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# CORPORATE GOVERNANCE & INTERNAL CONTROL

In order to be a sustainable company, Nissan must display a high level of ethics and transparency, as well as a strong foundation for the organization. Nissan has extensive global operations with numerous stakeholders around the world. It is essential to continue earning their trust and to ensure the high ethical standards and compliance of all employees. The company must also establish a corporate governance system that maintains business transparency, while implementing

various monitoring systems, and must accurately assess and effectively manage risks that might prevent the achievement of business goals. In addition to carrying out cooperation among sites in the regions in which it operates, Nissan has set up global management systems and provides relevant training programs to its employees and business partners.

**Employees in Japan receiving Nissan Global Anti-Bribery Policy training in fiscal 2013:**

**More than 90%**

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## CORPORATE GOVERNANCE & INTERNAL CONTROL

### SCORECARD FY2014 TARGET ACHIEVEMENT RATE: ✓✓ ACHIEVED ✓ MOSTLY ACHIEVED ✗ NOT ACHIEVED

Nissan makes year-round use of the CSR scorecard as a fundamental tool to manage, review and validate its progress in each of the sustainability strategies defined for its CSR activities. The table below shows some of the values behind Nissan's ongoing activities and the indices used in the scorecard to gauge the company's performance.

Nissan Priorities	Nissan Objectives	Indicators of Progress	FY2013 Results	FY2014 Results	Assessment	Action Planned for Next Year Onward	Long-Term Vision
Compliance	A fully functioning framework for the prevention of conduct violations and compliance at all Nissan companies	<ul style="list-style-type: none"> <li>Holding of Global Compliance Committee meetings</li> <li>Implementation status in different regions and development of relevant policies as necessary</li> </ul>	<ul style="list-style-type: none"> <li>Held Global Compliance Committee meetings in May and December</li> <li>Updated Japanese version of Nissan Code of Conduct (undertaken every three years) and held training for all Nissan Motor Co., Ltd. employees</li> <li>Implemented new professional training on export controls in Japan; reinforced cooperation with affiliated companies to ensure thorough compliance with export controls</li> <li>Started externally run Nissan Compliance Hotline for reporting internal compliance issues in Japan, supplementing company reporting channels</li> </ul>	<ul style="list-style-type: none"> <li>Held Global Compliance Committee meetings in May and December</li> <li>Decided new governance measures for Global Compliance Committee to accompany reform of management system</li> <li>Published local guidelines related to global compliance on each region's intranet</li> <li>Began General Awareness training covering anti-bribery measures and export management in the Americas; later to be conducted in other regions</li> </ul>	✓✓	Establish compliance functions in emerging markets and strengthen activities	All individual employees have a high awareness of and maintain full compliance
Risk management	Implement PDCA cycle annually and ensure that risk management is functioning properly	<ul style="list-style-type: none"> <li>Implementation level in the following areas based on the risk-management process</li> <li>Assessment of corporate risks and revision of risk map</li> <li>Reports and proposals to management</li> <li>Disclosure of risk-management activities to stakeholders</li> <li>Oversight of risk-management activities and regular reports to Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Identified corporate risk factors that could negatively affect the mid-term plan and owners of those risks at meeting of the Executive-Level Committees; managed each risk under lead of risk owners</li> <li>Submitted interim and year-end reports on level of implementation of activities to the Internal Control Committee and Board of Directors; ensured proper functioning of the PDCA management cycle companywide</li> <li>Updated "Business and other risks" in financial information (Yukashoken-Hokokusho) and "The current state of Nissan's risk management" in Sustainability Report and Annual Report</li> <li>Held meetings with Japanese affiliated companies twice a year; held meetings with Chinese joint ventures; shared information and exchanged opinions with North American and European sites and Renault representatives</li> </ul>	<ul style="list-style-type: none"> <li>Identified fiscal 2014 corporate risk factors and owners of those risks at meeting of the Executive-Level Committees; managed each risk under lead of risk owners</li> <li>Submitted interim and year-end reports on level of implementation of activities to the Board of Directors; acknowledged that the