

# MANAGEMENT

Mazda has established management systems to fulfill its social responsibility throughout the Mazda Group and the entire supply chain.

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## CSR Targets for FY March 2019

(Self-assessment key ○ : Accomplished, △ : Nearly accomplished, × : Not accomplished)

Items	FY March 2018 targets	FY March 2018 results	Self-assessment	FY March 2019 targets	ISO 26000 core subjects
Corporate governance	Continuously improve and strengthen corporate governance measures, in light of the purport and spirit of the Corporate Governance Code. <sup>*1</sup>	<ul style="list-style-type: none"> <li>Held advisory committee member meetings chaired by an outside director, to discuss the remuneration system for directors and executive officers, as well as the process for their appointment in this fiscal year.</li> <li>Evaluated the board's effectiveness to confirm that the improvement measures taken based on the previous year's evaluation results were working effectively. Also, disclosed the outline of the evaluation results via the Corporate Governance Report.</li> <li>In light of the matters pointed out in the evaluation of the board's effectiveness, provided a more substantial explanation on important matters, such as the medium-and long-term business strategies, to outside directors in advance of the board meetings.</li> <li>Improved the ways of information disclosure regarding notices of the general meetings of shareholders, by using visual media and enhancing explanations.</li> </ul>	○	Continuously improve and strengthen corporate governance measures, in light of the purport and spirit of the Corporate Governance Code. <sup>*1</sup>	6.2 Organizational governance
Risk management	Identify various internal and external risks and continue activities to minimize such risks. ① Improve the level of development of the risk management systems of Mazda and its Group companies, and have these systems checked and evaluated by the Risk Compliance Committee. ② Continue risk management activities based on the action plans in preparation for earthquakes and tsunami. ③ Update and enrich data for the supply chain management system.	<ul style="list-style-type: none"> <li>① Further visualized the risks at Mazda and its Group companies, and strengthened risk management activities there, based on the mid-term action plan (for FY March 2018-2020) that was formulated at the Risk Compliance Committee meeting in FY March 2017.</li> <li>Based on the results of measures to cope with risks identified by each division, established common priority issues to be addressed by the Mazda Group and took countermeasures.</li> <li>Revised the Risk Management Regulations so as to clearly state the necessary matters to promote continuous activities through cooperation among Mazda and its Group companies, and made the revision known to all parties.</li> <li>② Conducted risk management activities based on the action plans in preparation for earthquakes and tsunami.</li> <li>Created the procedures for stockpile management and distributed the procedures to self-disaster-defense teams.</li> <li>Introduced a safety confirmation system on a trial basis.</li> <li>③ Continued to operate the SCR keeper, a supply chain risk management system.</li> </ul> <p>Updated supplier information, so as to help understand the possible impact in the event of disaster.</p>	○	Identify various internal and external risks and continue activities to minimize such risks. ① Improve the level of development of the risk management systems of Mazda and its Group companies, and have these systems checked and evaluated by the Risk Compliance Committee. ② Continue risk management activities based on the action plans in preparation for earthquakes and tsunami. ③ Update and enrich data for the supply chain system, and expand its application.	6.2 Organizational governance
Information management	① Ensure information management through continuous awareness-raising activities. ② Promote and strengthen information security measures. <sup>*2</sup>	<ul style="list-style-type: none"> <li>① Implemented an e-learning program entitled "Basic Rules for Handling Personal Information."</li> <li>② - Revised the relevant regulations and procedures, in accordance with the revision to the Act on the Protection of Personal Information.<sup>*2</sup></li> <li>- Disseminated information on the important points of the revisions and response, and provided guidance and support to all divisions of Mazda and Group companies in Japan in establishing work procedures.<sup>*2</sup></li> </ul>	○	① Ensure information management through continuous awareness-raising activities. ② Promote and strengthen information security measures. <sup>*2</sup>	6.6 Fair operating practices
Protection of intellectual property	Promote activities to protect and make effective use of intellectual properties. ① For the protection of Mazda' intellectual properties: - Continue strengthening the management system, and promote rights acquisition activities on a global basis. ② For the protection of the intellectual properties of other parties: - Continue to strengthen awareness-raising activities aimed at protecting the intellectual properties of Mazda and other parties. - Promote the appropriate use of works belonging to other parties, in conducting communication activities.	<ul style="list-style-type: none"> <li>① For the protection of Mazda' intellectual properties: - In Japan: Completed around 980 patent applications.</li> <li>- Overseas: Completed around 810 patent applications, aiming at promoting rights acquisition activities in the United States, Germany, China and other countries.</li> <li>② For the protection of the intellectual properties of other parties: - Patent training: Held patent training as scheduled, with around 140 participants in the basic patent seminars, around 30 participants in the seminar on effective use of patent information, and around 30 participants in the intellectual property risk seminar.</li> <li>- Promotion of the appropriate use of trademarks: Added about 561 new images to the Mazda-Shared-Image-Collection.</li> </ul>	○	Promote activities to protect and make effective use of intellectual properties. ① For protection of Mazda' intellectual properties: Promote rights acquisition activities on a global basis. - Maintain the number of patent applications at the same level as the previous year in Japan - File 30% or more overseas patent applications than those in Japan. The primal targets for the rights acquisition activities are the United States, Germany and China, which are Mazda's major sales markets. ② For the protection of the intellectual properties of other parties: - Continue to strengthen awareness-raising activities aimed at protecting the intellectual properties of Mazda and other parties. - Promote the appropriate use of works belonging to other parties, in conducting communication activities.	6.6 Fair operating practices
Compliance	① Ensure compliance and improve the level of compliance awareness through continuous awareness-raising activities, etc. <sup>*2</sup> ② Continue and strengthen support for Group companies through the provision of timely information, etc.	<ul style="list-style-type: none"> <li>① Ensured the implementation of the existing awareness-raising activities.<sup>*2</sup></li> <li>- Around 1,000 employees participated in the compliance seminar organized by the Human Resources Office as part of management skill training.</li> <li>- Released an e-learning program entitled "Security Export Control (Basics and Case Studies)" for Group companies.</li> <li>- Held a compliance seminar for senior executives and general managers.</li> <li>- Conducted inspections, including reconfirmation of work procedures, at the Company and Group companies, in view of examples of problems at other companies.</li> <li>② Support for Group companies - Continued to hold regular meetings among departments concerned, in order to share information on the administration of overseas affiliates and to secure the consistency thereof.</li> <li>- Started to hold meetings equivalent to the above, also regarding the administration of domestic affiliates.</li> </ul>	○	① Ensure compliance and improve the level of compliance awareness through continuous awareness-raising activities, etc. <sup>*2</sup> ② Continue and strengthen support for Group companies through the provision of timely information, etc.	6.6 Fair operating practices
Fair transactions	① Continue and strengthen activities to request that suppliers comply with the Mazda Supplier CSR Guidelines and to conduct surveys on their operation status of CSR initiatives. ② Gradually promote the establishment of the supply chain management system at individual overseas production sites.	<ul style="list-style-type: none"> <li>① Discussion is under way as to a revision to the Mazda Supplier CSR Guidelines, by adding "promotion of appropriate transactions," which goes beyond compliance with laws and regulations, as a compliance item.</li> <li>② Reached an agreement with the person in charge of purchasing at MPMT, the production site in Thailand, regarding the application of the revised Guidelines to its suppliers.</li> </ul>	○	① Based on the revised Mazda Supplier CSR Guidelines, hold discussions about conducting a questionnaire survey to understand suppliers' operation status of CSR initiatives, and about follow-up of the survey results (e.g., through study meetings, and announcement of outstanding companies). ② Complete the activities to apply the Mazda Supplier Guidelines to MPMT, the production site in Thailand, and announce the guidelines to all MPMT suppliers.	6.6 Fair operating practices

