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## Building Sustainability with Long-Term Vision

How will Nissan reconcile its corporate social responsibility with the practical issues faced in the day-to-day management of a company? What challenges to CSR activities are created by the continuing globalization of production systems and sales networks? And what are the objectives of Nissan Green Program 2010, the midterm environmental action plan announced in 2006, and how will it be implemented? Chief Operating Officer Toshiyuki Shiga discusses these issues with CSR specialist Peter D. Pedersen.

### Balancing Corporate Management and CSR

**Peter D. Pedersen:** When companies pursue sustainability, I believe they face many dilemmas. CSR activities—particularly those involving environmental issues—sometimes run counter to the expansion and sales goals of a company, pulling it in the opposite direction. How does Nissan tackle the potential conflict between CSR activities and the practical problems facing the company?

**Toshiyuki Shiga:** A “dilemma” is really a matter of viewpoint, I believe. Nissan is constantly striving to sustain profitable growth, which requires long-term contributions to society and the environment. In the short term, with the situation in any particular year, there may be a fluctuation in the emphasis placed on certain activities, but we don’t perceive this as a dilemma.

**Pedersen:** So you’re saying that CSR and corporate management are on the same vector.

**Shiga:** That’s right. A company cannot sustain growth by chasing after short-term profits without a long-term vision. Everything is guided by the long-term vision and business plan, which underpin the activities being undertaken today. Nissan’s vision is Enriching People’s Lives. From that vision we derive our long-term strategy, our three-year management plan and the budget for a particular year. And our CSR activities emerge naturally as part of this process.



Toshiyuki Shiga  
Chief Operating Officer  
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Peter D. Pedersen  
Chief Executive Officer  
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**Pedersen:** But companies have their financial stakeholders, the shareholders. If the pace of expansion slows or too much effort is being put into the environment and contributions to society, won't there be complaints?

**Shiga:** Not all shareholders are preoccupied with short-term gains. There are many long-standing Nissan shareholders, so we have to have a long-term view. Our stakeholders also include our customers and employees. There are also the local communities where Nissan operates. We have to consider all of these groups when thinking about our CSR activities, and in the end, I think it is a balancing act.

### Working with Business Partners

**Pedersen:** Last year there were several corporate scandals involving quality and governance. In addition, issues like climate change, poverty and income disparities in the wake of globalization are also getting a lot of attention recently. Looking back at 2006, what were the issues facing Nissan?

**Shiga:** To give just one example, compliance is a big issue. First, Nissan has to comply with a variety of laws, and we are proactive in areas like contributing to society and addressing environmental issues. At the same time, we must also encourage our suppliers, dealers and other business partners to make sufficient progress on CSR activities. We must select our partners based on whether they carry out their business activities with integrity and sincerely and actively address environmental and labor issues.

**Pedersen:** When a problem occurs at a supplier, it has consequences for the brand itself. This is increasing the necessity for an approach to supply-chain management that takes into consideration such social issues as the environment and labor practices. How does Nissan approach the supply chain?

**Shiga:** As part of the process of selecting suppliers, we check to see if they are complying with laws and regulations. Even after the initial selection process, I believe it is important to continue to impress on them the importance of compliance. We only select those suppliers that have high standards of conduct and that reliably adhere to them. In procurement, in particular, where all purchasing is done through the Renault-Nissan Purchasing Organization, we will be reinforcing these activities in the future.

**Pedersen:** Production systems and sales networks are progressing toward total globalization. Production sites are located not only in Japan but also in places like South Africa, Spain, Mexico and England. Since social values vary widely, is Nissan taking any special action, particularly in the area of CSR?

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**Shiga:** We have over 180,000 employees worldwide, and if you include our business partners, the network is even larger. It's important to ensure that a common concept of CSR permeates the entire organization. We'll continue to take every opportunity to communicate the importance of CSR globally. By doing so, we believe that all our employees and business partners can maintain a high awareness over a long period of time.

However, having a unified global policy does not mean simply having a codified set of rules. For example, in the unlikely event that a factory inadvertently dumps untreated oil into the sewage system or into a river, it will have a large impact on the surrounding environment. It's not enough to simply have rules on what you shouldn't do; it's also important to be aware of the ramifications of not following those rules. Turning off the lights when they aren't needed is not simply about lowering costs. It also shows a concern for environmental issues. We want our employees to operate with that awareness, and that's what we are aiming for.

**Pedersen:** So, you could say that Nissan is rolling out its CSR as a Nissan global standard.

**Shiga:** Yes. It's not about obeying the law but rather about doing what's right as a company. This is part of our role as a global company. For example, if we build a factory in a developing country, and our target levels for waste processing and recycling are stricter than those required by the laws of that country, the country's own level of environmental protection will rise. If Nissan uses the target values of Japan and other industrialized countries as its global standard, that is one way we can implement CSR through our everyday business activities in every place we operate.

