

## Corporate Governance and Internal Control

## Internal Controls

System

In the construction of internal control processes, aiming to achieve the objective of the internal control process—"Improvement of effectiveness and efficiency of operations," "Compliance with accounting standards and securing reliability of financial reporting," "Compliance with laws, rules that are equivalent to the laws, and observance of management philosophy and company rules including all codes of conduct which reflect this philosophy," and "The conservation of company assets"—the following systems are implemented.

## Risk Management System

Risks arising from Mitsui's business activities are monitored and managed by Chief Operating Officers of business units and regional business units within the authorization delegated to them from the Company's management. Measures taken by each business unit to manage quantitative risks include setting position limits and loss-cut limits and conducting monitoring through divisions with relevant expertise. For the management of qualitative risks, the business units are obligated to observe relevant internal regulations. When a business unit or regional business unit takes on risks that are greater than the scope of authority granted to them, it is necessary to obtain approval of the Corporate Management Committee or a relevant representative director or senior managing officer, depending on the importance of the situation, in accordance with the standards of the internal approval system.

Furthermore, organizations such as the Portfolio Management Committee, the Sustainability Committee, and the Crisis Management Headquarters establish and develop risk management structures on a Companywide basis and handle significant risks. Members of the corporate staff of each committee are responsible for surveillance of Mitsui's position regarding the risks they are in charge of overseeing, as well as the control of risks within the prescribed range of their authority and the provision of support to relevant directors and managing officers.

## Ensuring the Appropriateness of Operations within the Corporate Group

The Company has set forth the "Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles." In light of other laws and regulations, the Company requires its subsidiaries to develop and operate internal controls based on these principles and to the extent reasonable. For its equity-accounted investees, the Company coordinates with other equity participants and encourages the equity-accounted investees to develop and operate similar internal controls. In addition, from its officers and employees, the Company appoints supervising officers to each affiliated company and has them conduct management based on the "Rules on Delegation of Authority for Supervising Officers of Affiliated Companies."



Mitsui & Co., Ltd. Corporate Governance and Internal Control Principles



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P.114 Information Risk Management



P.107 Compliance Framework



P.113 ESG-Related Risk Management

## Risk Management

## ESG-Related Risk Management

System

Activity

Business opportunities, as well as the risks associated with doing business, have increased and are becoming more diversified due to the impact of economic globalization, progress in information technology, and increasing awareness of the importance of corporate social responsibility. Based on this understanding, Mitsui & Co. recognizes the necessity of comprehensively managing risk from both quantitative and qualitative perspectives, while responding appropriately to changes in social conditions and business models. We have defined business that has high qualitative risks, including risks related to the natural environment, society, and governance, as "Specially Designated Business," and have been endeavoring to develop such business with due caution under our Specially Designated Business Management System.

In the promotion and management of each business, we bear in mind the various climate change scenarios that are put forward by internationally recognized organizations, such as the International Energy Agency, and analyze the potential impact of such scenarios on our business. We have been reflecting the results of these analyses in our screening processes for investments, loans, and other activities. A shift toward a low-carbon society could have an impact on our energy business among others, and in response to that we have been promoting environment-friendly, next generation energy business. Moreover, since Mitsui is engaging in business in a variety of locations around the world, climate change-related measures implemented by various countries and regions could have a significant impact on the profitability and sustainability of our business. By utilizing the global network that we have established through our business activities over many years, we monitor the measures adopted in each country and region in a timely manner, as well as trends relating to stakeholders influencing those measures, and use the obtained information in our decision-making process.



P.40 Strategy and Risk Management for Climate Change Response

## Specially Designated Business Management System and Environmental &amp; Societal Advisory Committee

With reference to international standards related to environmental and social aspects, we have created an ESG due diligence checklist, which compiles environmental and social risks by business area. Each business unit uses the checklist to conduct ESG impact assessments, which encompass climate change, pollution prevention, ecosystems, water stress, human rights, and other matters. Based on the assessments, we designate business areas that pose high qualitative risks related to the environment, society, governance, etc., as "Specially Designated Business", and promote such business based on the Specially Designated Business Management System.

When we identify a project as Specially Designated Business, we conduct internal assessments and, wherever necessary, consult with the Environmental & Societal Advisory Committee, the Sustainability Committee, or other committees for advice as to whether or not to proceed with the proposed project, and for suggestions on how improvements can be made. Ultimately, the final decision on whether or not to proceed with any given project is made through the *ringi* (circular executive approval) process by the Corporate Management Committee, the Board of Directors, and representative directors, all of whom

supervise ESG risks, in accordance with the predetermined qualitative and quantitative standards. Furthermore, not only when beginning a new project, but also during operation and when terminating a project, we convene meetings of the Environmental & Societal Advisory Committee, if necessary, in order to deliberate ESG risks, including the impact of changes in environmental risks and occupational safety and health.

The members of the Environmental & Societal Advisory Committee consist mainly of external experts who are familiar with a broad range of fields, including climate change, environmental restoration, environmental policy with respect to water, energy, etc., technology trends, human rights, and labor issues. The advisory committee members assess the risks related to such matters and provide recommendations where appropriate for improving projects.