\*1 Corporate governance guidelines for listed companies announced by the Tokyo Stock Exchange in June 2015.

\*2 Initiatives at Mazda Motor Corporation (FY March 2018 results, and FY March 2019 targets).

# MANAGEMENT

Mazda is working to enhance corporate governance and strengthen internal control in order to improve the transparency of management and expedite decision-making.

## Corporate Governance

a b

Mazda respects the purport of the Corporate Governance Code formulated by the Tokyo Stock Exchange and, while working to build a good relationship with its stakeholders, including shareholders, customers, suppliers, the local community and its employees, the Company strives to sustain growth and enhance its corporate value over the medium and long term through transparent, fair, prompt and decisive decision-making and to continue to enhance its corporate governance.

### Corporate Governance Framework

The Board of Directors is made up of ten directors, two of whom are highly independent outside directors. The outside directors are expected to help strengthen oversight of the Board of Directors and further boost the transparency of management by offering advice on Mazda's management activities based on their knowledge, experience, and insights, and by taking part in the decision-making process. The Audit & Supervisory Board is made up of five members, including two full-time corporate auditors and three highly independent outside corporate auditors. The Audit & Supervisory Board members audit the directors in the execution of their duties in accordance with an annual audit plan formulated by the Audit & Supervisory Board. Accounting audits are conducted by KPMG AZSA LLC.

In addition to the general meeting of shareholders and meetings of the Board of Directors, Audit & Supervisory Board and other bodies designated by law, Mazda holds executive committee meetings to convey information necessary for debate on important companywide policies and initiatives and business management as well as advisory bodies that contribute to decision-making by the president. The Company has also introduced an executive officer system. By separating execution and management, the effectiveness of the oversight of the Board of Directors is enhanced, and decision-making is speeded up through expanded debate by the Board of Directors and by delegating authority to executive officers. In this way, the Company is working to further managerial efficiency.

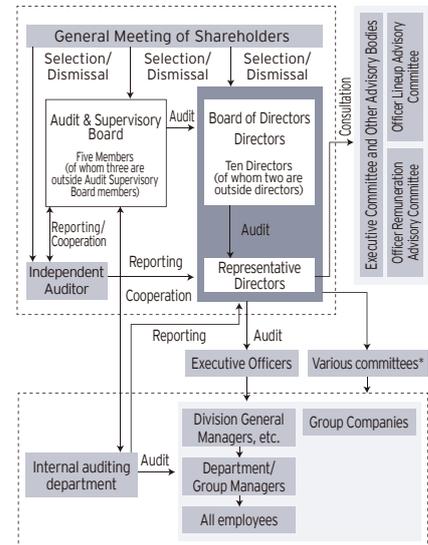
### Enhancing Transparency and Fairness in the Nomination and Appointment of Officers and Determination of their Remuneration

Mazda has established an Officer Lineup Advisory Committee to discuss the make-up of the officer lineup and policies for the development and selection of candidates for nominating and appointing directors, Audit & Supervisory Board Members and executive officers.

