Compliance

Our Approach

At Subaru, compliance is positioned as one of our most important management issues in our Corporate Governance Guidelines. We instill in each employee a strong awareness that thorough group-wide compliance forms the foundation of Subaru’s management, that we must observe all laws and internal regulations relevant to our business activities, that our corporate activities must be executed in manner that is fair and just and in conformance with general social ethics, common sense and standards, and that these principles should be reflected in their actions, create and operate a compliance system/organization, and carry out activities such as providing all kinds of training for these purposes.

Corporate Code of Conduct
Based on Subaru’s Corporate Philosophy, the Corporate Code of Conduct sets forth the basic policy that all executives and employees must observe for customers, business partners, shareholders, regional communities, and all stakeholders.

1. We develop and provide creative products and services while paying sufficient attention to the environment and safety.
2. We respect the rights and characteristics of individuals.
3. We promote harmony with society and contribute to the prosperity of society.
4. We meet social norms and act honestly and fairly.
5. We maintain global perspective and aim to be in harmony with international society.

Conduct Guidelines
These guidelines specifically set forth standards for actions in order to put the basic policy as exemplified by the Corporate Code of Conduct into practice in the daily business activities of all executives and workers.

Rules for Compliance
Subaru has Compliance Regulations which set forth the systems, organization and management processes related to compliance. In FYE2020, for the purpose of promoting better understanding of the systems, organization and management processes related to compliance and striving for thorough implementation of efforts, we performed a systematic review of the Compliance Regulations, after which the Compliance Committee deliberated and approved the establishment and revision of several rules related to compliance. Starting in FYE2021, we are further enhancing efforts on compliance based on these rules.
Management System

Subaru has established the Compliance Committee as a group-wide organization to promote compliance and to deliberate, discuss, make decisions, and exchange information related to important matters. Also, each department formulates their own implementation plan (compliance program) to promote compliance every fiscal year, and moves forward with continuous, systematic independent activities.

In FYE2020, the Director and Executive Vice President was newly appointed Chief Risk Management Officer (CRMO) in April, and appointed Chair of the Committee. Also in April, the newly established Risk Management and Compliance Office was appointed secretariat for the Committee. These efforts were carried out for the purpose of accelerating global, group-wide initiatives related to compliance under the direction of the Committee Chair. Also, starting in FYE2021, the Committee’s name was changed to the Risk Management and Compliance Committee, and it will deliberate, discuss, make decisions, and exchange information on important matters related to risk management, in addition to those related to compliance.

Compliance System

When regular and temporary employees of the Subaru Group detect a problem related to compliance in the group, they can consult with the Hotline Desk by using the Compliance Hotline. Based on the relevant regulations, the Hotline Desk is where employees affiliated with the appointed Risk Management and Compliance Office directly receive mail, telephone calls, and e-mail, investigate facts, and provide response. We have also established a desk outside the company staffed by external specialists to increase the hours in which service is available and to increase the confidentiality of those contacting the desk.

The Desk works to quickly resolve consultation matters upon conducting a fact-finding investigation headed by the Risk Management and Compliance Office Manager. Also, it reports to the proper management members and the Risk Management and Compliance Committee, working toward preventive measures.

There were 216 consultations in FYE2020, the details of which are outlined in the table below. We strive to instill a mindset of being assertive regarding use of the system and to improve compliance awareness through efforts to make the existence of the system common knowledge (please refer to “Initiatives”). This has increased the number of consultations, and we have seen improvements in the management of the system, such as an increase in the number of events that lead to improvements in the corporate culture in addition to proper response and issue resolution.

Itemization of the contents of consultations with the Compliance Hotline

<table>
<thead>
<tr>
<th>Item</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace environment</td>
<td>14</td>
</tr>
<tr>
<td>Labor related</td>
<td>68</td>
</tr>
<tr>
<td>Personal relationships, suspicion of harassment</td>
<td>84</td>
</tr>
<tr>
<td>Other compliance-related issues (Work violations, suspicion of wrongdoing, etc.)</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>216</td>
</tr>
</tbody>
</table>
**Initiatives**

**Training**

In enforcing thorough compliance, we believe that initiatives in which the entire Subaru Group acts in concert are necessary. We conduct compliance training and training for legal affairs in practical business for all Group employees organized by our Legal Department, Risk Management and Compliance Office, and human resource and education departments. Also, each department and affiliated company creates their own unique education plan based on their compliance program, supplemented with study groups on important laws related to their work and compliance enlightenment training. In FYE2020, we started offering the compliance training we have been providing for employees of a designated rank to all regular and non-regular employees in an effort to further expand the range of compliance. Also, in addition to a training course with Risk Management and Compliance Office members serving as the instructors, we also established a course in which executives from various departments speak from their own experience, promoting further understanding of compliance on the part of our employees and encouraging communication with executives. In FYE2020, approximately 7,700 people participated in trainings conducted by or involving the Legal Department and the Risk Management and Compliance Office.

