

Section: 02

# Management supporting our value creation

- 37 Independent Outside Director, Chair of the Board of Directors Message
- 38 Corporate Governance
- 41 List of directors / skills matrix



# Corporate Governance

Independent Outside Director, Chair of the Board of Directors Message

## Diverse board key to transparency and fairness



### Yasushi Kimura

Independent Outside Director, Chair of the Board of Directors

Earlier this year in Japan, Nissan received a recommendation from the Fair Trade Commission regarding Japan's Subcontract Act. The board of directors takes this very seriously and has confirmed that top management are committed to resolution, identifying the cause, preventing any recurrences and communicating with transparency. Nissan has swiftly issued refunds to the relevant business partners and discontinued rebates. Furthermore, Nissan has established a dedicated hotline for its business partners as well as a new specialized department, enabling the company to proactively gather partners' concerns and requests. The board will supervise whether these measures are implemented and managed effectively. It is crucial that all companies in the supply chain exist in mutual prosperity, practicing appropriate business transactions and responsible sourcing. This is a prerequisite for us to drive innovation and grow as a sustainable company while solving societal issues through the development and distribution of valuable and safe products along with services. Acting with high ethical standards, the board vows to fulfill its responsibility by thoroughly reviewing not only the effectiveness of Nissan's governance structure but also the implementation of a compliance mindset as part of our corporate culture transformation, and maintaining it beyond what is needed just to prevent recurrences.

### From Nissan NEXT to The Arc and beyond

Since the Nissan NEXT business transformation plan was launched in fiscal 2020, Nissan has been strengthening its corporate governance, which it considers a top priority. Nissan NEXT ended in fiscal 2023, when a new medium-term plan was formulated and much discussed by the board.

As the management team put together the new plan, the board asked for the plan's position to be clear in a medium- to long-term time frame, in terms of prioritization and focus. The team were also asked to consider what value would be provided, based on achievements under Nissan NEXT. In planting the seeds for future growth, it was important to have the management team consider what was needed, and, in light of the equal capital relationship with Renault, to demonstrate how the Alliance will be used for a "new Nissan."

Announced at the end of fiscal 2023, the new business plan, The Arc, is truly a bridge connecting Nissan NEXT and Nissan Ambition 2030, the long-term vision. Determined to remain a global player, we will make every effort to boost sales between fiscal 2024 and fiscal 2026, supported by our product portfolio and financial discipline. Beyond fiscal 2026, the plan comprises initiatives based on partner strategies and new businesses. In preparation for the transition to EVs in the future, the ambitious yet fully executable business plan builds on Nissan's tireless work in electrification. The board will continue to oversee efforts on the executive side from various angles, to achieve and support The Arc.

### Advanced governance characterizes board's independent outside directors

The members of Nissan's board represent a range of specialties, genders, and nationalities. 8 of the 12 members are independent outside directors, and with myself as an independent outside director chairing the board we ensure that oversight has maximum transparency. In addition, a substantial amount of authority has been delegated to executives to make management decisions quickly and flexibly. Nissan thus has one of Japan's most advanced systems of governance. The Board's supervisory function includes monitoring the execution of day-to-day business, discussing Nissan's direction in terms of important issues, and ensuring that all discussions are transparent and fair. As

chairperson, I ask management to provide concise explanations and to report information promptly, especially when it is of an adverse nature. In this way, management helps invigorate deliberations, which leads to productive, constructive board discussions. We encourage independent outside directors to proactively offer management advice and opinions, based on their respective areas of expertise. By so doing, the directors help enhance Nissan's corporate value by representing the interests of all shareholders.

This enables management and the board to continue discussing Nissan's sustainable growth in a mutually respectful manner, as well as to fulfill responsibilities to all stakeholders.

### Targeting sustainable growth with society and stakeholders

Nissan places sustainability at the core of its corporate foundation and culture, as it works to create a cleaner, safer, and more inclusive world. The board has been involved in formulating management policies to enhance corporate value over the medium to long term. This has been done to meet sustainability-related needs of the environment, society and Nissan's customers. The board has identified critical issues requiring priority attention, and has asked management to think about whether Nissan can grow into a truly sustainable company.