The Company has established an Officer Remuneration Advisory Committee to discuss remuneration policy and a structure and process based on the policy to enable its continued growth and to enhance its corporate value over the medium and long terms. The Officer Lineup Advisory Committee is composed of eight internal directors and two outside directors, while the Officer Remuneration Advisory Committee is composed of three internal directors and two outside directors. Both committees are advisory bodies to the president and are chaired by an outside director.

The policies for the nomination and appointment of officers and the policies for determining remuneration are disclosed in the Corporate Governance Report.

### a Corporate Governance Framework



\* Company-wide Safety and Health Committee, Quality Committee, Risk Compliance Committee, Human Rights Committee, Security and Export Control Committee, etc.

### b For detailed information, please see the following.

- Corporate Governance Report  
<http://www.mazda.com/en/investors/library/governance/>
- Annual Report 2018  
<http://www.mazda.com/en/investors/library/annual/>  
 •Officers' areas of responsibility, profiles, etc. (pp. 38–39)  
 •Officers' compensation/Audit fees (p. 34)
- Company Outline  
<http://www.mazda.com/en/about/profile/executive/>  
 •Officers' areas of responsibility
- Securities Report (Japanese only)  
[http://www.mazda.com/globalassets/ja/assets/investors/library/s-report/files/f\\_repo180627.pdf](http://www.mazda.com/globalassets/ja/assets/investors/library/s-report/files/f_repo180627.pdf)  
 •Corporate governance, etc. (pp. 37–47)

## Support for Outside Directors and Outside Audit & Supervisory Board Members

The Company provides explanations of matters to be brought before the Board of Directors as necessary so that outside officers can freely state their opinions at board meetings. The Company also arranges for outside officers to interview executive officers and provides opportunities for them to inspect facilities and participate in events both inside and outside the Company.

## Analysis and Evaluation of the Effectiveness of the Board of Directors

Mazda analyzes and evaluates the effectiveness of the Board of Directors in order to steadily advance measures for the further enhancement of the board's efficiency. In this initiative, based on a survey prepared by the board's secretariat, all of the directors and members of the Audit & Supervisory Board evaluate the board's effectiveness. After the results are compiled by the secretariat, an analysis of the current situation is shared at a board meeting, and the ideal to be pursued and improvements are discussed.

In FY March 2018, it was found that members of the Board of Directors were properly involved in determining the Company's business strategy and share an understanding of its content, that outside directors and corporate auditors expressed their opinions from an independent perspective after gaining an understanding of the Company's situation by receiving explanations of resolutions in advance and other forms of support, and that the oversight function of the execution of operations was ensured.

In view of the results of the previous survey (2016), Mazda worked to provide outside directors with more substantial information. Efforts were also made to ensure that at board meetings, members were given more thorough reports on progress and engaged in deeper deliberations regarding important matters. As a result, it was found that the outside directors had a better understanding of operations, and that lively and constructive discussions took place at board meetings in a timely manner.

On the other hand, it was found that there is a need to further reinforce monitoring of important matters such as the business strategy, to strengthen deliberations regarding risks and profitability, and to continue discussions on the diversity of members of the Board of Directors.

The Company will analyze and evaluate the board's effectiveness annually and continue to make improvements in order to enhance corporate value over the medium and long term.

## Cooperation among Parties Responsible for Auditing

Audit & Supervisory Board members (full time), the auditing company, and the Mazda's auditing department hold three kinds of meetings on a regular basis to improve the quality of auditing and to deepen their mutual understanding by exchanging information on audit plans and results.

C

C For detailed information, please see the following.

- Meeting between Audit & Supervisory Board members (full time) and the auditing company
- Meeting between Audit & Supervisory Board members (full time) and the Mazda's auditing department
- Three-party meeting among Audit & Supervisory Board members (full time), the auditing company, and the Mazda's auditing department

## Governance for Group Companies

In the Mazda Group, each Group company has established a corporate governance framework with the aim of enhancing cooperation between Mazda and the Group companies.

### Japan

Group companies in Japan set the corporate auditors. Through the Group Audit & Supervisory Board Members' Meetings attended by the Audit & Supervisory Board members (full time) of the Group's large companies and appointed part-time corporate auditors from among the Mazda employees, Mazda aims to strengthen ties between Mazda and its Group companies.

### Overseas

Major overseas Group companies hold meetings of the Audit Committee.\*<sup>1</sup> Members participating in these meetings are executives and internal auditing-related departments of each overseas Group company, Mazda's executives and internal auditing-related department, and the department in charge of each group company. They enhance each Group company's internal control by discussing and exchanging opinions on activities related to internal control. Mazda further provides guidance and support to other overseas Group companies, to improve their internal control-related initiatives.

## Internal Auditing

Internal audits are conducted in Mazda and its Group companies in Japan and overseas, for the purpose of ensuring sound and efficient management. The Mazda's auditing department is staffed with those qualified as Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), etc. Members of the department are continuously encouraged to improve their auditing skills, acquire specialized qualifications, and participate in outside training programs and internal workshops.

In April 2018, the Global Internal Audit Summit was held, bringing together the parties responsible for auditing at Mazda Group's major operation bases. At the Summit, which was in its ninth round, participants shared their auditing policies and plans as well as related risks and issues. They also presented best practices at each base and discussed the promotion of the "global audit alliance," in which an auditor of an overseas Group company conducts auditing of another operation base, working together with Mazda's internal auditing-related department.

In this manner, efforts are under way to improve the quality of auditing of the entire Mazda Group and foster its greater efficiency.

