

# GOVERNANCE

To build a better tomorrow, the Marubeni Group has identified Governance for Coexistence with Society as an essential category of Fundamental Materiality.

We will deepen our engagement with diverse stakeholders, enhance the effectiveness of the Board of Directors' oversight function, and bring greater transparency to our management in order to build a governance framework that allows for improved coexistence with society and works toward achieving sustainability.

## 1. CORPORATE GOVERNANCE

### 1-1. Corporate Governance

#### Basic Policy on Corporate Governance

The Company believes in responding to the expectations of its stakeholders—shareholders, customers, local community and employees—by increasing its corporate value to become a proud corporate group committed to social and economic development and safeguarding the global environment by conducting fair and upright corporate activities in accordance with the spirit of the Company Creed of “Fairness, Innovation, and Harmony.” To realize this, we have been making efforts to

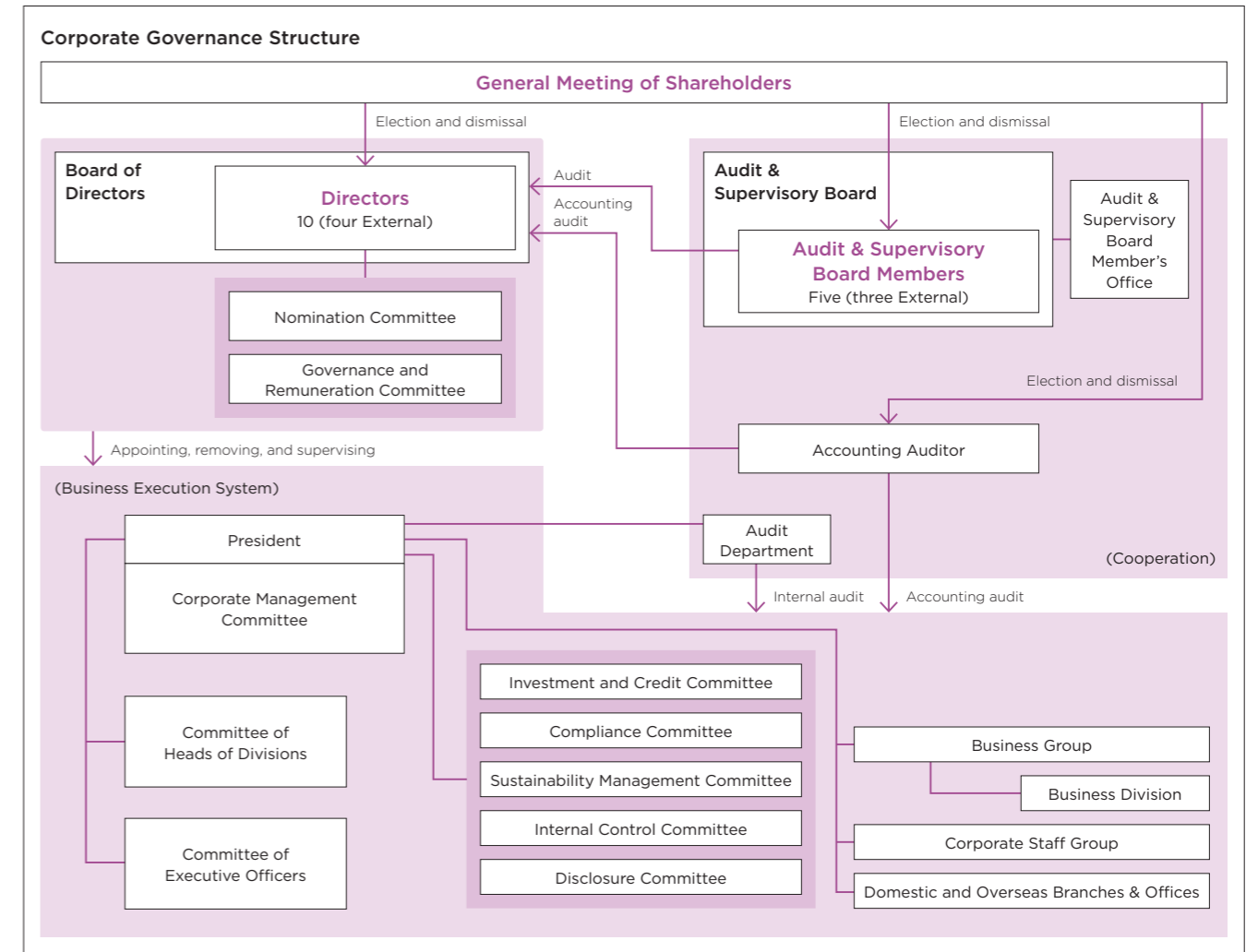
enhance corporate governance as the platform for ensuring soundness, transparency and efficiency of management. To coexist with society based on social expectations and demands, we will deepen our engagement with stakeholders, enhance the effectiveness of the Board of Directors' oversight function, and bring greater transparency to management in order to strengthen our governance system - in other words, to practice Governance for Coexistence with Society.

#### Framework

The Company conducts a diverse range of business globally. Accordingly, the Company has established a corporate audit governance model of a company with auditors in which the Board of Directors consisting of Internal Directors and External Directors has been established (to appoint External Directors and liaise with the Audit & Supervisory Board) in order to ensure rapid and efficient decision-making and appropriate supervisory functions in management. The Company has determined that this governance model is functioning effectively as set forth in items (a) and (b) below. Therefore, the Company will retain the current governance structure.

**(a) Ensuring rapid and efficient decision-making**  
The Company ensures rapid and efficient decision-making by appointing Directors who serve concurrently as Executive Officers and are well-versed in the Company's diverse business activities.

**(b) Ensuring appropriate supervisory functions**  
The Company ensures appropriate supervisory functions by implementing various measures, including appointing External Directors that account for a third or more of the members of the Board of Directors; establishing the Audit & Supervisory Board Member's Office; fostering collaboration among the Audit & Supervisory Board Members, the Audit Department and the Accounting Auditor; and carrying out advance briefings, on the same occasion, on matters referred to the Board of Directors for both External Directors and External Audit & Supervisory Board Members.



#### Board of Directors

The Board of Directors comprises 10 Directors (including four External Directors; nine males and one female. The percentage of female directors on the Board is 10.0%), and makes decisions regarding management policy and other important matters and supervises the execution of duties by Directors.