The Arc is designed to enable the company to achieve carbon neutrality by 2050, as set out in its long-term vision, Nissan Ambition 2030. As the plan's building blocks, we have launched two programs: Nissan Green Program 2030 and Nissan Social Program 2030. Together, they are expected to help solve issues ensuing from environmental and societal changes.

Nissan is ready to accelerate its efforts to prioritize sustainability in all aspects of its business, including in the provision of products, technologies, and services, as well as throughout the entire life cycle of its products.

Our request is for management to continue proactively communicating about its initiatives and efforts, so that society and our stakeholders are both aware of and understand them. At the same time, the board will closely monitor the progress of Nissan toward its goals, and contribute to a more sustainable future.

## Polices and approach

According to Nissan's corporate purpose—Driving innovation to enrich people's lives—improving corporate governance is one of our highest priority management tasks. This must be achieved if we are to be seen as a trustworthy company, that provides unique and innovative automotive products and services of superior, measurable value to all stakeholders.

In addition to addressing risks and opportunities associated with climate change, we are developing our business to reflect society's expectations and our social responsibilities. In other words, we are contributing to the development of a sustainable society through the sustainable growth of our business. Our company has three statutory committees with separate supervision, oversight, and auditing functions. This allows us to improve the transparency of decision-making, while business operations are swift and agile.

The supervision, oversight, and auditing functions of the Board of Directors and other committees ensure the effectiveness of our structure related to internal controls, compliance, and risk management. Officers and employees, including Executive Officers, will sincerely respond to the supervision, oversight, and auditing contemplated hereby.

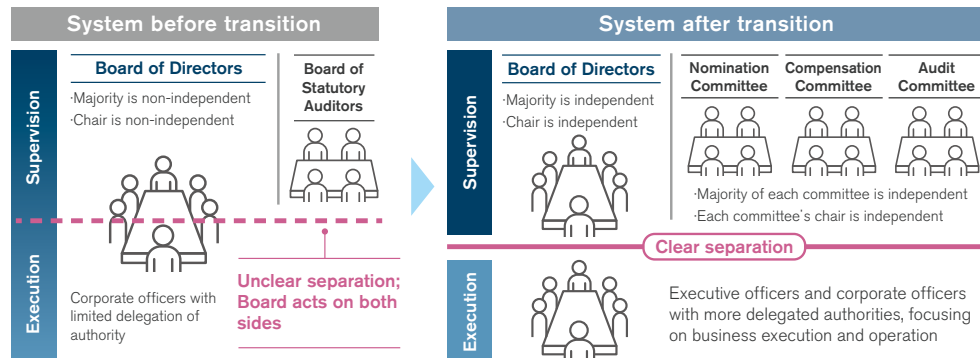
## Structure

To remain a sustainable company, it is essential that we have a governance system with high ethical standards, transparency, and a strong foundation.

Nissan transitioned to a "company with three statutory committees" in June 2019 as its governance system, which clearly separates execution and supervision and led by independent outside directors. It ensures transparency in decision-making, prompt and flexible business execution.