## System Auditing

The Mazda's auditing department and the internal auditing departments of overseas Group companies conduct audits on overall IT control concerning financial reports and IT security for individual operations and systems, with the aim of reducing IT-related risks.

## EMPLOYEE'S VOICE



**Dr. Frank Theis**  
Head of European Audit and Control  
Mazda Motor Europe GmbH

Discussing various issues with our business units and offering the customized solutions.

I am responsible for European Audit and Control. European organizations have their special characteristics and therefore require customized solutions. Our team is often in regular contact with people in each European organization and discusses various issues we face. Every day, we learn something new through communicating with the European teams. Hopefully, this contributes to our business skills.

### d Internal auditing in Group companies

- Major Group companies (North America, Europe, China, Thailand, Australia, etc.): The internal auditing department of each company conducts audits and reports the results to Mazda. To ensure high auditing quality, Mazda's auditing department conducts audits, advises on annual audit plans and audit results, and provides information related to auditing, and various other supports.
- Other Group companies in Japan and overseas, and Mazda: Mazda's auditing department conducts audits.

\*1 Committees are set and operated independently for each overseas group company for the purpose of gathering information and exchanging opinions on internal control

**Internal controls**

e

Mazda has established the Mazda Corporate Ethics Code of Conduct (see p. 117), which states action guidelines for employees, the Finance Control Guideline for global financial control, and other guidelines. Based on these guidelines, each department develops rules, procedures, manuals, etc. to promote establishment of internal control.

For Group companies, cooperative systems have been established, in accordance with the affiliates' administration rules. The responsible department at Mazda supports training and system improvement for each Group company.

**Internal Control Self-Diagnosis**

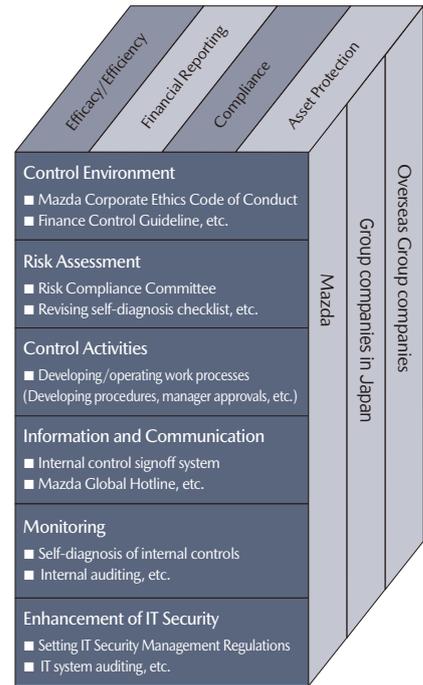
In 1998 Mazda initiated a system of self-diagnosis of internal controls for the purpose of disseminating awareness concerning internal controls. Currently, self-diagnosis is carried out at almost all Mazda Group companies in Japan and overseas. This system enables the supervisors in charge of actually developing and operating the processes and mechanisms, not third parties such as internal auditing departments or auditing companies, to evaluate internal controls using the checklist. Through this system, Mazda's departments and Mazda Group companies have proactively found inadequacies in internal controls and taken action to improve them.

Mazda's internal auditing department reviews the procedure for self-diagnosis and provides advices for necessary improvements while ensuring that any newly found risks would be reflected in the checklist, so as to always ensure proper and effective diagnosis.

**Implementation of Internal Controls Signoff System**

From FY March 2007 Mazda has introduced the signoff system, in which top management of Mazda's each department and each Group company ensure internal controls by "signing off" after identifying inadequacies in controls and confirming the status of correction thereof through auditing and self-diagnosis. The Mazda Internal Controls Report is prepared based on the contents of these signoffs. From FY March 2010, for the purpose of early discovery of inadequacies at each department or Group company, a new system of quarterly reporting has been implemented whereby inadequacies found are reported to the Mazda's auditing department on a quarterly basis. For each inadequacy reported, the deadline and responsible person for improvement are determined to facilitate speedy improvement.

e Mazda Internal Controls



## Risk Management

f g

Mazda makes continuous efforts to identify and reduce various internal and external risks in accordance with the Basic Policy on Risk Management, Risk Management Regulations, and other related internal regulations, so as to ensure continuous and stable progress of business activities. Among the risks identified, considering the level of importance, individual business risks are managed by the department in charge of that business area while company-wide risks are handled by departments that carry out business on a company-wide basis. These departments manage the risks appropriately, following the PDCA cycle.

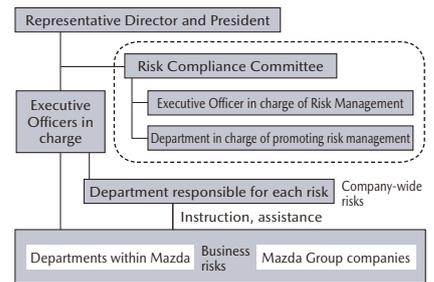
In the event of an emergency, such as a natural disaster or situation that creates serious managerial consequences, Mazda takes appropriate measures in reference to its internal regulations, including establishing an emergency response taskforce when necessary.

In FY March 2018, the Company revised the Risk Management Regulations to clearly set forth what is required to promote continuous business operations through cooperation between Mazda and its Group companies. The revision was publicized to ensure that all parties were aware of these required matters.

