Corporate Governance

Basic Policy Regarding Corporate Governance

In addition to past quality issues, MMC recognizes as a serious issue the improper conduct with respect to MMC's vehicle fuel consumption testing, which came to light in April 2016. As such, MMC considers compliance to be of topmost importance and accordingly aims to meet the expectations of shareholders, customers and all other stakeholders, while achieving sustainable growth and increases in corporate value, by making the ongoing reinforcement and improvement of governance a management priority.

Overview of Corporate Governance System

As of June 21, 2019, MMC has transitioned to a company with three committees, as part of its efforts to enhance its corporate governance in order to achieve swift execution of business in quick response to environmental changes by clearly separating supervisory and execution functions and ensuring the soundness and transparency of management through further strengthening of supervision and implementation of more thorough risk management.

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. It is comprised of 15 Members, including 12 Outside Directors with con-

siderable experience, deep insight and so forth.

MMC has established the three legally required committees, the majority of the committees are Outside Directors, in the Board of Directors to develop the system that ensures the supervision of the Directors and Executive Officers by the Board of Directors and effective functioning of corporate governance. The Nomination Committee makes decisions on proposals for electing and dismissing Members of the Board, and engages in deliberations regarding matters such as standards for appointing and removing the Members of the Board, Executive Officers and Corporate Vice Presidents, appointing and removing the Executive Officer CEO, and the succession planning for the Executive Officer CEO. The Compensation Committee deliberates and makes decisions regarding policy with respect to determining compensation, etc. of Members of the Board and Executive Officers, and regarding details of compensation, etc. per individual. The Auditor Committee audits execution of duties performed by the Members of the Board and Executive Officers and prepares audit reports thereof, and implements internal investigation based on the decision of the Board of the Directors.

Executive Officers make decisions on the matters related to business operation and executes business, and the Executive Officer CEO to whom the Board of

Corporate Governance Framework (As of June 21, 2019)
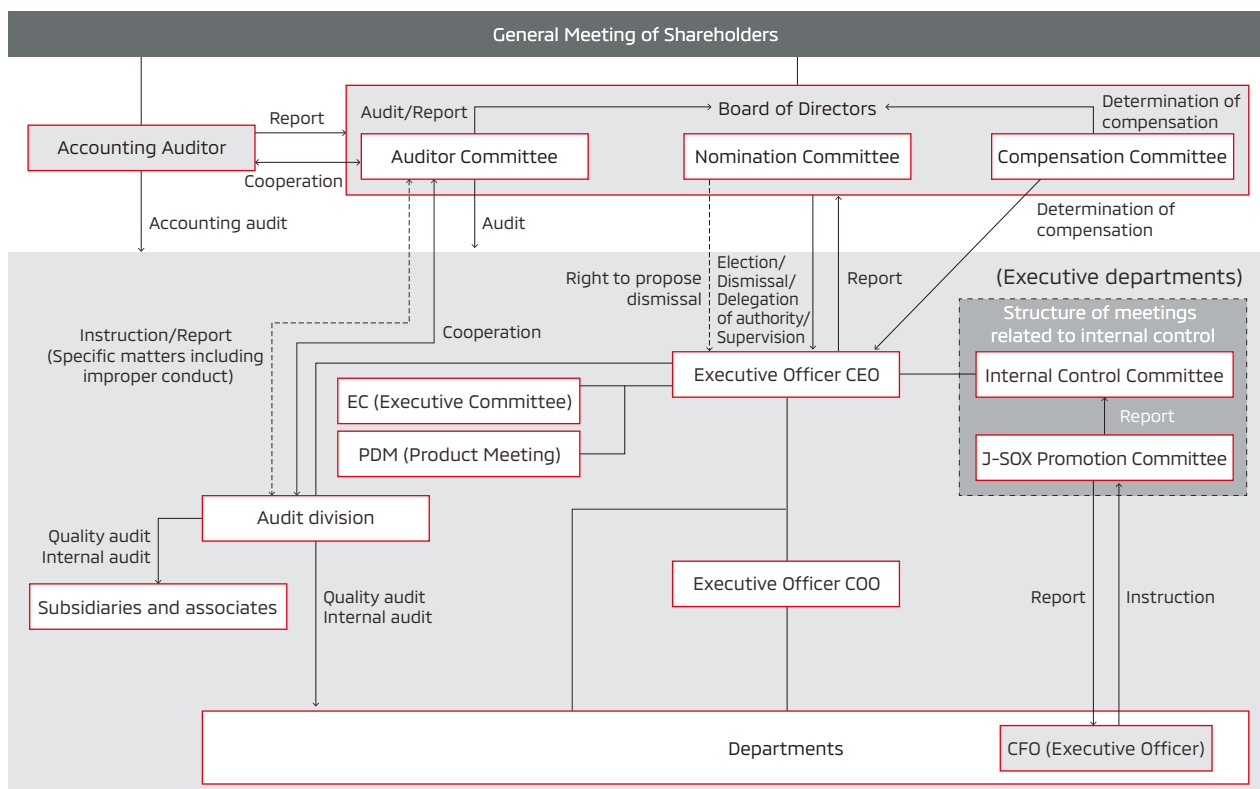
Directors delegated the authority of business execution shall be the responsible person for the business execution departments. The number of the Executive Officers is 12 as of June 21, 2019 (Including the Executive Officer CEO).