**Nissan Green Program 2010**

**Pedersen:** In 2006 your midterm environmental action plan for 2010 was introduced as Nissan Green Program 2010, or NGP2010. Can you talk about the significance of this program and what is to come?

**Shiga:** Nissan has long been an active player in tackling environmental issues. We wanted all stakeholders to understand Nissan's companywide efforts to improve the environment, efforts involving management on down to products and technology. That's why we developed the corporate stance that we termed Sincere Eco-Innovator, with the ultimate goal of reducing the environmental impact caused by our corporate activities and the manufacture and usage of Nissan vehicles to within the Earth's natural ability to absorb that impact. In addition, we wanted to indicate how each step in the value chain should contribute to this goal, from products and technology to factories and dealers. That's the objective of NGP2010.

**Pedersen:** I'd say that your Sincere Eco-Innovator stance and NGP2010 action plan are significant elements in your global environmental strategy.



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**Shiga:** Today's environmental issues cannot be addressed with just a single technology. Nissan has set the goal of reducing the CO<sub>2</sub> emissions in new cars in 2050 to 70% of their 2000 levels. To do this, we must see what can be done now, what can be done in the medium term and what can be done in the long term, and attack the issue from many angles. For example, the CO<sub>2</sub> emissions of gasoline engines could conceptually be reduced by about 30%. However, that alone will not reduce the total volume of CO<sub>2</sub> emissions. To bring emissions down by 70%, after developing electric vehicles like hybrid and fuel-cell vehicles, we will have to develop renewable-fuel vehicles. Having a roadmap that shows the way is important. We want to use NGP2010 as that roadmap to explain to our stakeholders Nissan's view on environmental technology.

**Always Keeping the Customer in Mind**

**Pedersen:** Today there is fierce competition in the area of automotive environmental technology, and Nissan often talks about pursuing the "four rights": providing the right technology to the right market at the right time with the right value to the customer. This is very logical, but depending on how you look at it, it seems to lack proactiveness.

**Shiga:** The "four rights" are based on the idea that we must always think about value from the customer's viewpoint. No matter how wonderful the technology, if you don't introduce the product to the market at the right time, or if you introduce it to the wrong market, the cost becomes too high and the product doesn't gain a foothold. If the product is not widely used, it obviously isn't going to be very effective in reducing the burden on the environment. That is why the four rights were introduced, to emphasize the importance of always keeping the customer in mind.

**Pedersen:** In the last year you introduced hybrid vehicles, first in the U.S. market. This means that the hybrid satisfies the four rights.

**Shiga:** That's right. If the customer sees the value in the hybrid vehicle, we'll be able to expand into many markets. I think we need to attract customers with our superior environmental qualities, have them recognize the value for the money. As a result, we will see the popularity of our products grow.

**Reinforcing Environmental Communication**

**Pedersen:** As you said, if the customer does not recognize the value, then the whole activity is pointless. And that ties directly in with communication or marketing. In the past, Nissan has highlighted the company's revival, and the environmental and social contribution activities of the company weren't as noticeable. A company doesn't become great with high-performing products alone, so I think that a brand starts to become really great when excellent performance is



## CSR Dialogue

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combined with strong social contributions. What do you think about the importance of communication and marketing in this process?

**Shiga:** That's an area that I want to put a lot of effort into. In fact, we have been a little modest and haven't been doing as much as we could in some areas. Admittedly, we have been overemphasizing the attractiveness of our products and underemphasizing the efforts the company has been making as a whole, including efforts to reinforce the Nissan brand and to protect the environment. To build sufficient confidence in the Nissan brand, we definitely need to start increasing our communication on those points.

**Pedersen:** Talking about Nissan's contributions to society and the efforts on the environment is important to making Nissan an attractive choice for consumers.

**Shiga:** I agree. CSR and environmental activities will become the fifth point of competition, after price, market share, quality and mass customization. Even if a company is competitive in the market, if its contributions to environmental sustainability and society are weak, neither customers nor shareholders will be satisfied. Promoting the strength and high level of our efforts on sustainability is very important.

**Pedersen:** I would like to see Nissan continue to be a sincere company whose actions match its words. On top of that, I hope that Nissan will take one more step forward, overcome the modesty you mentioned and actively communicate with customers and society.



**Peter David Pedersen**  
Chief Executive Officer  
E-Square Inc.

For Nissan to become a truly "great company," it is not enough to achieve numerical targets, such as for scale of operations, sales and return on invested capital. It needs to win the broad and continued support of society and customers through CSR activities and environmental strategies. Now is the time for the company to establish a firm place for itself in society, chart a long-term vision and take action to turn that vision into reality through its activities and products.

Chief executive of E-Square Inc., a sustainability consultancy in Tokyo, Japan. Has extensive experience working with Japanese multinational corporations on sustainability and CSR issues, in particular facilitating vision and strategy building.