In the fiscal year ended March 2020, 13 projects were individually assessed under the Specially Designated Business Management System. Among these, six projects were categorized under the environment-related business domain, while seven were categorized as projects receiving subsidies and other projects. We will continue to conduct risk assessments and make improvements by utilizing the Specially Designated Business Management System and Internal Carbon Pricing Analysis, and implement comprehensive and well-balanced management of risks from the project formation stage up to the termination of the projects.

**P.42** Introduction of Internal Carbon Pricing System

Furthermore, we have established the Rules on ODA (Official Development Assistance) Business Management for promoting ODA business, which has a high public profile and, therefore, requires highly transparent operational processes. Under this system, Mitsui's ODA Projects Evaluation Committee reviews these projects as necessary and ensures appropriate risk management. In particular, we carry out comprehensive assessment of risks related to bribery and corruption considering the significance of those issues.

**Business Domains Subject to Specially Designated Business Management System**

| Business Domain   | Key Points for Screening  |
|---|---|
| <p><b>1 Environment-related business</b><br/>All business that have a large impact on the environment<br/>Examples: coal fired power plant business, offshore oil field business, etc.</p>  | <p><b>Applicable to All Four Business Domains</b></p> <ul style="list-style-type: none"> <li>• Significance and social value of the business itself</li> <li>• Significance of Mitsui engaging in this business</li> </ul> <p>• Contributions of such business to the environment and society</p> <ul style="list-style-type: none"> <li>• Measures to mitigate environmental load (incl. climate change, biodiversity loss, water risk)</li> <li>• Safety assurance and work environment</li> <li>• For development business, appropriate consideration for and understanding of the human rights of local residents and other related parties, and other related matters</li> <li>• Compliance with environmental laws, regulations and guidelines, etc.</li> </ul> |
| <p><b>2 Medical, healthcare and bioethics related business</b><br/>Business related to the fields of medical and healthcare, business related to the development of technologies relating to the human genome, genetic analysis, genetic recombination, and other relevant matters, or business that handles products to which these technologies are applied<br/>Examples: Business with a high public profile in the medical and healthcare fields (dialysis, pharmaceutical drug manufacturing business), development of new drugs using genetic analysis technology, etc.</p> | <ul style="list-style-type: none"> <li>• Ethical screening based on the guidelines of three Japanese government ministries (Ethical Guidelines for Human Genome and Genetic Sequencing Research: MEXT, MHLW, METI)</li> <li>• Approval by the ethics committee of the research institute in question, acquisition of informed consent, checking of processes, etc.</li> </ul>   |

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|---|--|--|
| 3 | <p><b>Projects receiving subsidies</b><br/>All projects that directly or indirectly receive subsidies from governmental and administrative agencies, or other such entities, both within and outside of Japan</p>  | <ul style="list-style-type: none"> <li>• Evaluation in light of Mitsui's management philosophy (MVV)</li> <li>• Social impact and ensuring accountability and process transparency</li> <li>• Determination of the interests of stakeholders, and resultant considerations and responses</li> <li>• Responsibility and capability over the medium-to-long term as the operator of a business with a high public profile</li> </ul> |
| 4 | <p><b>Business harboring other unusual reputation risks</b><br/>Business that may be in conflict with public order and morality, Mitsui's management philosophy, etc. and business with a high public profile<br/>Examples: Business involving utilization of sensitive personal information, social infrastructure business, etc.</p> | <ul style="list-style-type: none"> <li>• Evaluation in light of Mitsui's management philosophy (MVV)</li> <li>• Social impact and ensuring accountability and process transparency</li> <li>• Determination of the interests of stakeholders, and resultant considerations and responses</li> <li>• Responsibility and capability over the medium-to-long term as the operator of a business with a high public profile</li> </ul> |

**Information Risk Management**

Policy System

**Information Security Policy**

We regard information as an important business asset, and recognize that it is essential for Mitsui to properly manage information. Based on our Information Security Policy, we have established the Information Risk Management Subcommittee under the Information Strategy Committee, with the CDIO serving as the committee chair. Having developed the Rules on Information Management, Rules on Information System Management, and Rules on IT Security, we are properly managing our information assets (information and IT systems) on a global group basis, and will continue making improvements to information management.



**Protecting Personal Information**

We have appointed a Chief Managing Officer of the Personal Information Protection Management System (PMS) and established a PMS office to work at heightening awareness among all management and staff of the importance of personal information protection, in accordance with the Personal Information Protection Guidelines and Rules on the Protection of Personal Information.

As we have a broad spectrum of involvement in diverse commodities and services, we handle a large amount of personal information, particularly in B2C (business-to-consumer) business fields. Accordingly, we take particular care to ensure that all data is protected. From the perspective of accident prevention, in addition to our education and training systems, we appoint a Personal Information Management Officer in each division. These officers regularly review the status of personal information management in the daily course of business and enhance it as needed.

Regarding compliance with the EU GDPR (General Data Protection Regulation) that came into effect in May 2018, Mitsui has established internal rules to ensure proper management systems and operational rules for the handling of personal data that falls within the scope of application of the GDPR at each Business Unit. Furthermore, we have provided all officers and employees with information on the GDPR via the intranet, and have been engaging in operational management required by the GDPR such as compliance with the duty of keeping records of information processing activities.