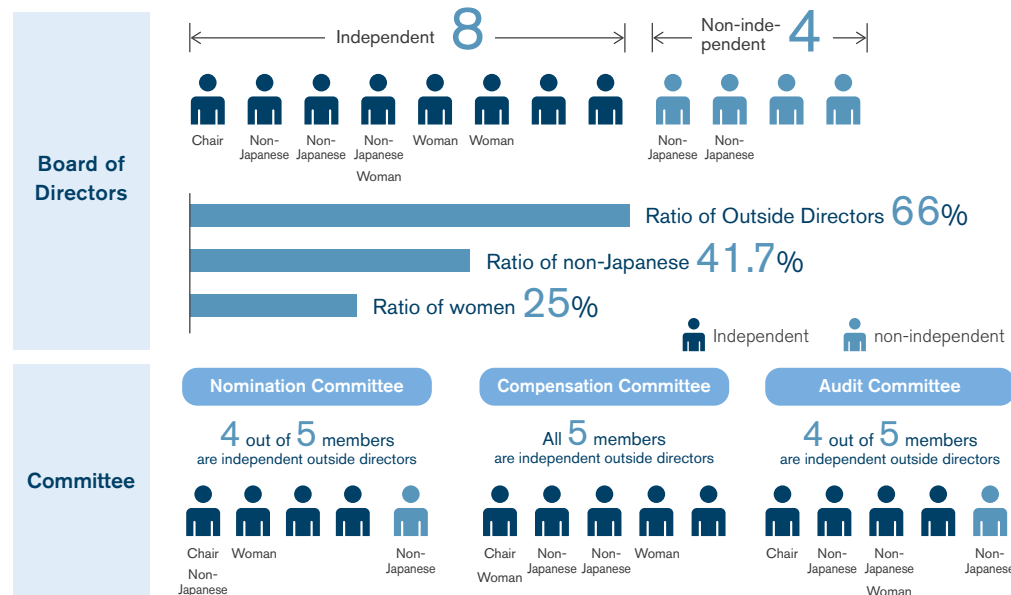
Our corporate structure ensures:

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



## Ensuring independency in composition of the board and committees

The Board of Directors and committees appoint Independent Outside Directors for the majority of their members and for their chair, and the Compensation Committee appoints Independent Outside Directors for all of its members and for its chair.



## Governance enhancement efforts

### More transparency, effective internal controls

Under the Audit Committee, Nissan established a global, independent, internal audit function. This committee is the only reporting line, for the internal audit and internal control and if necessary, its instructions to the internal audit and internal control divisions take precedence over those of executive officers, including the CEO. By establishing appropriate relationships and working together, the internal audit division, the Audit Committee, and the independent auditor strive to more proactively apply external perspectives and improve the transparency and effectiveness of internal controls.

### Director Independence Standards

To ensure a high degree of independence, the Board of Directors has devised standards for independent directors. The standards were formulated based on the model used in Board of Directors regulations for the appointment of independent directors that have been prepared by the Japan Association of Corporate Directors and reflect international trends.

### Independent Outside Directors Conference

Independent Outside Directors periodically hold meetings comprised only of Independent Outside Directors to discuss a wide range of matters related to Nissan's corporate governance and business. Details of the discussions are reported or notified to the Board of Directors as necessary to improve the quality of the Board through active discussions.

## Role of the Board of Directors and Committees

The Board of Directors, led by the 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.

\* Click here for more information on requirements for independent outside directors.

[https://www.nissan-global.com/EN/SUSTAINABILITY/GOVERNANCE/ASSETS/PDF/Standards\\_EN.pdf](https://www.nissan-global.com/EN/SUSTAINABILITY/GOVERNANCE/ASSETS/PDF/Standards_EN.pdf)

### Role of the Board and Committees

#### Board of Directors

The Board of Directors, on the premise that it delegates most of its authority to make decisions on business operation to executive officers, shall elect an outside director that has independency for the majority of its members and for its chair and focus on supervising the status of execution of duties by the executive officers

#### Compensation Committee

The deliberations of this committee include policies and compensation for directors and executive officers.

#### Nomination Committee

Proposals that this committee discusses include: those for the appointment and dismissal of directors to be submitted to the General Shareholders Meeting; those for the appointment and dismissal of representative executive officers to be proposed to the Board; as well as CEO succession plans.

#### Audit Committee

The committee monitors and supervises business execution by executive officers, and the effectiveness of the Board's supervisory function.

