers, and so forth to prevent anyone from illegally and improperly acquiring, using, disclosing, and leaking information.
- Business partners must also properly manage and protect their confidential information without leak.
- In the case that confidential information disclosed or provided by the IHI Group is leaked, or that the possibility of leakage cannot be ruled out, business partners must inform the IHI Group immediately.
- Confidential information refers to technical data and technical information such as specifications, data, drawings, products, prototypes, and samples and business information that fall under any of the following categories.
 - (1) Documents and items that are explicitly prohibited from being disclosed without the consent of the information provider.
 - (2) Information disclosed by means of network communications such as e-mail or media namely electromagnetic, optical or other storage media, which is explicitly prohibited from being disclosed without the consent of the information provider when the information is displayed or printed.
 - (3) Transcripts, copies, and reproductions of all or part of these.

8. Competitive Edge

Please share assignments and targets with the IHI Group, and provide information, suggestions, and so forth, to hone competitiveness.

8.1. Enhancement of Competitiveness

- Business partners are expected to share assignments and targets with the IHI Group and proactively propose cost reduction ideas by providing optimized materials, technology and manufacturing method or conducting Value Engineering activities or the like.

[Clarification]

- In the “IHI Group Procurement Policy”, the IHI Group positions its business partners as value creators, building mutual credibility, enhancing mutual competitive edge, and pursuing mutual prosperity.
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9. Proactive Approach for Social Issues

Please implement initiatives to confront social issues both locally and globally in order to contribute to the realization of a sustainable society.

9.1. Contribution to Local Communities

- Business partners are expected to value communication with local people to develop local communities and to tackle social issues in each community.
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9.2. Reasonable Effort for Global Social Issues

- Business partners are expected to devote reasonable effort to global-scale social issues such as climate change or human rights issues through their business activities.
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10. Establishment of Management System

To comply with the requirements in this Code, please establish an internal management system and share the intent described in this Code with your suppliers.

10.1. Establishment of Management System

[Clarification]

- Business partners are expected to establish management systems in order to continuously comply with the requirements in this Code.
- ISO certifications in environment, quality control, or other areas are well known as a basis of management systems. Irrespective of whether such certifications have been obtained, business partners are expected to establish a sustainable management system implementing PDCA (Plan-Do-Check-Act) cycle for each requirement of this Code.

10.2. Communication with Your Supply Chain

[Clarification]

- Business partners are expected to communicate the requirements in this Code or their equivalent policy to their suppliers.
- Business partners are expected to monitor activities of their supply chain based on this Code or their equivalent policy and to promote further improvement.

10.3. Procurement Responsibility over Mineral Resources

[Clarification]

- Business partners must promote initiatives to prevent the use of materials, parts, and products including minerals that may contribute to serious human rights abuses and environmental destruction in conflict areas and so forth.
- Business partners must not directly or indirectly procure minerals armed groups utilize as a funding source for their fight, such as gold, tin, tantalum, and tungsten unearthed from conflict or high-risk areas such as the Democratic Republic of the Congo and its adjacent countries, or any other minerals including rare metals that may cause serious human rights abuses or environmental destruction during mining, refining, or other processes.

10.4. Proper Import and Export Controls

[Clarification]

- Concerning import and export control for technology and cargo, business partners must develop a clear management system and follow procedures specified in applicable laws and regulations.
- Business partners must understand and comply with relevant laws and regulations about imports and exports, including rules of trade controls for national security.

10.5. Grievance Mechanism

[Clarification]

- Business partners are expected to operate their own grievance mechanisms or use grievance mechanisms operated by others.
 - When operating or using grievance mechanisms, business partners are expected to notify their workers, workers at their business partners, local residents, and so forth, and to sincerely respond to complaints.
- The grievance mechanism refers to a structure to encourage remedy against disputable issues that might not comply with this Code, handling complaints from all the rights holders and stakeholders including internal workers, workers in your supply chains, local residents and so forth.
 - Business partners must protect whistleblowers as described in section 5.5.

10.6. Progress Report

[Clarification]

- Business partners are expected to report their progress relating to this Code.
- Business partners are expected to disclose their progress about this Code through their websites, CSR reports, and so forth.
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