To clearly segregate management and execution, the Chairman of the Board without representative rights and the authority for business execution, in principle, chairs the Board of Directors meetings.

The term of Board of Directors is one year to clarify management responsibility and flexibly build optimum management structure in response to changing management environment.

For information on attendance at meetings of the Board of Directors, please see pages 6-13 of the Reference Materials for the General Meeting of Shareholders.

#### Audit & Supervisory Board

The Audit & Supervisory Board comprises five Audit & Supervisory Board Members (including three External Audit & Supervisory Board Members). The Company adopts a

corporate audit governance system and each Audit & Supervisory Board Member is responsible for overseeing Directors in the execution of their duties by attending important meetings, such as the Board of Directors meetings, and by monitoring business activities and financial conditions in accordance with the auditing policies and plans set by the Audit & Supervisory Board.

The Audit & Supervisory Board Members and the Accounting Auditor are striving to grasp the audit status of each other through measures such as exchanging information at monthly meetings. The Company's Accounting Auditor for FYE 3/2019 is Ernst & Young ShinNihon LLC. The Audit & Supervisory Board Members and the Audit Department, the department that performs internal audits, exchange opinions at monthly meetings and implement audit operations through close cooperation.

The President holds meetings with the Audit & Supervisory Board Members on a regular basis, reports on execution of duties and exchanges opinions. Other Directors, Group CEOs, COOs and Corporate Staff Group General Managers report their duty execution status to the Audit & Supervisory Board Members every year.

**Corporate Management Committee**

The Corporate Management Committee is an advisory committee for the President and consists of five Representative Directors including the President, two Senior Managing Executive Officers and three Managing Executive Officers. It deliberates important matters related to management.

**Committee of Heads of Divisions**

The members of the Committee of Heads of Divisions are the President, the representative directors, the Division COOs and Regional CEOs and COOs appointed by the President. They discuss matters pertaining to budgeting, account settlement and financial planning as well as other issues related to the execution of business.

**Committee of Executive Officers**

The Committee of Executive Officers consists of 34 Executive Officers (five of whom also serve as Director) and its purpose is to communicate management policies issued by the President and other information and discuss matters that affect business execution such as financial performance and results of internal audits.

**Nomination Committee**

The Nomination Committee is an advisory body to the Board of Directors and the majority of its members are External Directors/Audit & Supervisory Board Members. The Nomination Committee deliberates on nomination of candidates for the positions of Director, Audit & Supervisory Board Member and President, as well as succession plans formulated and implemented by the President (including necessary qualifications and conditions, successor candidate pool and career development plans), and reports to the Board of Directors.

- Committee's Members: one Internal Director, two External Directors, one External Audit & Supervisory Board Member
- Chairperson: External Director

**Governance and Remuneration Committee**

The Governance and Remuneration Committee is an advisory body to the Board of Directors and the majority of its members are External Directors/Audit & Supervisory Board Members. The Governance and Remuneration Committee deliberates on the policy for determining remuneration for Directors and Executive Officers as well as appropriateness of the level of remuneration, and reports to the Board of Directors. The committee also conducts evaluation and review concerning the overall Board of Directors, including its composition and operation, and reports to the Board of Directors.

- Committee's Members: two Internal Directors, two External Directors, two External Audit & Supervisory Board Members
- Chairperson: External Director

**Overview of Corporate Governance Systems**

Organization Form	Company with auditors
Chairperson of the Board	Chairman
Number of Directors	10 (including 4 External Directors*)
Number of Audit & Supervisory Board Members	5 (including 3 External Members of Audit & Supervisory Board*)

\* All External Directors and Audit & Supervisory Board Members are independent officers as defined by the Tokyo Stock Exchange.

Board of Directors	18 times
Audit & Supervisory Board	10 times
Corporate Management Committee	30 times
Committee of Heads of Divisions	3 times
Committee of Executive Officers	4 times

**Committees**

The Company has established various committees for strengthening corporate governance. Main committees and their roles are as follows:

Committee	Role	Chairman	Meeting Frequency
Investment and Credit Committee	Projects pending approval, such as investments, are discussed and approved by the Investment and Credit Committee prior to appearing on the Corporate Management Committee's agenda.	Managing Executive Officer, Member of the Board (Nobuhiro Yabe)	Held three times a month in principle
Compliance Committee	The Compliance Committee provides support and guidance with regard to practicing compliance and as such develops, maintains, and manages the Marubeni Group's compliance structure.	Senior Executive Vice President, Member of the Board (Yukihiko Matsumura)	Held four times a year and whenever else necessary
Sustainability Management Committee	The Sustainability Management Committee defines/redefines materiality inclusive of ESG (environmental, social and governance) considerations across all business domains and deals with sustainability-related matters, including ESG compliance.	Managing Executive Officer, Member of the Board (Nobuhiro Yabe)	Held once a year in principle and whenever else necessary
Internal Control Committee	The Internal Control Committee is responsible for developing and monitoring the enforcement of internal control policies based on the Companies Act as well as drafting revisions when necessary. It also establishes, operates, and verifies the effectiveness of internal control systems for financial reports in accordance with the Financial Instruments and Exchange Act, while also drafting internal control reports.	Senior Executive Vice President, Member of the Board (Yukihiko Matsumura)	Held when necessary
Disclosure Committee	The Disclosure Committee creates disclosure policies, ensures that internal systems concerning legally mandated and timely disclosure are in place, and decides the importance and appropriateness of the information targeted for legally mandated or timely disclosure.	Managing Executive Officer, Member of the Board (Nobuhiro Yabe)	Held when necessary

**Roles and Functions of External Directors and External Audit & Supervisory Board Members**

**Roles and Functions of External Directors**

External Directors offer opinions on business management drawn from their broad experience and high-level perspective, and give advice to better implement corporate governance.

External Directors attend the meetings of the Board of Directors and the Committee of Executive Officers, making active contributions from the perspective of internal control. Prior to meetings, External Directors are provided with agendas and fully briefed on management issues and project execution status. Two of the External Directors are members of the Governance and Remuneration Committee (one is the chairman) and two are members of the Nomination Committee (one is the chairman).