## Fiscal 2023 Board of Directors activities

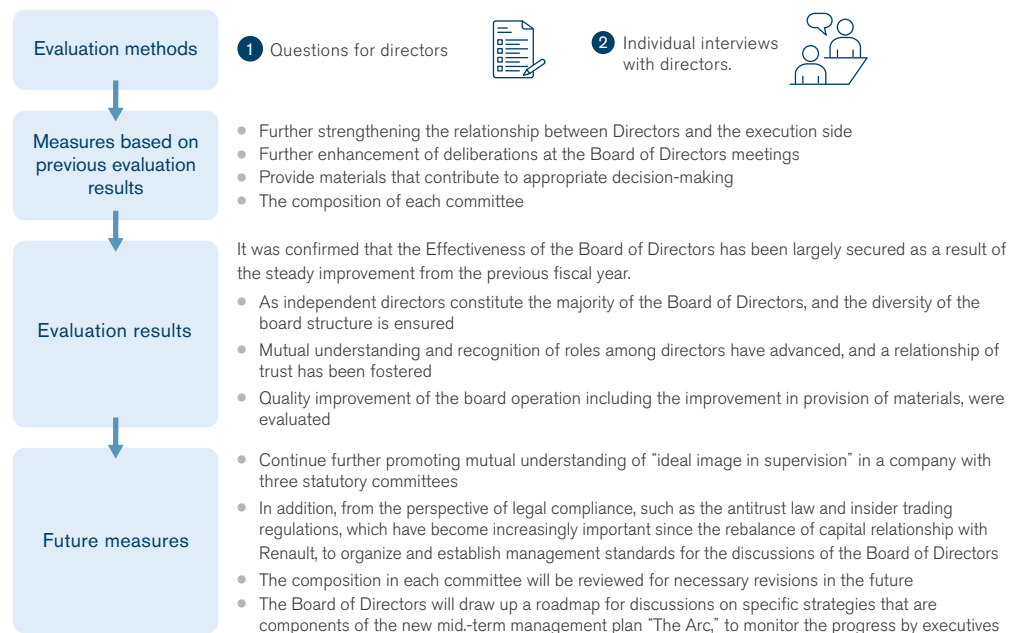
Based on the laws and the Regulations of the Board of Directors, the Board of Directors makes decisions on important matters related to the Company's group management such as the draft agenda of general meeting of shareholders, members of each committee, quarterly and full year financial results, Mid-to Long term plans and annual business plans. Agenda items submitted to the Board of Directors meeting for decision or report during this fiscal year are as follows.

(Among the Board's main fiscal 2023 reports is a report regarding the recommendation by the Japan Fair Trade Commission based on the Subcontractor Act.)

- Regular reports on the business execution status
- Resolution of business plan: The Arc
- Resolution of conclusion of New Alliance Agreement with Renault Group
- Resolution of acquisition of own shares from Renault Group and cancellation of the acquired shares
- Resolution of violation of the Subcontract Act following recommendation from the Fair Trade Commission and report on internal investigation results
- IR report
- Reports on Nissan Green Program 2030 (NGP2030) and Nissan Social Program (NSP2030).
- Regular reports on activities related to internal control and risk management
- Resolution of the Corporate Governance report

## The Board of Directors Effectiveness Evaluation

The Company is conducting the "Board of Directors Effectiveness Evaluation" once a year to continuously enhance the effectiveness of the board and its management environment. Also, an evaluation by a third-party institution is conducted once every three years in accordance with the Company's corporate governance guidelines (Last time conducted in 2022). For the activities of the Board of Directors in FY2023, an evaluation based on a questionnaire from all directors was conducted in February 2024, and based on the results, an interview was conducted with each director by an external corporate governance expert in March 2024, with the aim of deepening opinions. Based on these results, the evaluation for FY2023 and the content of initiatives for FY2024 were decided at the Board of Directors meeting held in May 2024.



Please see the Corporate Governance Report for details regarding The Board of Directors Effectiveness Evaluation.

[https://www.nissan-global.com/EN/SUSTAINABILITY/GOVERNANCE/ASSETS/PDF/g\\_report.pdf](https://www.nissan-global.com/EN/SUSTAINABILITY/GOVERNANCE/ASSETS/PDF/g_report.pdf)

## Appointment and removal of the Representative Executive Officer and succession planning for the President and CEO

The appointment and dismissal of the Company's Representative Executive Officers shall be decided by the Board of Directors based on the deliberations and proposals of the Nomination Committee in order to establish an optimal business execution structure to achieve business growth and enhance corporate value.