**Compliance Implementation Support Tools**

In order to promote compliance in everyday work, we create and provide various implementation support tools other than the Compliance Manual, such as in areas of specialization at affiliated companies. To make knowledge of the Compliance Hotline common, we distribute cards containing information on the framework of the system and the contact address for consulting services, and also put up posters in all workplaces. In FYE2019, we updated the design of the information cards and posters to deliver a message that encourages employees to proactively use the system even for things that feel only slightly suspicious. In addition, we are making efforts for the timely report of highly urgent information and to call the entire group’s attention to such matters.

**Bribery Prevention**

At Subaru, based on our stance toward the prevention of acts of corruption related to business as an important issue, we distribute the Anti-Corruption Guidelines (Japanese and English versions) throughout the Subaru Group. The guidelines clarify the conduct required of employees and executives by explaining prohibited and non-prohibited acts particularly when coming in contact with government workers. In China, taking into considerations unique social conditions, we created the China Anti-Corruption Guidelines (with a Chinese translation included). It is distributed throughout our Chinese subsidiaries and forms the official rules of the relevant companies. Also, anti-corruption is identified as an important issue in the Compliance Manual (Japanese and English versions) issued to domestic and overseas companies. We not only require proper conduct regarding bribery to government workers, but also pursue thorough fairness in transactions with private-sector customers and partners.

**Security Trade Control**

Subaru, seeking to preserve the peace and safety of the international community, performs independent export control in accordance with the Foreign Exchange and Foreign Trade Act so that consumer products and technology that could be repurposed for military use, including weaponry, do not fall into the hands of countries developing weapons of mass destruction or terrorists (non-state entities). We have regulations for the purpose of appropriate management of the entire group. Also, the Export Control Committee is a body that meets at least once a year to deliberate on the state of initiatives throughout the entire group. It is comprised of all executives of departments involved in exports, with the director in charge of the Legal Department, the person in charge at the same department, or the executive responsible for business execution as the Chair. Further, for the purpose of improving the control level, we carry out export controls with the use of IT and work to continuously improve the system. Since FYE2019, we started detailed autonomous confirmations using a check list to ascertain that operations are in conformance with a variety of official regulations. Based on the results, we conducted the full-scale launch of continuous improvement activities.
Enactment of the Tax Policy
Subaru enacted its Tax Policy in June 2020. This basic policy sets forth our posture and way of thinking toward the tax laws we should comply with when paying the appropriate amount of tax.

Tax Policy
The SUBARU Group is able to conduct its business operations thanks to support from society, and the company strongly recognizes the importance of returning profits to society. The SUBARU Group considers fulfilling its tax obligations to be an essential element of this.

The SUBARU Group strives to ensure compliance with the tax laws and regulations of each country and jurisdiction, pursuant to the international rules and standards set out by international organizations, thereby fulfilling its societal obligations through appropriate tax payment, while aiming for sustainable growth through sound business activities.

1. Compliance with tax laws and tax-related regulations
The SUBARU Group undertakes applicable tax return filing and tax payment procedures in compliance with the tax laws and tax-related regulations of each country, and relevant tax treaties.

2. Tax corporate governance
The SUBARU Group establishes and implements a structure to appropriately identify, manage and report tax risk. In order to respond to changes in its businesses, and in light of complex tax operations, the SUBARU Group enhances this structure by assigning to it employees with tax expertise. Furthermore, the SUBARU Group raises awareness and provides guidance and consultation regarding tax compliance to SUBARU Group companies, making use of external professionals, and properly fulfils its tax payment obligations.

3. Appropriate intercompany transaction prices (Transfer Pricing)
The SUBARU Group conducts inter-group transactions and transactions with unrelated parties applying economically rational (arm's length) prices, and does not inappropriately set prices through arbitrary manipulation.

4. Compliance with Anti-Tax Haven Rules
The SUBARU Group does not establish entities that are unnecessary for its business with the aim of tax avoidance, and the SUBARU Group pays taxes pursuant to the substance of its businesses in accordance with the tax laws and regulations.

5. Relationship with tax authorities
The SUBARU Group strives to maintain trust with tax authorities by dealing with the authorities in a good faith manner; for example, by providing fact-based information in an appropriate and timely manner in response to requests.