For reasons of appointment, please refer to Marubeni's website: [https://www.marubeni.com/en/company/governance/data/20181221cg\\_en.pdf#page=6](https://www.marubeni.com/en/company/governance/data/20181221cg_en.pdf#page=6)

External Audit & Supervisory Board Members attend meetings of the Audit & Supervisory Board and also the Board of Directors and Committee of Executive Officers. In addition, the External Audit & Supervisory Board Members meet with the President on a regular basis, as well as with members of the Audit Department, Corporate Accounting Department, and external auditors, for an exchange of opinions. They receive audit-related information from Full-time Audit & Supervisory Board Members, which they use in the execution of their auditing duties. Two of the External Audit & Supervisory Board Members are also members of the Governance and Remuneration Committee and one is a member of the Nomination Committee.

For reasons of appointment, please refer to Marubeni's website: [https://www.marubeni.com/en/company/governance/data/20181221cg\\_en.pdf#page=10](https://www.marubeni.com/en/company/governance/data/20181221cg_en.pdf#page=10)

**Roles and Functions of External Audit & Supervisory Board Members**

External Audit & Supervisory Board Members monitor the Directors' execution of duties and draw upon their wealth of professional expertise to offer various recommendations and advice to enhance the Audit & Supervisory Board.

**Executive Compensation**

Amounts of executive compensation, details of policies regarding calculation methods used to decide compensation, and methods for making compensation decisions are as follows.

Compensation for Directors and Audit & Supervisory Board Members is decided based on limits to the amount of total compensation for Directors and Audit & Supervisory Board

Members determined by the General Meeting of Shareholders. Compensation for Directors is decided through a process involving discussion and formulation of proposals by the Governance and Remuneration Committee, a body whose membership consists of a majority of External Directors and Audit & Supervisory Board Members, with the proposals then being approved by the Board of Directors. Compensation for individual Audit & Supervisory Board Members is decided through deliberation by the Audit & Supervisory Board Members.

Remuneration for Directors other than External Directors consists of basic compensation, which is a fixed amount corresponding to each Director's position, and variable compensation, which is linked to business performance in the previous business year. Instead of cash, 20% of the aggregation of basic compensation and variable compensation is granted as compensatory stock options, in order to share the benefits and risks of stock price fluctuations with shareholders and further boost motivation to improve the Company's stock price and corporate value. Compensation for Audit & Supervisory Board Members, all of whom are completely independent from business execution, consists entirely of basic compensation.

**Total remuneration and other payments for Directors and Audit & Supervisory Board Members in FYE 3/2018**

- Directors (other than External Directors): six; Total remuneration, etc.: ¥512 million
- Audit & Supervisory Board Members (other than External Audit & Supervisory Board Members): three; Total remuneration, etc.: ¥76 million
- External Directors/Audit & Supervisory Board Members: ten; Total remuneration, etc.: ¥84 million

Notes:

- 1) The amounts less than 1 million yen are rounded off.
- 2) The maximum annual amount of remuneration for Directors was set at ¥1,100 million (including ¥60 million for External Directors; by a resolution of the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016), the maximum monthly remuneration for Audit & Supervisory Board Members was set at ¥12 million (by a resolution of the 88th Ordinary General Meeting of Shareholders held on June 22, 2012) and the maximum annual amount of compensatory stock options for Directors (excluding External Directors) is ¥220 million (by a resolution of the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016).
- 3) The Company abolished the retirement remuneration plan at the close of the 83rd Ordinary General Meeting of Shareholders held on June 22, 2007, which also resolved on making a final payment of retirement remuneration. In accordance with the resolution, the Company decided to pay retirement remuneration to each Director who is eligible to receive the final payment either at the time of retirement as Director or at the time of retirement as Executive Officer, whichever is later, and to each Audit & Supervisory Board Member who is eligible to receive the final payment at the time of retirement as Audit & Supervisory Board Member. In FYE 3/2018, retirement remuneration was not paid to Directors/Audit & Supervisory Board Members who are eligible to receive a final payment in relation to the abolition of the Retirement Remuneration plan.

**Individuals to whom the total amount of compensation paid exceeded ¥100 million in FYE 3/2018**

- Teruo Asada (Director): ¥104 million (cash compensation of ¥83 million and compensatory stock options worth ¥21 million)
- Fumiya Kokubu (Director): ¥128 million (cash compensation of ¥103 million and compensatory stock options worth ¥25 million)

**Evaluation of Effectiveness of the Board of Directors**

The evaluation of effectiveness of the Board of Directors in FYE 3/2018 was conducted as described below:

**I. Framework and Method of Evaluation**

**1. Target**

- All Directors (10 people) and Audit & Supervisory Board Members (five people)  
(As of December 2017)

**2. Implementation Method**

- A questionnaire survey was conducted. (Anonymous responses.) The Company utilized an external specialized institution for its implementation.

**3. Evaluation Items**

- (1) Roles and responsibilities of the Board of Directors
- (2) Relationship between the Board of Directors and senior executives

- (3) Organizational design and composition of the Board of Directors and other bodies
- (4) Quality and expertise of Directors and of the Board of Directors
- (5) Deliberation by the Board of Directors
- (6) Relationship and dialogue with shareholders
- (7) Engagement with stakeholders other than shareholders

**4. Evaluation Process**

The Board of Directors deliberated in view of the results of the evaluation and review by the Governance and Remuneration Committee concerning the overall Board of Directors, including its composition and operation, based on the responses to the questionnaire.

**II. Overview of the Evaluation Results**

The Board of Directors deliberated in view of the results of the evaluation and review by the Governance and Remuneration

Committee and confirmed that, on the whole, the Board of Directors is being operated effectively. The Company will continue to work to maintain and improve the effectiveness of the Board of Directors, reflecting the results of the evaluation and review.

**Response to the Corporate Governance Code**

Marubeni issued the Corporate Governance Report and Marubeni's Corporate Governance Code Initiatives in response to the revised Corporate Governance Code announced by the Tokyo Stock Exchange on June 1, 2018.

Corporate Governance Report  
[https://www.marubeni.com/en/company/governance/data/20181221cg\\_en.pdf](https://www.marubeni.com/en/company/governance/data/20181221cg_en.pdf)

Marubeni's Corporate Governance Code Initiatives  
[https://www.marubeni.com/en/company/governance/data/20181221cgcord\\_en.pdf](https://www.marubeni.com/en/company/governance/data/20181221cgcord_en.pdf)

For further information on the corporate governance structure, please refer to Marubeni's website:  
<https://www.marubeni.com/en/company/governance/measure/structure/>

Marubeni will continue to enhance corporate governance in pursuit of improved medium-to-long-term corporate value.