With regard to succession planning for the President and CEO, while benchmarking other companies, the Nomination Committee takes the lead in deliberations on the required leadership profile in light of the rapidly changing business environment, and in strong collaboration with the execution side, identifies appropriate talent with potential and conducts regular monitoring based on their development plans. Through this process, the Company is developing the next generation of leaders who can take charge of the Company's future.

It is our basic policy that the President and CEO should be a person who has extensive knowledge and experience in both management as well as leadership to drive the growth of Nissan's business globally, and who we believe is best suited to continuously improve the competitiveness and corporate value of the Company.

## Executive compensation: policies and approach

Executive compensation must motivate directors and executive officers to maximize value for stakeholders, including customers, shareholders, local communities in which Nissan operates, and employees. Decisions are based on six factors: Governance and oversight responsibility; fairness and transparency; value-creation and accountability; competitiveness; operational effectiveness; as well as innovation and adoptability.

### Six principles of the executive compensation

#### Governance and Oversight Responsibility

The Company seeks to further improve its corporate governance, compliance, and corporate ethics. In that regard, the Company will appropriately monitor the compensation program to ensure it is both efficient and in line with the policy.

#### Fairness and Transparency

The compensation program shall be structured and applied in a fair and consistent manner, regardless of race, gender, nationality or other attributions. The performance evaluation system and compensation program shall be open, transparent and designed to treat individuals fairly.

#### Value-Creation and Accountability

The compensation program shall foster performance and actions that create long-term value for the stakeholders, such as our customers, shareholders, the local communities in which the Company operates, and our employees.

#### Competitiveness

Compensation will be competitive as compared to that offered by other automotive companies and large global companies with which the Company competes for securing talented personnel.

#### Operational Effectiveness

The compensation program must be a functioning system that is efficiently administered, easy for executives to understand, cost efficient, and capable of being implemented globally.

#### Innovation and Adaptability

The Company operates its business globally in an environment where technologies and people's lifestyles are changing dramatically. To that end, the Company adopts a global mindset to continuously adapt its compensation program to the diversity of the talent market and business environment.

## Executive compensation structure

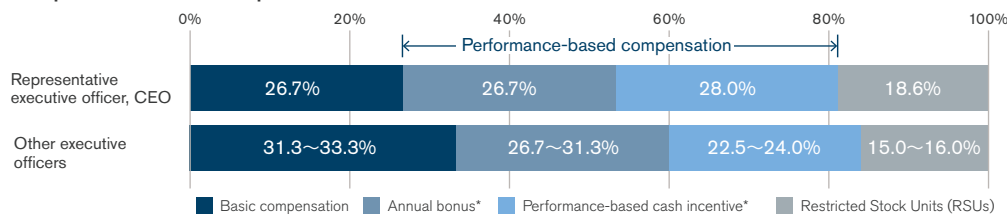
When determining compensation levels, we refer to compensation benchmarks that reference global companies of similar business size and business complexity to the Company including major automotive companies with which we compete.

The variable compensation for executive officers consists of an annual bonus reflecting annual performance, and long-term incentives designed to motivate executives to enhance shareholder value and increase sustainable growth and profitability.

Long-term incentives comprise restricted stock units (40%) that are not performance-linked compensation, and performance-based cash incentives (60%) paid only if targets are met.

As performance-linked compensation is evaluated based on performance indicators over multiple years, the variable compensation program is designed to motivate management to achieve short- as well as medium- to long-term performance goals and to enhance shareholder value.

### Composition ratio of compensation for executive officers



## 2023 executive officer performance-linked compensation

The fiscal 2023 annual bonus corresponds to efforts focused on addressing key priorities in the final fiscal year of Nissan NEXT. Performance-based cash incentives correspond to enhancement of Nissan's medium- to long-term corporate and social value.

Since 2021, as part of our strategy to become a sustainable company, performance-based cash incentives include performance indicators related to carbon neutrality and respect for human rights. Both have a major impact on our business and, thus, are of great interest to stakeholders.