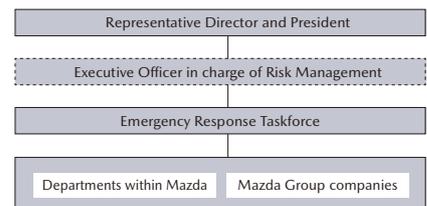
In line with the medium-term action plan established in the previous year, the Risk Compliance Committee has worked to further clarify the risks in the Company and its Group companies and to strengthen the risk management. The committee has also ascertained the progress of these activities on a half-yearly basis. In FY March 2018, the committee selected the common key issues to be addressed across the Mazda Group, from among the risks identified by each division, based on the confirmed results of the said risk management. Then, measures were put in place to deal with these key issues. The committee also periodically reports its initiatives to the Board of Directors.

Mazda is presently upgrading and expanding its business continuity plan (BCP) to avoid suspension of business that would extensively impact society.

f Risk Management Structure in Normal Times



g Emergency Risk Management Structure



For incidents that fall outside the scope of existing risk management organizations and require a coordinated interdepartmental response, the executive officer in charge of risk management will consult with the president, establish an emergency response taskforce, and appoint a general manager for this taskforce.

■ Annual Report 2018

<http://www.mazda.com/en/investors/library/annual/>

· Business risk (pp. 45–47)

### Basic Policies of Risk Management

#### Concept

With the advance of IT and globalization and the growing awareness of environmental issues and compliance with the law, the environment surrounding the company's activities is rapidly changing, and it can be expected to change even further in the future. In order to realize this "Corporate Vision," it is necessary to specifically address these changes in the environment and minimize the potential risks that threaten to interfere with the continuous, safe furtherance of our business activities. The company must also create a system that will allow a rapid recovery when abnormal or emergency circumstances occur and gain the strong trust from our customers, shareholders and the community. The entire Mazda Group shall address risk management and work toward becoming a company that can truly be trusted.

#### Goals

In the following ways, Mazda shall strive for Enhancement of Corporate Value and Harmony with the Community thereby realizing the company's "Corporate Vision."

1. Ensure the health and safety of all those who make up the Mazda Group as well as local citizens
2. Maintain and increase the trust from the community
3. Make appropriate use of the tangible and intangible corporate assets of the Mazda Group
4. Secure interests of the stakeholders, earn their trust and meet their expectations
5. Support the functions of the organization and seek a rapid restoration of business activities at the time of abnormal circumstances or emergencies

#### Action Plan

All corporate officers and all employees shall have responsibility for carrying out risk management based on the awareness that risk exists in every facet of business activities. Risk management shall be addressed from all angles at every stage of operations.

#### Methods

Risk management activities shall be divided into two types:

1. Continuous efforts to prevent and mitigate potential risks existing in everyday duties and the promotion of the proactive use of these activities (risk management)
2. Minimization of damage resulting from crisis and rapid recovery (crisis management)

#### Scope of Application

1. Shall include the control of all types of business risk.
2. Shall apply to the entire Mazda Group including subsidiaries and related companies.

## Response to Accidents and Other Emergencies

Mazda has been systematically undertaking preparatory measures for major earthquakes since FY March 2004. Examples of such "hardware" and "software" measures include quake-proofing buildings and facilities, and raising embankments, as well as maintaining emergency-contact networks, organizing self-disaster-defense teams, developing response manuals, selecting tsunami evacuation areas, and carrying out evacuation drills. Moreover, disaster drills are held annually both jointly with the fire authorities and solely by Mazda's self-disaster-defense teams to confirm initial response to an emergency, based on lessons learned from the Great East Japan Earthquake and the earthquakes that occurred in Kumamoto and Tottori Prefectures.

In FY March 2018, Mazda introduced a system to automatically confirm employees' safety in the event of a large-scale disaster, into some departments on a trial basis. Also, starting in FY March 2019, the same system is scheduled to be deployed company-wide. In the future, Mazda is planning to apply the system to affiliates and overseas bases of operation. Steady efforts to enhance both the "hardware" and "software" aspects of emergency readiness will continue in preparation for the expected Nankai Trough Earthquake or other large earthquakes and tsunamis associated therewith. Mazda also supports local communities' disaster prevention activities through the dispatching of fire engines and other means.

## Information Security

Personal information and other important information are appropriately managed and protected based on the established information management policies and internal regulations, so as to ensure information security.

To raise employees' awareness about information security, Mazda requires its employees to execute training on the management of confidential information, protection of personal information, and IT security. When newly joining the Company, management of confidential information is covered in the introduction program, while e-learning is used for personal information protection and IT security training. Other continuous education efforts are also available, including an Intranet site dedicated to information and knowledge on information security.

For companies in the Mazda Group, Mazda provides guidelines and educational tools regarding information security, realizing a group-wide effort to ensure information security.

### IT Security Management Rules

The IT security policy based on the BS 7799\*1 framework has been established as IT security management rules, under which the mechanisms for security control and monitoring that should be incorporated into IT systems are determined. Whether such mechanisms are properly installed and operated is confirmed on both a regular and random basis.

## Protection of Personal Information

Mazda rigorously protects personal information in line with its own Personal Information Protection Policy.

