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# CORPORATE GOVERNANCE

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## Corporate Governance System in Detail

In developing new structures to strengthen our corporate governance system, on June 25, 2019, a new corporate form was selected consisting of a company with three statutory-committee, clearly separating management functions and supervisory, oversight and auditing functions. In the past, directors supervised the execution of important business operations as well as the duties of individual directors, but the change in structure to a company with three statutory committees has separated execution from supervision. Those with the newly established executive officer role are responsible for the execution of business operations, while members of the Board of Directors focus on supervision of their assigned duties. This has improved the transparency of the decision-making process and also made business execution speedier and more flexible. Furthermore, by increasing the number of outside directors to a majority of the board, we are working to reflect a diversity of viewpoints into our management and strengthen our supervision function still further. The Board of Directors has established three committees: the Nomination Committee, which decides on candidates for director positions; the Compensation Committee, which sets compensation for directors and executive officers; and the Audit Committee, which audits the business execution of directors, executive officers, and those with similar responsibilities. Outside directors make up more than half of each committee, and play a leading role in the Nomination and Compensation Committees. This ensures healthy governance, with

supervision, oversight and auditing by the Board of Directors and other corporate bodies heightening the effectiveness of our structures in terms of internal controls, compliance and risk management. Officers and employees, including executive officers, will sincerely respond to this supervision, oversight and auditing.

In addition, we announce clear management targets and policies to all stakeholders and disclose our performance promptly with a high degree of transparency.

We have also established a corporate governance system that maintains business transparency. The system allows us to implement various monitoring systems, as well as assess and manage risks that have the potential of preventing us from achieving our business goals. In addition to carrying out cooperation among sites in the regions in which we operate, we have set up global management systems and provide relevant training programs to our employees and business partners. We aim to disclose governance information with even greater transparency in future.

\* Click here for more information on the Nissan Corporate Governance Overview  
[https://www.nissan-global.com/EN/COMPANY/PROFILE/CORPORATEGOVERNANCE/pdf/Overview\\_EN.pdf](https://www.nissan-global.com/EN/COMPANY/PROFILE/CORPORATEGOVERNANCE/pdf/Overview_EN.pdf)

\* Click here for more information on the Corporate Governance Guidelines  
[https://www.nissan-global.com/PDF/190625-02\\_01\\_EN.pdf](https://www.nissan-global.com/PDF/190625-02_01_EN.pdf)

\* Click here for more information on Governance Data  
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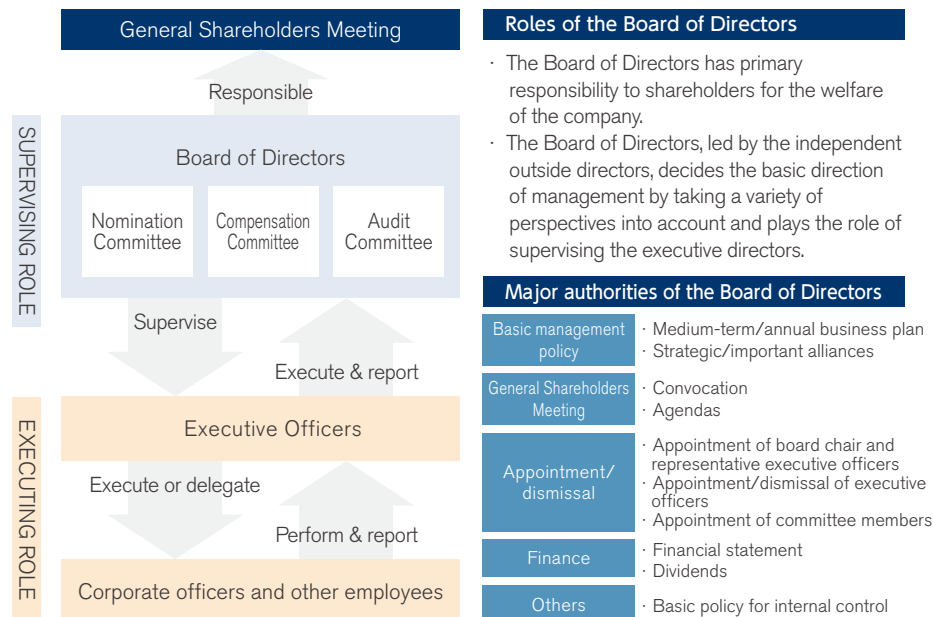
## Corporate Governance System Transformation