risk management PDCA cycle was mostly functioning properly</li> <li>Updated "Business and other risks" in financial information (Yukashoken-Hokokusho) and "The current state of Nissan's risk management" in Sustainability Report</li> <li>Held meetings with Japanese affiliated companies twice a year; shared information and exchanged opinions with North American, European, Australian and Brazilian sites and Renault representatives</li> </ul>	✓✓	<ul style="list-style-type: none"> <li>Identify corporate risk for fiscal year at start of each fiscal year and make proposals at Executive-Level Committees</li> <li>Continue to report regularly to the Board of Directors</li> <li>Update information disclosed to increase Nissan's risk management reputation</li> <li>Continue to regularly share information and exchange opinions with domestic and overseas affiliated companies to maintain cooperation on risk management within the Group</li> </ul>	Contribute to raising corporate value with a global risk-management system; obtain better external understanding through appropriate information disclosure
	Meeting of KPIs for maintenance and enhancement of information security, prevention of information leaks, damage limitation and maintenance of transparency in the event of leaks	<ul style="list-style-type: none"> <li>Degree of implementation in the following areas based on the Information Security Policy</li> <li>Holding of Information Security Committee meetings</li> <li>Implementation of annual training</li> <li>Management of incidents</li> <li>Management of information assets</li> <li>Assessment of information security</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened implementation activities worldwide</li> <li>Held Information Security Committee meetings</li> <li>Implemented annual training and revised content reflecting identified needs</li> <li>Quickly identified internal incidents and implemented corrective actions to prevent recurrence</li> <li>Continually improved management of information assets and accuracy of asset ledger</li> <li>Assessed status of information security and revised assessment indicators</li> <li>Made improvements to ensure that incidents similar to recent server attacks and internal violations at other companies and organizations do not occur at Nissan</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened cooperation with Renault for each activity</li> <li>Strengthened Information Security Committee management</li> <li>Implemented annual training and revised content reflecting identified needs</li> <li>Quickly identified internal incidents and implemented corrective actions to prevent recurrence</li> <li>Continually improved management of information assets and strengthened asset identification and tracking process</li> <li>Assessed information security and revised assessment indicators</li> <li>Made improvements to ensure that incidents similar to recent server attacks and internal violations at other companies and organizations do not occur at Nissan</li> </ul>	✓	<ul style="list-style-type: none"> <li>Target further strengthening of cooperation with Renault</li> <li>Strengthen policies worldwide at countries and Group companies where improvement is needed</li> <li>Continue to strengthen policies to prevent such incidents as server attacks and internal violations</li> </ul>	Contribute to pursuing stable corporate activities and social responsibility by globally implementing PDCA cycles on information security

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## NISSAN'S APPROACH TO CORPORATE GOVERNANCE & INTERNAL CONTROL

Governance systems, compliance and risk management are key factors in Nissan's business management. The company's global approach to corporate governance is founded on three pillars: construction of a system in which management responsibility is clear and transparent, compliance built on the high ethical standards of all employees and an effective and appropriate risk-management system.

## CORPORATE GOVERNANCE SYSTEM

**Nissan believes that enhancing its corporate governance is one of its most important business issues. Ensuring clear management responsibility is a key way to achieve this. Nissan announces clear management targets and policies to all its stakeholders and discloses its performance promptly with a high degree of transparency.**

### Corporate Governance System in Detail

To increase management transparency and flexibility, Nissan uses a corporate structure with supervision by the Board of Directors and auditing by the Statutory Auditors. The company has also adopted a corporate officer system. This clarifies the structure for taking responsibility and ensures appropriate supervision and auditing of activities by the directors. The Board of Directors includes outside directors and makes key decisions on important company operations, as well as supervising individual directors' execution of duties.