Handling rules are set out in order to ensure appropriate management of personal information, regular examination of management records for retained personal data is taken, and management statuses are checked once a year. In cases in which the handling of personal information is entrusted to outside parties, such contractors are carefully selected based on a checklist which determined the necessary items including security management. The Mazda Call Center responds to customers who wish to inquire about the Company's handling of personal information and those who request disclosure regarding privacy issues. In FY March 2018, Mazda revised its rules and procedures for the handling of personal information, in accordance with the enforcement of the revised Act on the Protection of Personal Information. The Company also released a new e-learning program titled "Basic Rules on Personal Information Handling." The relevant information was communicated to the Group companies, so as to support each company in complying with the revised Act. As for the EU General Data Protection Regulation (GDPR), whose application started in 2018, Mazda has taken appropriate measures, with recognition of its impact on the Company.

h

### h Number of participants in drills at Mazda Head Office

Drill for disaster response, firefighting and first aid (using AED) in preparation for an earthquake, tidal wave, etc.

	FY March 2016	FY March 2017	FY March 2018
Participants	19,100	19,021	19,289

\*1 Standards on information security management established by the British Standards Institution (BSI), on which ISO/ IEC27001 & 27002, the current international standards for information security management, are based.

**Personal Information Protection Policy**

The Company endeavors to adequately protect the personal information of its customers, business partners, employees and other parties in accordance with laws and regulations on the protection of personal information and the basic guidelines described below.

1. Mazda shall establish Regulations for the Protection of Personal Information, to be adhered to by all parties that handle personal information.
2. Mazda shall put in place a presiding supervisor for the management of personal information, and provide corresponding educational activities for its employees (directors, employees, part-time workers, temporary agency workers, etc.) and other related persons.
3. Mazda shall acquire personal information through appropriate means. When collecting personal information, Mazda shall either inform that person of the purposes of use and its contact address, or announce such information by a well-recognized method or methods (such as through a website).
4. At Mazda, personal information shall only be utilized by those who have been authorized to manage such data, to the extent disclosed to the parties concerned or publicly announced, and within the scope necessary.
5. Mazda shall take all necessary measures required by law, including obtaining consent from the relevant party, for the provision of such personal information to a third party.
6. If Mazda assigns a third party to any business relating to personal information, the Company shall make an appropriate selection of the assignee for such business, and take all necessary measures required by law, such as conducting necessary and adequate supervision.
7. If Mazda receives any claim for disclosure, correction, suspension, or elimination of all or any part of the personal information retained by the Company, Mazda shall react appropriately in accordance with laws after the Company confirms that said claim was made by the relevant party.
8. Mazda shall ensure reasonable security measures, and continuously improve such measures to prevent illegal access, loss, destruction, falsification, and/or leakage of personal information.

**Basic Policy on Intellectual Property**

Mazda's overall vision for intellectual property is to use intellectual property as a management resource in support of its business management and enterprise activities, based on respect for its own and others' intellectual property. Based on this vision, Mazda has established an Intellectual Property Committee to discuss and decide key items regarding intellectual property. The committee is comprised of division general managers from related divisions and chaired by an executive officer responsible for intellectual property issues. Also, the invention incentive system increases motivation for inventions among employees working at the forefront of research and development. For its Group companies in Japan and overseas, Mazda supports them in developing/ implementing policies and establishing systems for handling intellectual property, with the aim of enhancing the intellectual property management functions of the entire Mazda Group.

**i i Invention and device awards**

Once a year on Mazda's foundation day, certificates of commendation, commemorative medals, prize money, etc. are presented to the selected recipients through the manager of their department. No limit is set for the amount of prize money, so that inventors are fully rewarded for their contribution.

**Protection of Intellectual Property and Intellectual Property Risk Management**

Mazda's dedicated Intellectual Property Department leads Company activities regarding intellectual properties so as not to infringe upon the intellectual property rights of other companies, and conducts strategic activities aimed at fiercely protecting, accumulating, and making optimal use of the intellectual properties generated through these in-house activities.

1. Exhaustively uncovers and globally obtains rights concerning intellectual properties created by its business activities, including new technologies, markings, model names and vehicle designs, and protects Mazda technologies and the Mazda brand.
2. Takes steps to exhaustively investigate as well as prevent and solve any problems regarding intellectual properties that may obstruct business activities in each domain, such as infringement of other parties' patent rights; trademark rights, design rights and copyrights; and violations of the Unfair Competition Prevention Act.

To avoid patent litigation driven by patent trolls,\*<sup>1</sup> which has been increasing mainly in the United States, Mazda joined the License on Transfer Network\*<sup>2</sup> in March 2015. The Company also participated in 2017 in the Open Innovation Network (OIN), in which all members agree that there should be no patent conflict around LINUX and related technology. The aim of this participation was to reduce the risks regarding LINUX-related patents, which have been on the rise as the use of LINUX-based OS becomes widespread in the automotive industry.

\*<sup>1</sup> A patent troll is an organization or group that is not engaged in technology development itself but acquires patents for technologies developed by others, for the purpose of demanding unreasonably high patent royalties or settlement money from third parties that use the relevant technologies.  
\*<sup>2</sup> A patent association established in July 2014 by Canon Inc., Google Inc. and some other companies. If a member company sells a patent it owns to an external organization, group, or individual, the license for the patent will be automatically granted to other member companies. (If a patent troll obtains a patent of a member company, Mazda cannot be charged a patent royalty by the patent troll.)