On June 25, 2019, Nissan transitioned to a three statutory-committee format, establishing nomination, compensation and audit committees.

### New System Key Points

- (1) Separation of management and supervisory functions
- (2) Increased independence of Board of Directors
- (3) Transparency of decision-making process
- (4) Speedy and flexible business execution

## Role of The Board of Directors



## Board of Directors System

Our Board of Directors, led by independent outside directors, decides the basic direction of management by taking a variety of perspectives into account and plays the role of supervising the executive directors. The number of directors on the board is sufficient to facilitate lively discussions and swift decision-making. In order to create an environment where discussions in board meetings are led by independent outside directors, these directors constitute a majority of the board, with one of them serving as board chair.

The Board of Directors decides on basic management policies and important matters set forth under the law, articles of incorporation and regulations of the Board of Directors itself. In order to carry out effective and flexible management, as a general rule, the Board of Directors delegates much of its power to decide on business activities to executive officers. As of March 31, 2020, the Board of Directors consists of 12 directors, seven of whom are independent outside directors (of whom two are women).

\* Click here for more information on each member of the Board of Directors.  
<https://www.nissan-global.com/EN/COMPANY/PROFILE/EXECUTIVE/>

\* Click here for more information on the Board of Director's activities in fiscal 2019  
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## Nomination Committee System and Authority

AUTHORITY / ROLE	RESOLUTION ITEMS
<ul style="list-style-type: none"> <li>· To determine the content of the General Shareholders Meeting agenda concerning the appointment and dismissal of directors as provided for in the Corporate Law</li> <li>· To determine the content of the Board of Directors meeting agenda concerning the appointment and dismissal of the representative executive officer</li> <li>· To formulate an appropriate succession plan regarding the president and CEO and review it at least once a year</li> </ul>	<ul style="list-style-type: none"> <li>· Proposal of election/dismissal of director candidates</li> <li>· Proposal of election/dismissal of representative executive officer</li> <li>· Succession plan for CEO</li> <li>· Proposal of appointment/dismissal BOD chair and vice chair</li> <li>· Proposal of appointment/dismissal committee chair and members</li> </ul>

As of March 31, 2020, the Nomination Committee chaired by independent outside directors consists of six directors, five of whom are independent outside directors (of whom one is a woman). The committee has the authority to determine the content of the general shareholder's meeting agenda concerning the appointment and dismissal of directors. In addition, the committee has the authority to decide on the content of the Board of Directors meeting agenda concerning the appointment and dismissal of the representative executive officer and the authority to formulate an appropriate succession plan regarding the President and Chief Executive Officer.

\* Click here for more information on the Nomination Committee's activities in fiscal 2019  
[>>> P020](#)

## Compensation Committee System and Authority

AUTHORITY / ROLE	RESOLUTION ITEMS
<ul style="list-style-type: none"> <li>· To determine the policy on decisions on the content of the compensation for individual directors and executive officers, and the content of the compensation for individual directors and executive officers</li> <li>· To determine the specific amount, or, in the case of non-cash compensation, the specific content of compensation, for each individual director and representative executive officer</li> </ul>	<ul style="list-style-type: none"> <li>· Policies and systems regarding compensation for directors and executive officers (compensation principles, level and composition of compensation, base salary system, short/long-term system, benefits etc.)</li> <li>· Specific amount or (in the case of non-cash compensation) specific content of compensation for each individual director and representative executive officer</li> <li>· Specific amount or content of compensation for each individual executive officer</li> </ul>

As of March 31, 2020, the Compensation Committee consists of four directors, all of whom are independent outside directors (of whom two are women). The committee has the authority to determine the policy on decisions on the content of the compensation for individual directors and executive officers and the contents of the compensation for individual directors and executive officers. In addition, the Compensation Committee has the authority to determine the specific amount for each individual director and representative executive officer.