**1-2. Internal Controls**

**Basic Internal Control Policy**

Marubeni seeks to steadily increase and maximize corporate value through business activities that are in accordance with its Company Creed<sup>\*1</sup> and Management Philosophy,<sup>\*2</sup> and to build a stable and sustainable group business foundation. To this end, the Company, in accordance with the Companies Act and its implementation guidelines, establishes the policy described below (hereinafter referred to as the "Basic Internal Control Policy") to ensure that all business activities of Marubeni and the business group (hereinafter referred to as the "Marubeni Group") made up of Marubeni and all Marubeni Group companies (Marubeni's consolidated subsidiaries and companies deemed as equivalent to subsidiaries; the same

shall apply hereinafter) are conducted appropriately. Marubeni regularly reviews the Basic Internal Control Policy in response to changes in social conditions so as to realize a system that is more appropriate and efficient.

- \*1. Company Creed  
Fairness—Act with fairness and integrity at all times.  
Innovation—Pursue creativity with enterprise and initiative.  
Harmony—Give and earn the respect of others through cooperation.
- \*2. Marubeni Management Philosophy  
In accordance with the spirit grounded in "Fairness, Innovation and Harmony," the Marubeni Group is proudly committed to social and economic development and safeguarding the global environment by conducting fair and upright corporate activities."

**1-2-1. System for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation**

**(1) Corporate Governance**

**i. Directors and Board of Directors**

The Board of Directors, in accordance with laws and regulations and the Articles of Incorporation, sets the important matters related to management and supervises the execution of duties by Directors. To clearly segregate execution and supervision, the Chairman of the Board without representative rights or authority for business execution, as a rule, chairs the Board of Directors meetings.

Directors execute business operations and report the situation of their duty execution to the Board of Directors once every three months or more often based on operations in charge decided by the Board of Directors in accordance with the laws, regulations and Articles of Incorporation. The term of office of Directors is one year to clarify management responsibility and flexibly build optimum management structure in response to changing business environment.

Marubeni appoints External Directors to ensure the effectiveness of corporate governance.

Marubeni adopts the executive officer system to improve efficiency of business execution, and a system where its Group CEOs participate in the Company's overall management and supervise overall operation of the respective business groups in charge by complying with the Company's management policy.

**ii. Audit & Supervisory Board Members and the Audit & Supervisory Board**

Audit & Supervisory Board Members audit execution of duties by the Directors in accordance with the Rules of the Audit & Supervisory Board and the Standards for Audit by the Audit & Supervisory Board Members by exercising their statutory authority in collaboration with the Audit Department and Accounting Auditor.

**(2) Compliance**

**i. Compliance system**

Marubeni sets forth a code of conduct common for the Marubeni Group such as the Marubeni Corporate Principles and Compliance Manual for its Directors and Executive Officers (hereinafter referred to as the “officers”) and employees to practice corporate activities in accordance with compliance. To achieve the goal, it establishes various committees including the Compliance Committee and takes various measures.

**ii. Internal whistleblowing system**

To provide for a situation in which a person learns of a questionable act from the perspective of compliance and the organizational reporting line does not function for some reason, Marubeni has established the following compliance reporting and consulting points for the entire Marubeni Group.

**(a) Marubeni Hotline (Compliance Committee line and external legal counsel line)**

The Compliance Access Point for general compliance matters for the Marubeni Group

**(b) Marubeni Anti-Corruption Hotline**

The Compliance Access Point for concerns relating to bribery and other serious crimes involving the Marubeni Group and its business partners

**iii. Blocking relationships with anti-social forces**

Marubeni will stand firm against anti-social activities and forces that are threats to social order and public security, and will never form or foster relationships with any organization that poses such threats.

**(3) Internal audit**

Marubeni has established the Audit Department directly under the President to study the appropriateness of duty execution by executing persons and compliance status and implements internal audits by the Audit Department and self-inspection of Marubeni company-wide under instructions from the Audit Department. The results of internal audits are reported to the Board of Directors on a regular basis.

**(4) Disciplinary actions**

When the execution of duties by an officer or employee results in violation of law or regulation, Marubeni shall seek judgement of the Governance and Remuneration Committee, an advisory committee to the Board of Directors with the majority of members being External Directors/Audit & Supervisory Board Members, in the case of an officer, and the Award and Disciplinary Committee in the case of an employee, and take strict actions in accordance with relevant regulations.

Marubeni implements management of qualitative risks including reputation risks and information security risks, which are difficult to quantify, through enhancement of compliance structure.

**(4) Emergency management**

In preparation for occurrence of serious issues such as a natural disaster, Marubeni formulates Business Continuity Plans. When a serious situation actually occurs, Marubeni establishes an emergency task force with the President as the head based on the said plan and makes decisions on and implements concrete measures to limit the damage and loss to a minimum.

**1-2-2. Systems to preserve and manage information related to the execution of duties by Directors**

**(1) Preservation and management of information and prevention of information leakage**

Based on the Regulation for Management of Information Assets, Marubeni sets forth the assets subject to storage, storage period and employees in charge of managing the information regarding information related to execution of duties by officers and employees to develop a system to store and manage information and prevent information leakage.

**(2) Browsing information**

The officers and Audit & Supervisory Board Members may browse such information assets at any time.

**1-2-3. Internal regulations for the risk management of losses and other related systems**

**(1) Principle of authority and duties**

Officers and employees with titles are given necessary authority for executing their duties based on resolutions of the Board of Directors and the Regulations of Authority and Duties and manage risks associated with execution of duties within the given scope and take responsibility for the results.

Board of Directors depending on laws and regulations, Articles of Incorporation and the importance of the project. The progress of important projects such as a new business is required to be reported on a regular basis to the Corporate Management Committee to strengthen individual risk management.

**(2) Approval system**

Individual projects such as important investment are deliberated by the Investment and Credit Committee, submitted to the Corporate Management Committee and approved by the President based on the Regulations of Job Authority Ringi Approval Procedure. They become subject to approval by the

**(3) Risk evaluation**

From the perspective of dispersing company-wide risks, Marubeni implements integrated risk management to grasp risks that can be quantified, such as credit and investment risks regarding countries and regions, industries, markets and customers.