Corporate Vice Presidents supervise functions or business of MMC and conduct business execution in a certain range, with delegation of authority by the Board of Directors or the Executive Officer CEO. The number of the Corporate Vice Presidents is 15 as of June 21, 2019.

As for the decision-making process for business execution and various committees, MMC has specified the Executive Officer CEO as the major party delegated with authority of business execution by the Board of Directors, and has positioned the Executive Officer COO as the responsible person of MMC's comprehensive business operation in addition to the Executive Officer CEO, the responsible person for the business execution departments. MMC has delegated the decision-making authority of the Executive Officer CEO to other Executive Officers and Corporate Vice Presidents based on the "Delegation of Authority rules." These initiatives can contribute to enhancing the speed of business execution and the highly transparent decision-making process.

Internal Control Systems

Development of Internal Control Systems

MMC has set up a vision and missions as basic concepts so that the employees of the MMC Group look toward the future, share the same ideas and act as a unit. In addition, MMC has established MMC WAY, which represents the frame of mind and behavior that each one of employees must practice for missions to realize the vision, and moreover the Global Code of Conduct serving as the foundation for these provisions and the norms to be followed by all officers and employees.

Additionally, to develop a system to ensure appropriate business activities, MMC has resolved to adopt the Basic Policy on the Establishment of Internal Control Systems at the Board of Directors.

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 subsidiaries and associates risk management.

For priority risk management, MMC selects risks that the entire MMC Group faces directly, that have significant potential impact and a high degree of urgency. For each risk, MMC assigns "risk owners" and works as quickly as possible to reduce these risks.

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

Subsidiaries and associates risk management includes initiatives for addressing various types of risks encountered by MMC's subsidiaries and associates. MMC periodically confirms the status of activities such as improvement of business continuity plans (BCPs), and proposes and directs improvements, as necessary.

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

In addition, in order to prepare for unforeseen contingencies MMC operates emergency contact systems that enable the rapid communication of information to the senior management, as well as a swift and accurate response. In particular, in order to create a crisis management system to guide MMC's response when serious incidents occur, MMC has formulated an emergency response manual. This manual outlines the establishment of an emergency response organization and clarifies the chain of command, enabling MMC to put appropriate response systems into place.

MMC's basic policy in times of disaster, such as earthquake or other large-scale natural disaster or an outbreak of infectious disease, is to ensure the safety of customers and employees and their families, and to assist local communities. MMC prepares disaster countermeasures and business continuity plans (BCPs) to this end.

MMC conducts drills in communicating among individual plants and Group companies on the basis of a presumed emergency.

As preparations against the possibility that employees will be unable to return to their homes and will stay at the headquarters for a three-day period, MMC works with local municipal authorities in order to ensure means through which they can communicate with their families and keep emergency supplies.

MMC has formulated plans of operation that assume a large-scale earthquake or major outbreak of infectious disease. MMC works to improve these BCPs through drills in liaison with individual regions.

Compliance

Basic Approach and Policy

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.

Management 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. In addition, in the year ended March 31, 2019 we set up and began operating a global contact point for reporting internal problems as part of our efforts to prevent compliance infractions.

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.

In addition, we are checking our compliance system and account closing procedures in response to internal controls related to financial reporting. If control deficiencies are discovered at companies targeted for assessment, those companies are called on to report on the details of improvement measures. In the year ended March 31, 2019, we confirmed the status of 23 MMC Group companies (MMC, 10 subsidiaries and affiliates in Japan and 12 subsidiaries and affiliates overseas).

■ **Establishment of Internal and External Consultation Offices (Helplines)**
Mitsubishi Motors has established a contact point for reporting internal problems that employees of MMC and Group companies in Japan can use for notification and consultation to prevent and promptly detect fraud or other improper conduct as well for use in self-correction. In addition, we have set up the Mitsubishi Motors Global Whistleblowing Office, which is available for use by employees in Japan and overseas and works with outside attorneys. In the year ended March 31, 2019, the office fielded 221 notifications and consultations.

■ **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**
The Company has formulated and reviews internal regulations on information security. We are also enhancing our management of information assets and measures to counter cyber risk. The information security committee monitors 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 non-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.