

# Corporate Governance

## Basic Policy and Framework for Corporate Governance

Considering compliance to be of topmost importance, MMC aims to meet the expectations of shareholders, customers and all other stakeholders and achieve sustainable growth and increases in corporate value by making the ongoing reinforcement and improvement of governance as a management priority.

## System of Corporate Governance

To increase the flexibility of business execution, clarify management responsibilities and appropriately oversee business execution, the Company has introduced a structure of various committees including the Executive Committee and an executive officer system, in addition to statutory organizations, with the intention of improving and strengthening corporate governance.

The Board of Directors makes decisions on important management issues and oversees business execution, and consists of eight directors, six of whom oversee business execution as Non-Executive Directors with considerable experience and a high level of insight. To increase the speed of decision-making, the Company has also established and operates a structure of various committees that deliberate or report on important management issues.

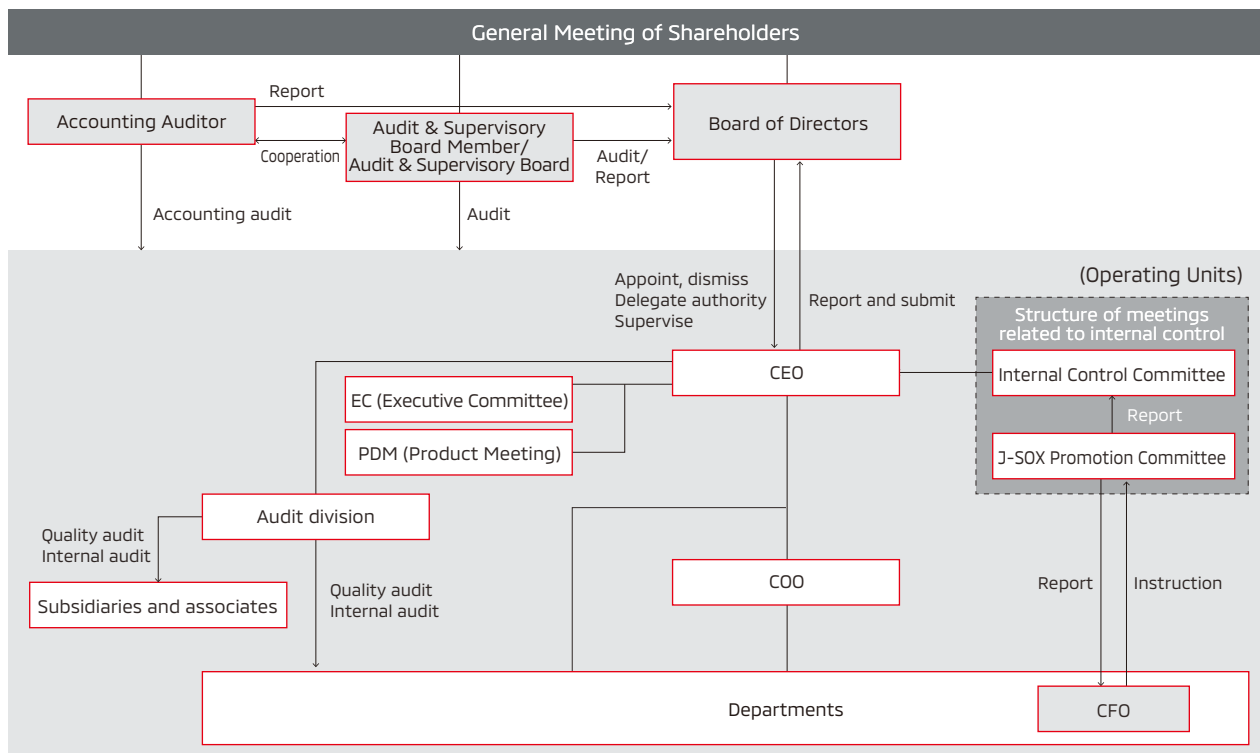
In addition, in order to separate management oversight and business execution functions to promptly and flexibly respond to changes in the business environment, the Company has introduced an executive officer system to expedite management decision-making by delegating authority and other measures.