### Performance indicators and weight

#### Annual bonus

Performance indicators (Corporate objectives)	Weight
Operating profit	20%
Operating profit margin	20%
Free cash flow in automotive business*	40%
Quality	10%
Corporate culture	10%

#### Performance-based cash incentives

Financial value indicators	Weight
Operating profit margin	30%
Free cash flow in automotive business*	30%
Net revenue	30%
Social value indicators	Weight
External evaluation on carbon neutrality (environment)	5%
External evaluation on respect for human rights (social)	5%

\* Fiscal 2022 targets are set based on consolidated figures proportional to the China joint venture.

### Annual bonus and performance-based cash incentive payment rate model

$$\text{Payment amount to be paid to executive officer} = \text{Annual basic compensation} \times \text{Eligible percentage set for each position} \times \text{Total achievement rate for performance indicators}$$

Please see the Nissan Securities Report for details regarding executive and other compensation.

[https://www.nissan-global.com/EN/IR/FINANCIAL\\_RESULTS/ASSETS/FR/2023/PDF/fr2023.pdf](https://www.nissan-global.com/EN/IR/FINANCIAL_RESULTS/ASSETS/FR/2023/PDF/fr2023.pdf)

## List of directors / skills matrix (as of July 1, 2024)

The Board of Directors skills matrix is as follows. Having revised priority skill items for future business growth, "Government" was removed from the director skills matrix items, while "Corporate Strategy" was added as a new item, effective April 2024.

Name	Position	Committee	Term of office	Attendance in FY2023 (Attendance/Number of times held)				Skills Matrix								
				Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Global Management	Corporate Strategy	Automobile Industry	Legal / Risk Management	Finance / Accounting	ESG	Products / Technology	Sales / Marketing	Digital Transformations
Yasushi Kimura	Independent Outside Director, Chair of the Board of Directors	Nomination Committee	5 years	19/19 (100%)	11/11 (100%)	-	12/12 (100%)	●	●			●	●	●	●	
Jean-Dominique Senard	Director, Vice-Chair of the Board of Directors	Nomination Committee	5 years 2 months	17/19* (89%)	11/11 (100%)	-	-	●	●	●	●	●	●			
Bernard Delmas	Independent Outside Director, Lead Independent Outside Director	Compensation Committee Audit Committee	5 years	19/19 (100%)	-	15/15 (100%)	8/8 (100%)	●	●	●			●	●	●	
Keiko Ihara	Independent Outside Director, Chair of Compensation Committee	Nomination Committee Compensation Committee	6 years	19/19 (100%)	11/11 (100%)	15/15 (100%)	-	●	●	●			●	●	●	●
Motoo Nagai	Independent Outside Director, Chair of Audit Committee	Nomination Committee Compensation Committee Audit Committee	5 years	19/19 (100%)	11/11 (100%)	15/15 (100%)	12/12 (100%)	●	●	●	●	●	●			
Andrew House	Independent Outside Director, Chair of Nomination Committee	Nomination Committee Compensation Committee	5 years	18/19 (95%)	11/11 (100%)	8/9 (89%)	-	●	●			●	●	●	●	●
Brenda Harvey	Independent Outside Director	Audit Committee	1 years	13/13 (100%)	-	-	8/8 (100%)	●	●				●	●	●	●
Teruo Asada	Independent Outside Director	Audit Committee	New	-	-	-	-	●	●		●	●	●			
Mariko Tokuno	Independent Outside Director	Compensation Committee	New	-	-	-	-	●	●		●	●	●		●	
Pierre Fleuriot	Director	Audit Committee	4 years 4 months	17/19* (89%)	-	-	12/12 (100%)	●	●		●	●	●			
Makoto Uchida	Director, Representative Executive Officer, President and CEO		4 years 4 months	19/19 (100%)	-	-	-	●	●	●	●	●	●	●		●
Hideyuki Sakamoto	Director, Executive Officer, Executive Vice President		4 years 4 months	19/19 (100%)	-	-	-	●	●	●	●		●	●		●

\* Mr. Jean-Dominique Senard and Mr. Pierre Fleuriot did not attend two Board of Directors meeting at which matters relating to Renault were deliberated, in accordance with a policy for resolution of conflict of interest, taking into account their concurrent positions in Renault.