Nissan's Board of Directors is compact, enabling effective and flexible management, with authority regarding operations clearly entrusted to corporate officers and employees. Additionally, Nissan has established focus committees whose chairs are responsible for carrying out discussions on important company matters and daily operations.

▶▶ website [Click here for more information on the Board of Directors.](#)

## Internal Control Systems

Nissan places high value on transparency in its corporate management, both internally and externally. The company focuses on consistent and efficient management in order to achieve clear commitments. 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 on its own basic policy. The board continually monitors the status of implementation regarding these systems and the policy, making adjustments and improvements if necessary. One board member is assigned to oversee the Internal Control Systems as a whole.

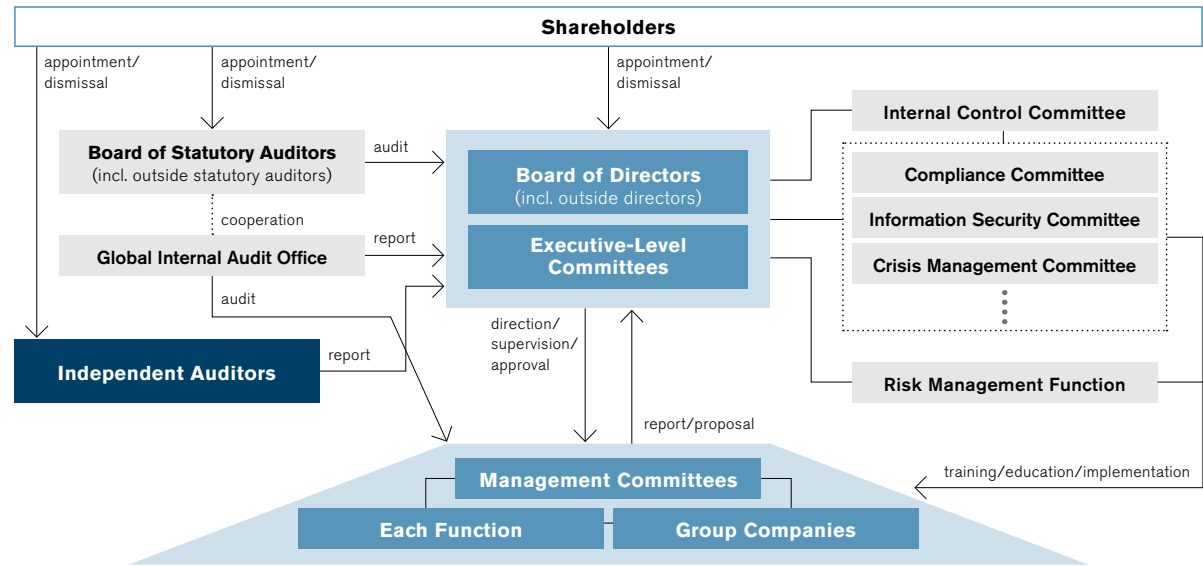
Nissan has adopted a system under which the Board of Statutory Auditors oversees the Board of Directors. The Statutory Auditors attend board and other key meetings, and also carry out interviews with board members to audit their activities. The Statutory Auditors regularly receive reports on the results of inspections as well as plans for future audits from independent accounting auditors and exchange information to confirm these reports. The Statutory Auditors also receive regular reports from the Global Internal Audit Office, making use of this information for their own audits.

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**Independent Internal Audits**

Nissan has established a global internal audit unit, an independent department to handle internal auditing tasks. Under the control of the Chief Internal Audit Officer, audit teams set up in each region carry out efficient, effective auditing of Nissan's activities on a groupwide and global basis.

Nissan's Internal Governance System



As of March 2015.

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**COMPLIANCE**

In promoting corporate social responsibility (CSR), it is essential that each employee practice compliance with high ethical standards. In order to raise compliance awareness throughout the company, Nissan has established specialized departments and appointed officers to promote compliance policy in each region where it operates.