**1-2-4. Systems necessary to ensure the efficient execution of duties by Directors**

**(1) Management policy, management strategy and management plan**

To ensure efficient execution of duties by Directors, Marubeni sets forth goals shared by all officers and employees at the Marubeni Group, such as management policy, management strategy and management plan and instill them, while establishing concrete targets that individual officers and employees should implement for achieving the goals.

**(3) Business Groups and Corporate Staff Group**

Marubeni has introduced the Business Group system and delegates authority to Group CEOs to enable a structure that facilitates swift decision-making regarding products they are in charge of in Japan and abroad. Further, the Corporate Staff Group manages, checks and supports the Business Groups in each specialized field to enable efficient execution of duties.

**(2) Corporate Management Committee**

To ensure efficient execution of duties, Marubeni establishes the Corporate Management Committee and deliberates on highest-order policy regarding management and important company-wide matters.

**(4) Clarification of authority, duties and responsibilities**

The Board of Directors decides Directors in charge and clearly stipulates each officer’s and employee’s roles, authority, responsibilities and rules for decision-making in various regulations.

**1-2-5. Systems necessary to ensure the appropriateness of operations by the Group**

**(1) Marubeni Group operation structure**

Marubeni shall stipulate necessary systems including a system for appropriate reporting to Marubeni regarding managers in charge of grasping business status of Marubeni Group companies, giving instructions and supervising, guidelines regarding the management system of Marubeni Group companies and execution of duties by Directors etc. of each Marubeni Group company, a system regarding appropriate management of risk of losses at Marubeni Group companies, a system for ensuring efficient execution of duties by Directors, etc. of Marubeni Group companies and a system for ensuring Marubeni Group companies’ compliance with laws and regulations in order to enhance internal control of the entire Marubeni Group, improve business performance and progress management.

**(3) Establishment of system for ensuring appropriateness of financial reporting and safeguarding of assets**

Marubeni Group shall develop, through activities, etc. of the Internal Control Committee, necessary systems for ensuring reliability and continuous monitoring of financial reporting such as consolidated financial statements as well as a system for ensuring appropriate acquisition, storage and disposal of assets held by Marubeni Group companies. It shall also establish the Disclosure Committee and develop the necessary system for information disclosure in an appropriate and timely manner.

Marubeni Group companies shall ask for advice from Marubeni regarding important management-related matters and report to Marubeni.

**(4) Audits**

The Audit Department carries out visiting audits at Marubeni Group companies and reports the result to the Board of Directors. The Audit & Supervisory Board Members and Accounting Auditor independently carry out audits or accounting audits at Marubeni Group companies.

**(2) Compliance**

The Compliance Committee and other committees shall support and give guidance regarding compliance activities by Marubeni Group companies. Marubeni Hotline and Marubeni Anti-Corruption Hotline shall be available for officers and employees of all Marubeni Group companies.

**1-2-6. Matters concerning employees assisting the duties of Audit & Supervisory Board Members, and matters concerning the independence of these employees from Directors**

**(1) The Audit & Supervisory Board Members attending important meetings**

Marubeni establishes the Audit & Supervisory Board Members' Office and appoints dedicated staff members to assist in the duties of the Audit & Supervisory Board Members.

**(2) Personnel affairs of the Audit & Supervisory Board Members' Office staff**

The Director in charge of human resources shall implement personnel affairs of the Audit & Supervisory Board Members' Office (personnel changes, evaluation, disciplinary actions, etc.) by hearing the opinions of the Audit & Supervisory Board Members in advance and upon receiving their consent.

**1-2-7. Systems for Directors and employees to report to Audit & Supervisory Board Members and other systems for reports to Audit & Supervisory Board Members**

**(1) The Audit & Supervisory Board Members attending important meetings**

The Audit & Supervisory Board Members shall attend Board of Directors meetings and receive reports from Directors on execution of duties and other important matters. They shall also attend the Corporate Management Committee and other important meetings.

their duty execution status to the Audit & Supervisory Board Members every year.

Marubeni develops a system for Directors, Audit & Supervisory Board Members and employees of Marubeni Group companies, or those who received a report from them, to report directly or indirectly to the Audit & Supervisory Board Members.

Notwithstanding the above, the Audit & Supervisory Board Members may seek reports from officers and employees whenever necessary.

Marubeni has in place a system to ensure that the person who makes a report to the Audit & Supervisory Board Members would not be treated unfairly at Marubeni or Marubeni Group companies because of the concerned report.

**(2) Reporting by officers and employees to the Audit & Supervisory Board Members**

The President holds meetings with the Audit & Supervisory Board Members on a regular basis, reports on execution of duties and exchanges opinions. Other Directors, Group CEOs, COOs and Corporate Staff Group General Managers report

**1-2-8. Other systems necessary to ensure effective audits by Audit & Supervisory Board Members**

**(1) Collaboration with the Audit Department, Accounting Auditor and Audit & Supervisory Board Members of Marubeni Group companies**

The Audit & Supervisory Board Members receive respective audit plans in advance from the Audit Department and Accounting Auditor, and hold regular meetings to exchange opinions regarding audit policy and audit result reports. The Audit & Supervisory Board Members cooperate with Audit & Supervisory Board Members of Marubeni Group companies through the Group Auditor Liaison Meeting and exchange information regarding the development of internal controls at each company and their operation.

**(2) Appointment of external experts**

The Audit & Supervisory Board independently has a contract with a corporate lawyer, and if the Audit & Supervisory Board Members deem it necessary, they can appoint external advisors such as lawyers and certified public accountants.

**(3) Audit-related expenses**

Marubeni shall allocate a budget and pay expenses arising from the execution of duties by the Audit & Supervisory Board Members, including the cost of appointing external experts described above in response to requests from the Audit & Supervisory Board Members, through a prescribed procedure.