## Awareness-Raising Activities

The Mazda Corporate Ethics Code of Conduct (see p. 117) stipulates “Protect confidential information. Never infringe on any intellectual property rights, whether belonging to Mazda or another party,” so as to clearly convey a relevant code of conduct to all employees and guide their behavior. The Intellectual Property Department is responsible for the overall management of intellectual property, and also regularly conducts awareness-raising activities to instill respect for intellectual property law. Based on periodic review of risks according to changes in the external environment, the Department offers awareness-raising programs tailored to the management level and position of each employee and executive in Mazda and each Mazda Group company at home and overseas, and to the type of intellectual property in question.

In FY March 2018, to prevent intellectual property-related problems, intellectual education was provided with particular focus on the risks involved in joint development, thereby promoting information sharing and awareness raising.

## Brand Protection (Measures against Imitation Products)

To protect customers, Mazda implements activities to eliminate the risk posed to customers by the purchase of imitation products. These activities are aimed at supporting and improving the strength of the Mazda brand and its trustworthiness, as a brand that continues to be relied on by customers.

### [Details of Activities]

1. Mazda develops and implements its own measures against the sale of imitation products.
2. Mazda actively participates in programs organized by the private and public sectors against imitations.
3. Mazda appoints permanent staff from among the members most knowledgeable in intellectual property issues to liaise with countries and regions that are major sources of imitation products. Working with government and other agencies tasked with exposing imitation products, these staff members work to devise measures to stem the flow of such products.

## j Examples of awareness-raising activities

- Preparing manuals for creating and publishing materials
- Developing Mazda-Shared Image-Collection, which collects communication materials that involve no risks of intellectual property infringements

## Compliance

At Mazda the concept of compliance applies not only to laws and regulations, but also includes adherence to other rules such as internal guidelines and societal norms and expectations. Business operations are conducted in accordance with the Mazda Corporate Ethics Code of Conduct to ensure fair and honest practice. This also applies overseas; Mazda not only complies with international regulations and the laws of each country and region, but also respects local history, culture, and customs. The Mazda Corporate Ethics Code of Conduct is revised as needed to cope with changes in the social environment, social needs, etc. The Global Employee Engagement Survey, which includes a questionnaire concerning compliance, is conducted to check the employees' degree of understanding of compliance.

**Outline of the Mazda Corporate Ethics Code of Conduct**

**Five principles of "faithful" behavior**

1. To comply with laws and regulations, company rules, common sense and sound practice in international society.
2. To be fair and even-handed.
3. To fulfill the company's social responsibilities.
4. To fulfill your own duties truthfully.
5. To be honest.

**Guidelines**

1. Comply with laws and regulations and the company rules. In a situation where such rules are not clearly defined, make a judgment considering their spirit.
2. Treat employees, customers and clients fairly and justly. Do not obtain from or give anybody an unjust benefit and/or favor taking advantage of your business position.
3. Make distinctions between public and private affairs, and never pocket or abuse the company assets.
4. Keep confidential information. Never infringe on any intellectual property rights, whether it belongs to Mazda or another party.
5. Seek to develop, manufacture and sell products taking human safety and the environment into consideration.
6. Act with a view to seeking sound profit.
7. Respect human rights and human dignity.
8. State the truth honestly and timely in reporting internally and/or to the public.

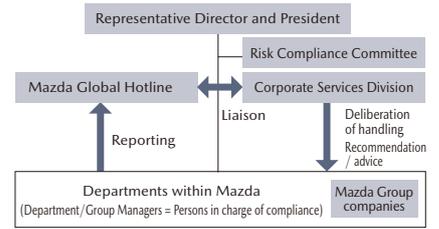
### Mazda Global Hotline

In 1999, Mazda established the Ethics Advisory Office to handle employee inquiries about compliance and conduct investigations on ethical matters. In September 2007, the office was renamed the Mazda Global Hotline and the scope was expanded to include domestic and overseas Mazda Group companies and contact points were established both inside the Company and outside (attorney's office). To ensure that all employees are aware of this hotline, Mazda has distributed the Compliance Card with the contact information to all employees at Mazda Motor Corporation, and ensures awareness of this hotline at every opportunity through compliance education. Mazda has also introduced the hotline to Mazda Group companies in Japan and overseas via each company's Intranet. This hotline is also introduced to suppliers so that they can report the questions arose from any transaction.

The Mazda Corporate Ethics Code of Conduct states that "Persons who report incidences of violation of the law and persons who cooperate in investigations of alleged violations shall not be subjected to retribution or disadvantageous treatment." In addition, Mazda has set up several contact points to provide various consultations for employees. These contact points aid in the early detection and appropriate handling of important compliance-related information. The critical cases are reported to the management.

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### Compliance Promotion System



Global Employee Engagement Survey Percentage of positive responses\* (Consolidated)

	FY March 2015	FY March 2016	FY March 2017
Legal and company policy compliance is strictly observed in this company.	73%	73%	75%
This company deals properly with violations of compliance.	70%	71%	73%

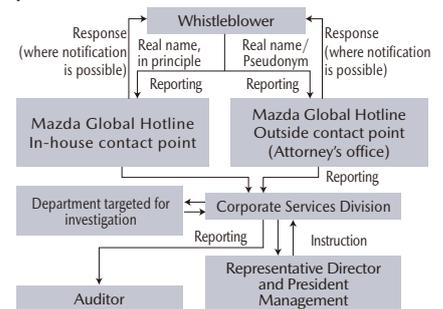
\* In FY March 2018, the survey items were revised. A new survey was commenced in May 2018.