\* Click here for more information on the Compensation Committee's activities in fiscal 2019  
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## Audit Committee System and Authority

AUTHORITY / ROLE	RESOLUTION ITEMS
<ul style="list-style-type: none"> <li>· To audit (monitor and supervise) executive officers' business execution and directors' performance of their duties.</li> <li>· To make executive officers and employees/subsidiaries report on business execution and investigate the status of operation and financial conditions</li> <li>· To seek injunctions against illegal acts of directors, executive officers and employees</li> <li>· To produce annual audit reports</li> <li>· To select/dismiss external auditors</li> <li>· (Appointed Audit Committee member) to represent the company in any litigation brought against directors/ executive officers</li> </ul>	<ul style="list-style-type: none"> <li>· Annual audit reports to be submitted to shareholders meeting</li> <li>· Audit policy/rules and annual audit plan/budget of the Audit Committee</li> <li>· Proposal for shareholders meeting concerning the appointment/dismissal of external auditors</li> <li>· Assignment of staff employees of Audit Committee secretariat</li> <li>· Annual audit plan, budget and HC of Global Internal Audit Office, assignment and evaluation to the head of Global Internal Audit Office</li> <li>· Filing of litigation against directors/ executive officers</li> </ul>

As of March 31, 2020, the Audit Committee chaired by independent outside directors consists of five directors, four of whom are independent outside directors (of whom one is a woman). As part of audits on business execution including the organization and operation of Nissan's internal control systems, the Audit Committee receives reports from executive officers, corporate officers and employees on their business execution for Nissan and its group companies, in accordance with the Audit Committee's annual audit plan and on an ad-hoc basis as necessary. In addition, the Chair has meetings with executive officers including the President and Chief

Executive Officer periodically and exchanges opinions in various areas. Further, the Chair attends important meetings etc. to state his opinions, reviews internal approval documents and other important documents, and, when necessary, requests explanations or reports from executive officers and employees. The Chair shares his collected information with other members of the Audit Committee in a timely manner.

The Audit Committee, in conducting its audits, cooperates with the internal audit department and the independent auditors in an appropriate manner, making efforts to enhance the effectiveness of "tri-parties" audit. Under the leadership of the Audit Committee, collaboration among three parties is contributing to the enhancement of the effectiveness of internal control systems by sharing information on the issues pointed out by their respective audits and the status of their remediation in a timely manner. Further, the Audit Committee supervises the internal audit department, periodically receives reports from them on the progress and results of their internal audit activities conducted in accordance with their internal audit plan and, as necessary, gives them instructions regarding internal audit.

The Audit Committee is the contact point for whistleblowing with doubts regarding the involvement of management such as executive officers, and deals with whistleblowing by establishing a system where relevant executive officers cannot know the whistleblower and the content of whistleblowing.

\* Click here for more information on the Audit Committee's activities in fiscal 2019

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## Board Features

### High independent representation in board and committee composition

- Majority of Board of Directors are independent outside directors.
- Majority of Nomination Committee and Audit Committee, and all members of Compensation Committee, are independent outside directors.
- All chairs of the Board of Directors and three committees are independent outside directors.