**2. COMPLIANCE**

**Policy**

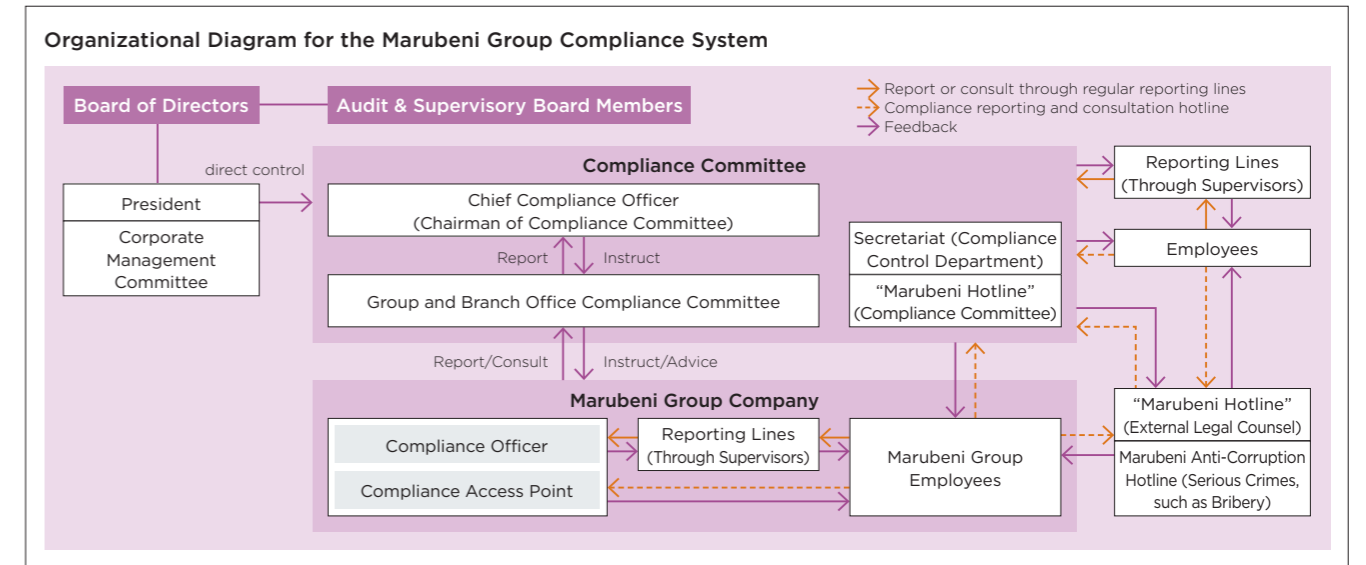
As it advances its global operations, Marubeni acts in accordance with the belief that compliance goes beyond merely following the letter of the law. In its truest sense, compliance means corporations—as good members of society—practicing high levels of ethics, living up to the expectations of stakeholders, and fulfilling their social responsibilities.

To achieve this type of compliance, Marubeni is reinforcing and regularly improving its compliance systems under the guidance of the Compliance Committee, which is overseen by the President and CEO. The Compliance Committee oversees the Marubeni Group Compliance Manual and regularly reviews its effectiveness and validity in light of changes in laws, regulations, and society.

**Framework**

Each company within the Marubeni Group has been developing its own compliance system customized to its own business activities. Overseas offices and subsidiaries have also been creating compliance systems customized to suit the laws,

regulations, and business practices of their respective countries. Overseas offices and subsidiaries formulate their compliance action plans and review their plans.



## Initiatives

### Stringent Application of Compliance Manual

Part of the Marubeni Group's Company Creed is "Fairness." This symbolizes our pledge to always conduct ourselves in a fair and upright manner. We have defined Marubeni's stance on compliance as: "When you are faced with a choice between integrity and profit, choose integrity without hesitation." Based on this stance, Marubeni has compiled the Marubeni Group Compliance Manual, which specifies the standards of behavior that Group officers and employees are expected to follow in all their daily work activities. Every year, the Company's executives and employees, as well as the presidents of all domestic Marubeni Group companies, make a written statement to adhere to the code expressed in this manual. As of October 2018, the Compliance Manual, now in its 15th edition, is available in English as well as Japanese, and can be viewed on the Company's website.

For further information on the Compliance Manual, please refer to Marubeni's website:  
<https://www.marubeni.com/en/company/governance/measure/compliance/>

### Anti-Corruption Measures

#### Overview of the Marubeni Group's Measures

We believe that transactions that involve unlawful conduct are not only unnecessary, but also harmful to the Marubeni Group's interests. In recent years, an increasing number of companies in both developed countries and emerging countries are refusing to tolerate bribery. Marubeni Group, as a global enterprise, also has a strong interest in actively working towards the prevention of bribery.

As a part of this effort, we have the "Anti-Corruption Handbook". This handbook requires all executives and employees of the Marubeni Group worldwide to adopt and follow robust anti-bribery practice.

In addition, Marubeni has established a strict anti-bribery system. This includes setting rules for managing the appointment of agents, consultants, subcontractors, and joint venture partners (hereinafter, "business partners"), and rules for managing entertainment of and gifts to public officials, and requiring Group companies to set similar rules.

### Initiatives for Managing Appointment of Business Partners

Marubeni has set the following rules to prevent bribery not only by officers and employees, but also by business partners. These rules mandate that we appoint only business partners who agree with the Marubeni Group's anti-bribery initiatives. Appointments are made only after having obtained the consent of the Group Compliance Officer and the general manager of the Compliance Control Department.

- When appointing a business partner, carry out prior due diligence to ascertain that the business partner has a compliance system in place, or plans to introduce such a system in the future, to ensure compliance with anti-bribery laws, and that Marubeni will not be exposed to bribery and corruption risks by the business partner.
- Exchange contracts that include the anti-bribery provisions necessary to reduce or eliminate the risk of improper payments being made between Marubeni and business partners.

### Internal Whistleblowing System

Marubeni operates the Marubeni Hotline (formerly the "Door of Courage") for general compliance matters. In addition to officers and employees of Marubeni Corporation, the hotline is available to officers and employees of Marubeni Group companies, who may consult with or make reports either to Marubeni's Compliance Committee or to an external lawyer. The name changed in FYE 3/2018 to Marubeni Hotline (the name written in Japanese is a play on words that also carries the meaning of "feeling relieved" or "at ease") to make it feel more familiar to users and provide reassurance to those who are hesitant to use it.

In addition to the Marubeni Hotline, Marubeni has also set up a compliance hotline called the Marubeni Anti-Corruption Hotline for reporting serious crimes such as bribery, money laundering, illegal accounting practices, or violations of the Anti-Monopoly Act (competition law). This is available to the Marubeni Group's business partners as well as to the Group's officers and employees.