We recognize that a timely response according to global standards towards other overseas laws and regulations related to personal information, in addition to the GDPR, leads to the enhancement of our corporate value.

## Cyber Security

In line with the advancement of information and communications technology (ICT) and digitalization in the business of Mitsui and affiliated companies, we have developed a cyber security framework on a global group basis while utilizing the expert knowledge of our subsidiaries specialized in the area of cyber security. In addition, in case of a cyber-attack, we have strengthened dedicated units for responding to such events and are conducting regular inspections on our cyber security measures.

## Business Continuity Management (BCM) and Business Continuity Plan (BCP)

Policy

Mitsui regards business continuity in times of disaster as a vital management priority. We have formulated a Business Continuity Management (BCM) framework to minimize business risks, such as the loss of customers and damage to our corporate reputation, resulting from the suspension of important business processes in the event that our ability to maintain our business operations is seriously impeded by earthquakes, floods, terrorism, epidemics, power shortages, or other contingencies, or when such a situation is expected to continue for a significant period of time.

Following the compilation of business continuity guidelines for business corporations by the Japanese government (specifically, by the Central Disaster Management Council of the Cabinet Office), Mitsui formulated its BCM Policy in 2006. Under the BCM framework, we formulated the Business Continuity Plan (BCP), and we have regularly reviewed it to ensure that we can maintain an appropriate management structure.

Under this policy, Mitsui has also developed the Rules on Business Continuity Management, which defines rules for activity policies, procedures, organizational structures, and other related matters to ensure business continuity or the early resumption of business activities in the event of disaster, respectively for the Tokyo Head Office, other offices in Japan, overseas regional business units, and regional blocs.

### Business Continuity Management Policy

#### Safety of Human Life:

Mitsui & Co. regards the safeguarding of human life as its first priority in relation to business continuity management in the event of disasters.

#### Implementation of Business Continuity Management:

Mitsui recognizes the importance of business continuity management in times of disaster and will maintain a business continuity plan and structures to ensure the appropriate implementation and administration of that plan.

We will work to enhance the effectiveness of the business continuity plan by improving the business continuity awareness and capabilities of individual employees, and by engaging in interactive dialogue with stakeholders.

#### Continuous Improvement:

Mitsui will formulate, implement, and administer a business continuity plan for business continuity management and will regularly review and continuously improve this plan.

#### Coexistence with and Contribution to Society:

When formulating and reviewing its business continuity plan, Mitsui will consider not only its economic role, but also its coexistence with society and community reconstruction. We will be aware of and respond appropriately to the roles that we may be called upon to perform from time to time, such as the prevention of secondary disasters, community contribution, and coexistence with communities.

## BCM Framework

System

In non-emergency situations, the BCM general representative (the GM of the Human Resources & General Affairs Division) is responsible for supervision of the overall BCM. The BCM general representative manages the BCP, which includes the provision of education for all employees and training for staff members in charge of emergency response with support from the secretariat of the Emergency Response Headquarters, the establishment and revisions of related rules and documents, and preparation for and response to emergency situations. In case of an emergency, such as a disaster, the Emergency Response Headquarters will be set up, with the BCM officer (the Managing Director who supervises the Human Resources & General Affairs Div.) serving as its head, who will be responsible for the approval of the BCP and implementation of tasks stipulated in the Rules on Emergency Business Continuity Management.

## BCP Revision, and BCP-Related Training

Activity

The BCM general representative is responsible for supervision of the planning, management, and administration of the BCP, the formulation, promotion, and implementation of the BCP, the approval of education and training for employees in relation to business continuity, and the compilation of disaster response manuals. These manuals have been created based on the company-wide BCP and set forth actions to be taken by the Emergency Response Headquarters for performing important corporate processes in the event of a disaster, as well as manuals stipulating actions to be taken by individual offices after the occurrence of a disaster. In addition, we regularly conduct business continuity drills involving the immediate start up and operation of the Emergency Response Headquarters based on scenarios in which a major disaster occurs, such as an earthquake directly beneath the Tokyo area. We continually improve our organizational response capabilities by revising the manuals to reflect any issues identified through these drills. In the fiscal year ended March 2020, we conducted one Emergency Response Headquarters drill.

We have also introduced a system to confirm the whereabouts and safety of business and administrative staff, contract employees, and temporary staff in Japan. In the fiscal year ended March 2020, we conducted two general drills, and provided information on the results of responses in these drills to all employees, facilitating the use of this system.

In addition, each office maintains stocks of emergency food and equipment. Under the provisions of the Tokyo Metropolitan Ordinance on Measures for Stranded Persons, we maintain a three-day supply of emergency food and equipment for Tokyo Head Office employees and employees of affiliated companies based in the Head Office. Emergency kits containing food and other supplies are also available for all the employees at the Tokyo Head Office, and can be taken by employees who have an urgent need to return to their homes.

 P.116 Response to the Novel Coronavirus (COVID-19)