Board of Directors 7 out of 12 are independent directors

Committee	Nomination	5 out of 6 are independent directors
	Compensation	4 out of 4 are independent directors
	Audit	4 out of 5 are independent directors

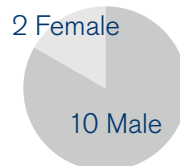
### Diversity of nationality and gender

#### Nationality

5 Nationalities

#### Gender

17% Female



## Director independence standards

To ensure high independent representation on the Board of Directors, Nissan strictly defines the qualification of independent directors. They must not fall into any of the following categories:

### Prohibited categories

1	Executive or employee of Nissan (within last 10 years)
2	Major shareholder of Nissan (within last five years)
3	Director, statutory auditor, statutory accounting advisor or executive of a company of which Nissan is a major shareholder
4	Major business partner of Nissan
5	Executive of an organization that received a significant amount of donations and contributions from Nissan
6	Director, statutory auditor, statutory accounting advisor or executive of a company that has a director who was seconded from Nissan
7	Major creditor of Nissan
8	Certified public accountant or tax attorney appointed as statutory accounting auditor/advisor of Nissan
9	Attorney, certified public accountant, tax attorney or any other type of consultant who has received significant business from Nissan
10	Member, partner or any other executive of an accounting firm, tax firm, or consulting firm that has received significant business from Nissan
11	Family member of any of the above categories
12	Person who has served as director of Nissan (for more than 6 years)
13	Person who may otherwise consistently have substantial conflicts of interest with the shareholders of Nissan

Important: All items stated above are summaries of the full qualifications as defined in Nissan Director Independent Standards. For more details for each category, please visit the Nissan website for Nissan Director Independent Standards;

[https://www.nissan-global.com/PDF/190625-02\\_02\\_EN.pdf](https://www.nissan-global.com/PDF/190625-02_02_EN.pdf)

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## Executive Officer System

Executive officers decide on business activities which are delegated in accordance with the resolutions of the Board of Directors and execute the business of the Nissan Group.

Several conference bodies have been established to deliberate on and discuss important corporate matters and the execution of daily business affairs. Furthermore, in the pursuit of more efficient and flexible management, the authority for business execution is clearly delegated as much as possible to corporate officers and employees.

As of March 31, 2020, eight executive officers, two of whom are representative executive officers, are appointed.

\* Click here for more information on each executive officer  
<https://www.nissan-global.com/EN/COMPANY/PROFILE/EXECUTIVE/>

## Basic Principles of the Internal Control System

We aim to provide superior value to all stakeholders, consider healthy governance the foundation for this, and are engaged in a range of activities to achieve it. In line with this principle, and in accordance with Japan's Companies Act and its related regulations, the Board of Directors has decided on internal control systems to pursue these goals and its own basic policy. The board continually monitors the status of implementation regarding these systems and the policy, making adjustments and improvements if necessary. The internal control system that was established in 2007 is chaired by CEO under the monitoring and supervision of the Board of Directors. All executive officers, corporate officers and departments, as well as group companies, cooperate closely under the CEO to improve the internal control system.

\* Please refer to the Nissan Corporate Governance Overview for details on the internal control system (P46)  
[https://www.nissan-global.com/EN/COMPANY/PROFILE/CORPORATEGOVERNANCE/pdf/Overview\\_EN.pdf](https://www.nissan-global.com/EN/COMPANY/PROFILE/CORPORATEGOVERNANCE/pdf/Overview_EN.pdf)

## Audit System

We have adopted a system under which the outside directors, Auditing Committee, department for internal audit and outside accounting auditors coordinate to improve the effectiveness of our internal control systems. Independent outside directors lead our Board of Directors, deciding the basic direction of management and supervising the execution of duties by directors, executive directors, and others with similar responsibilities. The Audit Committee takes charge of the department for internal audit and instructs it with regard to auditing, and the department for internal audit shall report to the Audit Committee the status of the performance of duties and any findings therefrom on an ongoing basis. The Audit Committee also receives similar reports from the accounting auditors, as well as detailed explanations on the status of the quality control of internal audits, to confirm whether their oversight is at a suitable level.