If consultations or reports are made to these hotlines, we undertake investigations and preventive measures as necessary, and provide feedback to the person who made the report. In responding to reports, we maintain strict confidentiality, and guarantee that those making the report or consultation will not be treated unfavorably.

In FYE 3/2018, there were 25 matters reported at Marubeni. None of these were compliance violations that would have a serious impact on the operations of Marubeni or its consolidated subsidiaries.

### Response When a Problem Occurs

When compliance problems arise, the following procedure shall be followed.

1. When a Group or Branch Office Compliance Officer identifies a problem, he/she shall report it immediately to the Compliance Committee.
2. Upon receipt of a report, the Compliance Committee shall instruct the relevant department(s) to investigate the problem and determine an appropriate remedy.
3. If the Chairman of the Committee considers the problem to be serious, he/she shall report the problem promptly to the President and Audit & Supervisory Board Members.
4. When the problem affects the whole company, the Compliance Committee shall investigate the problem by forming an Investigation Sub-committee and shall propose appropriate remedies including measures to prevent recurrence.

### Compliance Education and Training

The Marubeni Group conducts education and training programs throughout its organization in accordance with the Marubeni Group Compliance Manual.

Specifically, we conduct e-Learning programs and group training sessions featuring roleplay and case studies to teach employees about general compliance topics, anti-bribery precautions, and cartel countermeasures. In addition, the Chairman of the Compliance Committee and representatives from the Compliance Control Department make periodic visits to Group companies and overseas offices to provide training and raise awareness of compliance. As a company that conducts business globally, Marubeni shares information on current trends in laws and regulations with the relevant officers and employees in order to comply with the anti-corruption and bribery laws and competition laws of each country, particularly in cross-border transactions.

### Cartel Prevention

Marubeni treats the fact that Marubeni and its subsidiaries have been involved in a number of cartel-related cases as a very serious problem, and is taking steps to prevent recurrence.

Specifically, we conducted internal investigations in cooperation with an external law firm, revised our internal regulations, and are educating employees with in-house training and e-Learning, and strengthening our competition law (including the Japanese Antimonopoly Act) compliance system by preparing and distributing an in-house manual.

### Management Regulations Related to Competition Law

Marubeni has established Management Regulations Related to Competition Law in order to prevent acts that violate competition law (including the Japanese Antimonopoly Act), such as acts that constitute or give the appearance of cartels or bid-rigging. These regulations include items such as those listed below.

- Prohibition of exchanging sensitive information with competitors, such as pricing, transaction terms, strategies, and sales volume related to specific products or services, except in certain cases such as when acting as transaction partners with competitors
- Prohibition of involvement in competition law violations by customers or other transaction partners
- System for notification and reporting in the event of contact with competitors
- Reporting obligations on member organizations
- Reporting obligations and response if a violation is suspected
- Measures to be taken in the event of a violation

### Adequacy and Transparency of Tax Payments Policy

In addition to maintaining a system for proper filing of tax returns, as an enterprise that does business globally, Marubeni will maintain and strengthen its internal organization to enable it to respond appropriately as countries update their legal systems to reflect the content of the Base Erosion and Profit Shifting (BEPS) Action Plan.

### Status of Initiatives

"Proper filing of tax returns" is included in the matters to be observed in the Marubeni Group Compliance Manual. In practice, we also use external experts when conducting business transactions and filing of tax returns, which helps to ensure proper filing. Additionally, since the announcement of the BEPS Action Plan, various countries are enacting related legislation. We are responding in ways such as systematizing country-by-country reporting and cooperating with local subsidiaries and operating companies in submission of country-by-country reports and master files, and in contemporaneous transfer pricing documentation.

### 3. RISK MANAGEMENT

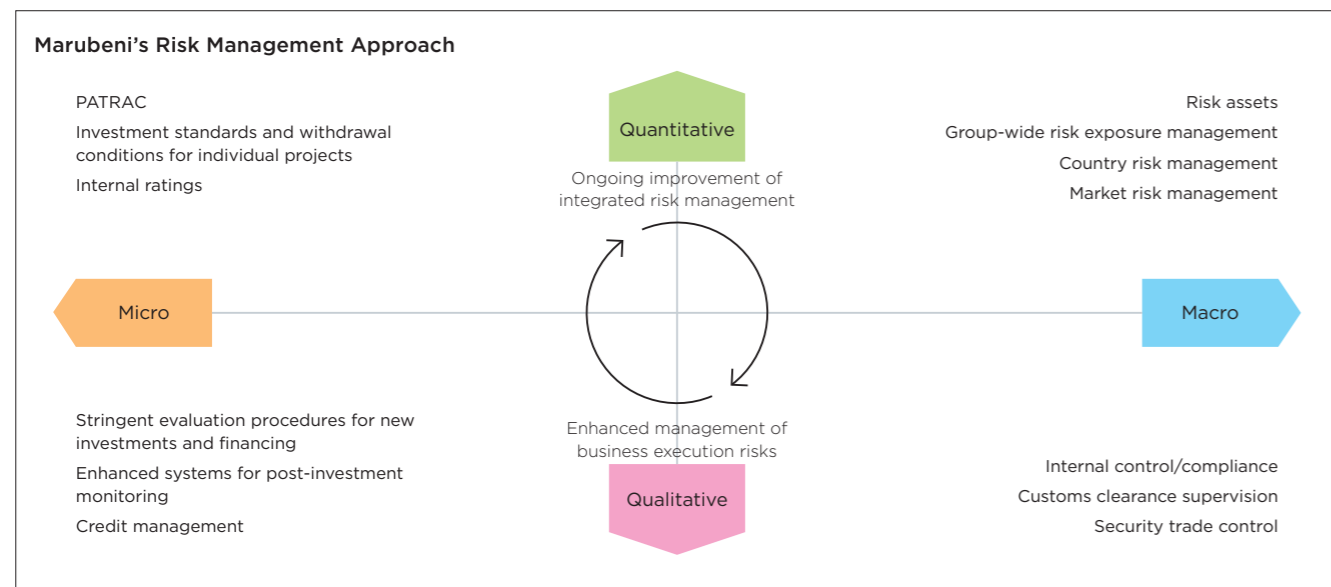
#### Structure

In the course of its diversified business activities, Marubeni conducts risk management activities which address risk from a variety of perspectives: macro and micro, as well as qualitative and quantitative. Increased volatility in exchange rates, natural resource prices, and other parameters has continued unabated. Under these conditions, the Company is promoting integrated risk management, measuring the maximum level of risk on a consolidated basis and limiting it to within the scope of total equity. By conducting thorough screening and follow-up for individual projects and further enhancing internal control systems, the Company has established a structure that minimizes losses due to unforeseen events.