Moreover, to conduct appropriate audits of business execution, the Company has established an Audit & Supervisory Board consisting of five members. Three of the Audit & Supervisory Board members are outside members, thus enabling the Company to establish a highly independent auditing system.

## Audit & Supervisory Board members' Audits and Internal Audits

The Audit & Supervisory Board members carry out audits of the status of business execution of the MMC Group by attending important MMC meetings, such as Board of Directors meetings, to receive reports on the status of business activities from the Board members, executive officers and other corporate officers, reviewing key internal documents, and receiving reports from the internal audit department, accounting auditors and subsidiaries and associates.

Corporate Governance Framework (As of April 1, 2018)



In accordance with auditing policies established by the Audit & Supervisory Board, important auditing items for each fiscal year, allocation of duties and other matters, the Audit & Supervisory Board members conduct interviews of the top executives of each internal division and hold visiting audits at each factory and subsidiaries and associates in Japan and overseas, and, based on the results, hold discussions at Audit & Supervisory Board meetings. In addition, Audit & Supervisory Board members regularly report to the Board of Directors and exchange opinions with the CEO and COO.

In addition, MMC has established the Internal Audit Dept. and the Quality Audit Dept. as Internal Audit departments within the Audit Div., an independent organization that reports directly to the CEO.

The Internal Audit Dept. conducts planned internal audits to determine whether operational management of MMC and subsidiaries and associates in Japan and overseas is being conducted with transparency using appropriate processes. The Quality Audit Dept. audits the appropriateness of quality-related activities by MMC and subsidiaries and associates in Japan and overseas. Audit results are reported directly to the CEO.

The Audit & Supervisory Board members regularly exchange information and works to strengthen cooperation with the Audit Div. and the Accounting Auditors.

## Internal Control System

### Development of Internal Control System

Based on the "Basic Policy on the Establishment of Internal Control Systems" as passed by the Board of Directors, the Company strives to improve and strengthen its monitoring of the status of operations and its internal control systems in the Internal Control Committee, with the CEO as chairman and the Global Risk Control Officer as vice chairman. In addition, in fiscal 2017 we formulated a new vision and mission that encompasses the entire Group, including subsidiaries, to establish basic concepts based on which all Group members act and ensure sustainable growth. We also established the MMC Way, outlining the standards of behavior for every employee to follow to make the vision and mission a reality. Underlying these standards, we formulated the Global Code of Conduct that every corporate officer and employee must respect. As we continue working to respond to changes in the internal and external environment, we will strive for ongoing improvements and enhancements in complying with laws and regulations and ensuring the appropriateness and efficiency of business execution, and endeavor to further bolster governance.

## Risk Management

### Development of Risk Management Framework

MMC has put in place and works to improve its risk management system for the entire Group through three types of risk management activities: priority risk management, departmental risk management and affiliated company risk management.

For priority risk management, we select risks that the entire MMC Group faces directly, that have a high potential impact and a high degree of urgency. For each risk, we assign "risk owners," who are at the executive officer level or above, to reduce these risks as quickly as possible.

In departmental risk management, we have appointed risk management officers to each division or plant. These officers work to reduce risks through repeated application of the PDCA cycle which involves identifying and evaluating each risk, devising and implementing countermeasures, and monitoring.

Affiliated company risk management includes initiatives for addressing various types of risks encountered by MMC's affiliated companies. The Company regularly confirms the status of activities, such as the reinforcement of compliance systems, and we propose and direct improvements, as necessary.

These risk management activities are regularly reported to the Board of Directors as key internal control measures.

In addition, to prepare for unforeseen contingencies MMC has developed emergency contact systems that enable the rapid communication of information to management and other key personnel, as well as a swift and accurate response. In particular, to create a crisis management system to respond when serious incidents occur, we have formulated an emergency response manual. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling us to put appropriate response systems in place.