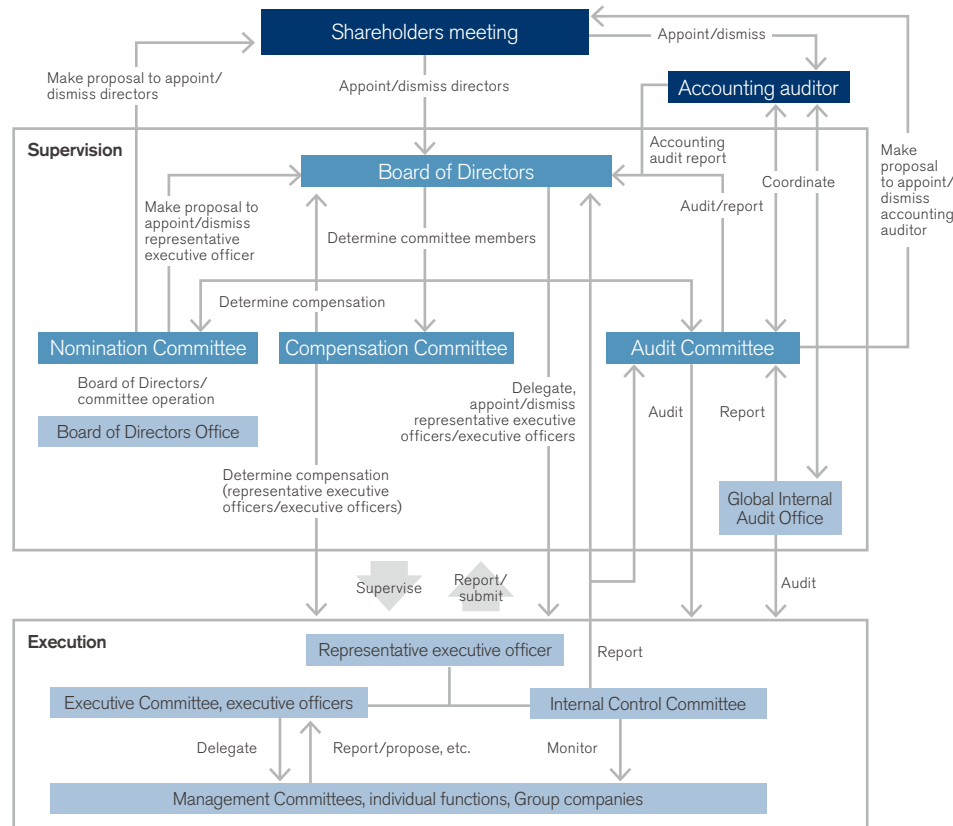
## Independent Internal Audits

An independent, global internal audit function department has been established under the control of the Audit Committee. In each region, internal audit departments located at supervisory companies handle auditing tasks, while global specialized teams conduct audits across each region in the areas of sales finance and IT. Under the control of the Chief Internal Audit Officer, all internal audits are carried out efficiently and uniformly across the globe.

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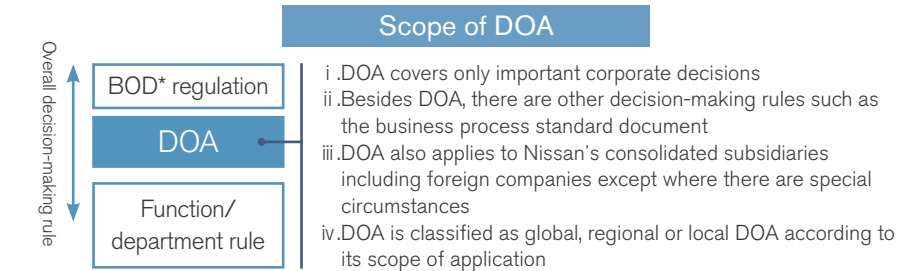
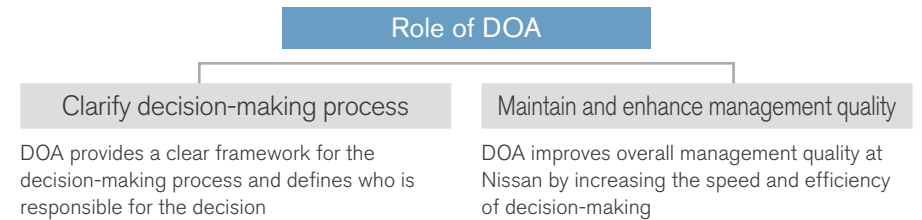
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## Nissan's Corporate Governance System