Individual projects such as important investment are deliberated by the Investment and Credit Committee, submitted to

the Corporate Management Committee and approved by the President based on the Regulations of Job Authority Ringi Approval Procedure. They become subject to approval by the Board of Directors depending on the importance of the project. Following implementation, each business department manages its own risk exposure and, for important cases, periodic status reports are made to the Investment and Credit Committee, Corporate Management Committee, and the Board of Directors.

In addition, a corporate planning and strategy department was placed under direct control of the Group CEO, the highest authority with regard to all business groups, thereby establishing a risk management system that has been optimized to the business models of each business group.



#### Initiatives

##### Integrated Risk Management

Marubeni operates in a diverse range of industries and regions. Therefore, the Company has established an integrated risk management system that not only focuses on individual risk factors at a micro level, but also takes a macro view of the various factors that affect the entire Marubeni Group. Integrated risk management takes a broad overview of the assets for the entire Group, gauging risk based on the exposure of these assets to each specific risk factor—country risk, industry risk, credit risk for each client, and so on. These risks form the basis for calculating Value at Risk (VaR), which takes into

account dispersion effects and correlations to calculate maximum risk. VaR is used as a primary benchmark for our portfolio management.

Integrated risk management looks at various risk factors in a comprehensive way to enable managers to understand risk as a single monetary value. By using computer simulations that reflect the latest information, Marubeni has made it possible to grasp the degree of risk. We calculate PATRAC\*1 based on risk assets—a value based on the maximum decline in the value of Group assets as quantified by the Company. PATRAC indicates profit after tax following adjustment for risk.

Marubeni has adopted PATRAC as an important management indicator, using it as a method of screening proposals requiring approval. Each Portfolio Unit\*2 constantly takes steps to adjust its portfolio in a flexible manner, seeking to improve PATRAC in order to achieve maximum returns for a given level of risk, enabling the Marubeni Group to achieve steady and balanced earnings growth.

\*1. PATRAC (Profit After Tax less Risk Asset Cost): Marubeni's proprietary management index for measuring the degree to which the return on a risk exceeds a minimum target

\*2. Portfolio Unit: Unit of business management linking business departments and Group companies by business domain

##### Business Continuity Plans (for business continuity in the event of a major disaster)

Marubeni has formulated Business Continuity Plans (BCPs) to prepare for natural disasters, including large-scale earthquakes and flooding, epidemics of new strains of infectious diseases, and situations in which the Tokyo Head Office loses its ability to function. In addition to BCPs for the Tokyo Head Office, Marubeni has also prepared individual BCPs for offices both in and outside Japan that are essential to the continuation of corporate activities. These plans are updated regularly. For earthquakes in particular, the whole company is working to enhance resilience through regular evacuation drills and enhancement of BCPs, based on simulations of earthquake scale and the extent of damage.

When a massive earthquake hit Japan in March 2011, an emergency headquarters under the direction of the President was established in accordance with the initial response guidelines stipulated in the BCPs. Information on the safety of employees, the status of our infrastructure, and damage to facilities was quickly collected and necessary measures were taken in a timely manner.

##### Information and Data Security

To protect information assets and ensure the safe conduct of business activities, Marubeni has established IT security regulations and other internal rules for information security management that all officers and employees are expected to comply with. These regulations are emphasized throughout the company so that all employees are well informed.

In addition to rules, we also implement system measures to increase the confidentiality, integrity and availability of information security based on our recognition of risks such as unauthorized access to and loss, falsification and leakage of information.

In April 2017, we reorganized our Document Management Regulations into Information Asset Management Regulations, and created an environment in which information assets can be stored and used safely according to their degree of confidentiality. The reason for these changes was to enhance business efficiency by incorporating new rules for handling and management of information, including production, storage, preservation and disposal of information assets.

For Group companies, we created the Marubeni Group IT Governance Rules in April 2013 based on the above IT security regulations and other internal rules. The unification of information security rules within the Group will contribute to stronger security. We also call on Group companies to establish rules equivalent to the Information Asset Management Regulations.

The Marubeni Group is creating a secure and convenient IT environment in accordance with the Group IT Governance Rules, and is promoting the introduction of that environment at Group companies.

##### Measures to Address Climate Change

The Marubeni Group is incorporating climate change perspectives into its risk management process to respond to risks and opportunities related to climate change.

Specifically, we are including climate change as an evaluation item in the integrated risk management process mentioned above, and are analyzing and making judgments on its potential impact on our businesses.

As a risk management measure for climate change, the Marubeni Group is analyzing the risks, opportunities and impacts on its businesses from climate change based on a Current Policies Scenario and a 2.0°C Scenario. We will use the results in formulating business plans and strategies.

For further information on our climate change scenario analysis, please refer to Marubeni's website: [https://www.marubeni.com/en/sustainability/environment/approach/?id=anc\\_04](https://www.marubeni.com/en/sustainability/environment/approach/?id=anc_04)

##### Protection of Water Resources

In dealing with water problems in regions suffering from water shortages, the Marubeni Group conducts risk analysis and implements business risk assessments for new investments and existing businesses. We make decisions on whether to go ahead with projects after comprehensively analyzing and assessing not only local laws and regulations, but also the impact on the local environment and communities.

For further information on water management, please refer to Marubeni's website: <https://www.marubeni.com/en/sustainability/environment/water/>

##### Risk Assessments of Human Rights Issues, Labor Problems and Corrupt Practices

The Marubeni Group conducts risk assessments on social issues such as human rights issues, labor problems (including child labor, forced labor and illegal employment) and corrupt practices. We make business decisions after conducting risk analysis and assessments for new loans and investments as well as existing businesses.

For further information on ESG risk surveys and analyses, please refer to Marubeni's website: <https://www.marubeni.com/en/sustainability/group/esg/>