MMC's basic policy in times of disaster—such as earthquakes or other natural disasters or an outbreak of an infectious disease—is to ensure the safety of customers, as well as employees and their families, and assist local communities. We are preparing disaster countermeasures and business continuity plans (BCPs) to this end.

We regularly conduct drills in communicating among various manufacturing facilities and Group companies on the basis of a simulated emergency situation.

As preparations against the possibility that employees will be unable to return to their homes for

a three-day period, the MMC headquarter is working with local municipal authorities to ensure means through which they can communicate with their families and cache emergency supplies.

We have formulated action plans that assume a large-scale earthquake or a major outbreak of an infectious disease. We work to improve these BCPs through regular drills with individual regions.

## Compliance

### Basic Approach

In their corporate activities, companies come into contact with a host of laws and public systems involving the environment, labor and consumer protection that they must comply with.

Mitsubishi Motors recognizes that failure to comply appropriately with these laws and systems could hinder its business sustainability and have a major impact on society and the global environment.

To fulfill its corporate social responsibility, the Company must respect laws and regulations, international rules and Company rules and pay utmost respect to changing social norms. For these reasons, we have formulated the new Global Code of Conduct, which outlines the rules that all corporate officers and employees

must respect. We are also focusing on enhancing the compliance system including key affiliated companies in Japan and overseas, and employee education.

We have drafted measures to prevent recurrence of the improper conduct in fuel economy testing that was discovered in April 2016, and are continuing our response.

### Promotion System

Taking a global perspective on internal control, we have in place systems to prevent compliance infractions, including information security incidents. Compliance officers under the supervision of the Global Risk Control Officer are appointed at each division, and the general manager of each department serves as the code leader. We also have a framework in place by which compliance officers are appointed at principal affiliated companies in Japan and overseas.

We also have a procedure by which any serious compliance concerns are ultimately reported to the Board of Directors through the code leaders and compliance officers. To instill among all employees the awareness that compliance is a top priority, compliance officers instruct responsible departments, as appropriate, on handling issues, taking corrective action and undertaking measures to prevent recurrence.

#### ■ Establishment of Internal and External Consultation Offices (Helplines)

Mitsubishi Motors has established internal and external consultation offices to prevent and promptly detect fraud or other improper conduct as well for use in self-correction. The internal employee consultation office offers counseling to employees of Mitsubishi Motors and affiliated companies in Japan, and the external consultation office works with outside attorneys. In addition to a Business Partner Helpline, in fiscal 2018 we established a new Mitsubishi Motors Global Whistleblowing Office for use by employees of Mitsubishi Motors and key affiliated companies in Japan and overseas.

#### ■ Education and Training

Every fiscal year we formulate compliance-related education and training programs and provide them for each job rank. Each division also draws up and conducts its own measures under the direction of the compliance officer.

#### ■ Anti-Corruption

The Company has formulated the Global Code of Conduct, which states that we shall "comply with all applicable laws and regulations" and "maintain impartial and fair relationships with public servants as well as business partners" In addition, we have created and operate a framework to prevent corrupt practices.

#### ■ Information Security

We have in place the Information Security Policy and internal rules, which we share with key affiliated companies in Japan and overseas. In addition, we have established an information security committee, and monitor information security activities in an effort to reduce security risks.

#### ■ Protection of Personal Information

Based on its Privacy Policy, Mitsubishi Motors has in place a management framework to establish internal rules regarding protection of personal information. In addition, we conduct ongoing employee education via e-learning. Furthermore, we have established a team tasked with responding to personal information protection laws in countries around the world.

#### ■ Security Export Controls

From the perspective of maintaining international peace and security, the Company manages exports stringently to ensure against the proliferation of weapons of mass destruction and prevent the excessive accumulation of conventional weapons. We have formulated Security Export Control Regulations and set up the Security Export Control Committee under the CEO having ultimate authority and responsibility for overall security export control. With this control framework, we work to ensure the legality of our export transactions.