## Delegation of authority outline

Delegation of authority (DOA) is a part of Nissan's decision-making rules that defines who must be involved in important corporate decisions



\*BOD: Board of Directors

## Delegation of authority governance

For the purpose of enhancing management quality as well as clarifying the process of decision-making, fair and transparent delegation of authority (DOA) is appropriately implemented and strictly controlled

- 01 Robustness**  
 Any revisions, creation and deletion are strictly controlled by the DOA Committee, which is chaired by corporate officers
- 02 Transparency**  
 DOA defines the appropriate individuals who must propose, validate and decide, are disclosed in the Nissan group employee's intranet
- 03 Fairness**  
 Aside from Proposer and Decider, the Validator, who provides expertise to a Decider in the Validator's relevant area, is set in the DOA items
- 04 Effectiveness**  
 DOA representatives and coordinators are assigned in each function and region for efficient operation and for enhancing global management



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## Avoidance of Conflict of Interest




In case of any transaction that involves any conflict of interest between the company and a director or executive officer, the Board Regulations provide that board approval, as well as a post-facto report to the board of important facts associated with the transaction, are required. Given the possibility of conflict of interest, the representative executive officer of the company must not concurrently serve as a director, executive officer, or any other officer or employee of a major shareholder; Mitsubishi Motors Corporation, which is one of the other parties of the Alliance; or any subsidiaries or affiliates of the above. If an executive officer serves in such position at the time of assuming the office of representative executive officer of Nissan, that officer and Nissan shall promptly take the necessary measures for the officer to leave the other company.

Regarding the designation of Audit Committee members, the company's Corporate Governance Guidelines provide that, given the potential conflict of interest with minority shareholders, it is not desirable that the Audit Committee should include any person who has experience serving as a director, executive officer or other officer or employee at a major Nissan shareholder or a subsidiaries or affiliate of same (except for a person seconded from Nissan).

In addition, in 2019, the company established a Director Conflict of Interest Resolution Policy which defines conflicts of interest between a director and the company, requires directors to report any actual, potential or perceived conflicts and also establishes procedures to resolve such conflicts.

## Three key pillars of Director Conflicts of Interest Resolution Policy

### Three key pillars of Director Conflicts of Interest Resolution Policy

Duty to report 	Resolution group 	Resolution procedure 
Mandates two affirmative duties for directors; <ul style="list-style-type: none"> <li>i. Timely reporting of actual and potential conflicts;</li> <li>ii. Advance disclosure of interested transactions</li> </ul>	Establishes the Director Conflict Resolution Group, comprising (of at least) three independent directors, led by the chair of the Audit Committee. The chair can prevent a director from: <ul style="list-style-type: none"> <li>i. Receiving materials,</li> <li>ii. Presenting at any discussion, and,</li> <li>iii. Participating in any vote, related to any specific conflict of interest reported.</li> </ul>	Establishes procedures to resolve director conflicts before and during board/ committee meetings including: <ul style="list-style-type: none"> <li>i. Maintaining a database of all specific conflicts of interest identified,</li> <li>ii. Suspending or postponing the matter in question, and,</li> <li>iii. Excluding the conflicted member from the meeting</li> </ul>

\* Click here for more information on Corporate Governance Report.  
[https://www.nissan-global.com/EN/DOCUMENT/PDF/GOVERNANCE/g\\_report.pdf](https://www.nissan-global.com/EN/DOCUMENT/PDF/GOVERNANCE/g_report.pdf)