### Overview of Compliance Activities

1997	Ethics Committee established under the direct supervision of the president
1998	Mazda Corporate Ethics Code of Conduct established. Guidelines on Entertainment and Gifts established
1999	Ethics Advisory Office established
2002	Compliance Seminar held for executives and middle managers (once a year in principle)
2005	A mandatory e-learning course held for all indirect employees Ethics Questionnaire conducted targeting executives and employees A wallet-size "Compliance Card" is distributed to every employees in the Mazda Group.
2007	The Mazda Global Hotline established
2008	Distribution of "Learning from Other Companies" and "Compliance Communications" started on the Company Intranet The Ethics Committee reorganized to Risk Compliance Committee
2013	Compliance Card revised and disseminated through the Mazda Global Hotline
2017	Distribution of "Let's Learn Together about Compliance!" started on the Company Intranet

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### Mazda Global Hotline



### Various Contact Points



## Compliance Education

Mazda believes that mere adherence to laws and regulations is not enough; it is important to have each and every employee understand the essence of such laws and regulations and to practice integrity. Various compliance education activities are organized in line with the changes in the social environment and social needs. In FY March 2018, around 1,000 employees took part in these activities. The content of voluntary learning opportunities using e-learning is also being enhanced. Moreover, the Company uses its Intranet to raise employee awareness of compliance issues. For example, Mazda distributes a case study series entitled "Learning from Other Companies' Case Examples," which highlights problems and best practices at other companies relating to compliance and risk management. Another Intranet-based study tool is a monthly series entitled "Let's Learn Together about Compliance!" which presents case studies on themes closely related to daily operations in a conversational form. Every month around 4,000 employees read these materials. This information is also shared with Mazda Group companies, who apply it in their own compliance education activities. There are also department-specific compliance efforts, such as the arrangement of regular meetings using "Let's Learn Together about Compliance!" Continued initiatives targeting executives and middle managers are also taking place to reemphasize the importance of compliance through compliance seminars and timely provision of information.

## Enhancing Global Tax Compliance

The Mazda Group handles tax affairs with integrity, in keeping with the Mazda Corporate Ethics Code of Conduct and other relevant rules and regulations. It is an important duty as a good corporate citizen to pay taxes in an appropriate and timely manner, in accordance with followings: international rules, each country's laws and regulations, and the Company's Finance Control Guidelines. With this in mind, Mazda contributes to social development in each country, by voluntarily fulfilling its tax obligations.

The Mazda Group understands the purport of the Base Erosion and Profit Shifting (BEPS) projects, which are promoted by the OECD and the G20 countries.

The Group will not engage in tax-evasion behaviors through the abuse of tax havens, but will sincerely cooperate in implementing information disclosure in response to requests from the tax authorities of each country, to ensure tax transparency. Particularly in its global business operations, Mazda is well aware of the importance of transfer pricing taxation as a means of determining proper profit-sharing among Group companies in the respective countries. By promoting active dialogue with tax authorities through effective use of Advance Pricing Arrangement, the Mazda Group is committed to transparent and fair transfer pricing. The Group will continue to establish trusted relationships with the tax authorities in each country and enhance tax compliance from a global standpoint, while taking into account changes in the social environment and needs regarding tax affairs.

n Themes of "Learning from Other Companies' Case Examples," "Let's Learn Together about Compliance!" and "e-Learning" (Example)

- Agreement
- Copyright
- Insider Stock Trading
- Personal Information
- Act on Subcontracting
- Security Control
- Act against Unjustifiable Premiums and Misleading Representations
- Ordinances on Exclusion of Violence Group
- Anti-Monopoly Act
- Unfair Competition Prevention Act  
(including bribery of national civil servants)
- Security Export Control
- Non-Disclosure Agreement
- Outsourcing Agreement
- And others

## Supporting Enhancement of Compliance at Dealerships in Japan

To support transparent management throughout all Mazda Group companies, Mazda systematically promotes the strengthening of compliance among its dealers in Japan based on the principle as compliance being the base for building the brand.

### Specific initiatives:

- CSR Committee meetings are convened in conjunction with the Mazda Dealership Association in order to discuss basic policies and measures related to compliance and internal controls, and request the promotion of compliance to all Mazda dealerships in Japan at every opportunity, such as during the conferences for dealership representatives.
- Know-how sharing including examples of practical and effective activities is promoted, by holding a biannual conference bringing together the responsible persons and employees engaged in internal controls, from dealerships in Japan. Since FY March 2019, a briefing session focusing on internal control self-diagnosis has been held, in order to promote problem prevention activities. By providing detailed support for such activities, Mazda has further strengthened compliance at domestic dealerships.
- Questions encompassing risks concerning standard business process and laws particular to dealerships in Japan as well as internal control were added to the Self Diagnosis Checklist on Internal Controls, which is deployed throughout the Mazda Group. It supports the promotion of dealership management in compliance with related laws and improvement of work efficiency.

The Self-Diagnosis Checklist reflects examples of dealerships' activities. It is intended to promptly share best practices and risks with related parties and to promote more practical self-diagnosis.

- The CSR site has been opened on the intranet used by all dealerships in Japan, in order to promote understanding of compliance and internal controls among dealership employees. The site provides the standard operating procedures that define the basic business operations to be performed by dealerships, as well as education tools, such as one-point lessons on compliance concerning near-at-hand case studies and specialized e-learning programs.
- For immediate reporting of problems regarding compliance, internal controls and other CSR-related issues, an in-house consultation contact point has been set up at each dealership in Japan, and effective use of the Mazda Global Hotline reporting system has been brought back to attention.