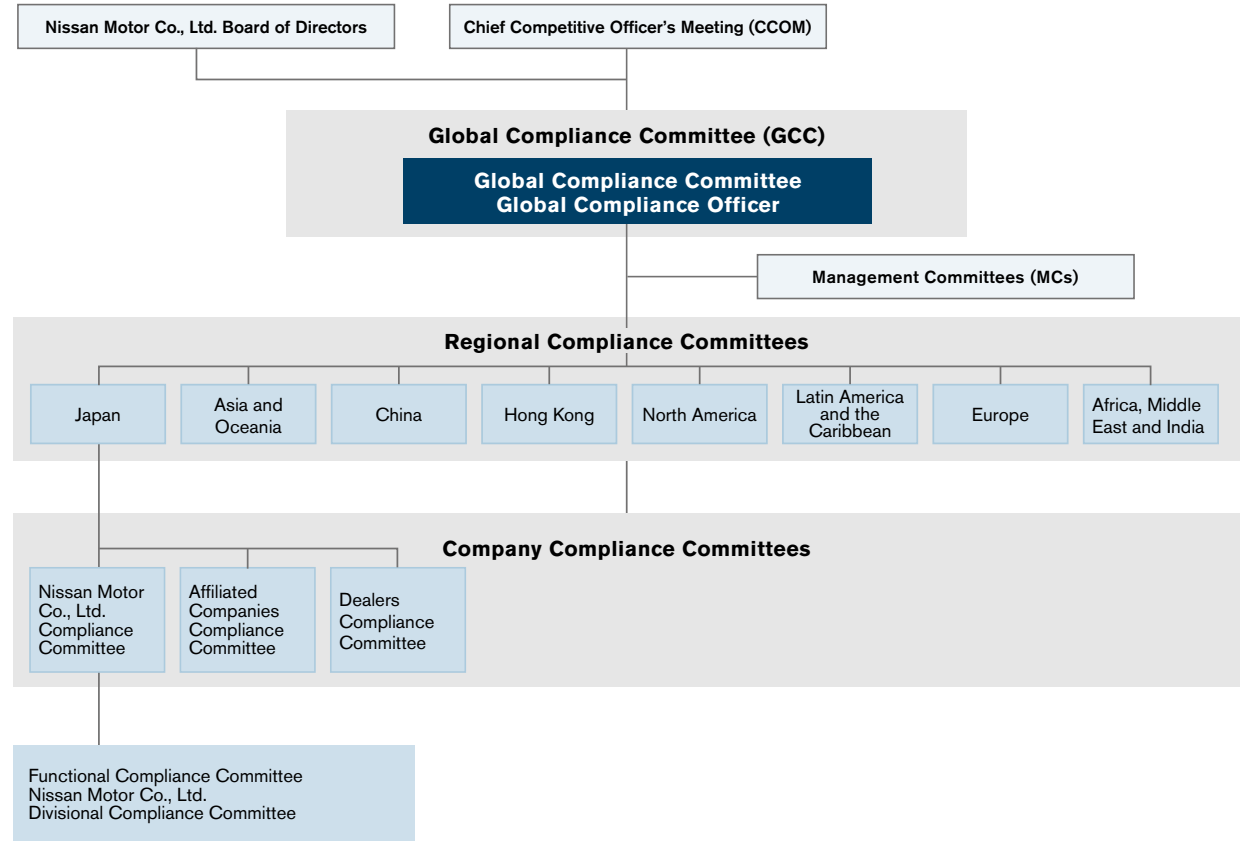
**Employees and Compliance**

The foundation of Nissan's CSR promotion is based on each employee's capability to practice compliance with an ethical view. In 2001, the company produced the Nissan Global Code of Conduct,\* outlining a set of guidelines for employees to put into practice. Today this Code of Conduct is applied at all Nissan Group companies worldwide.

Nissan has also produced guidance for directors and corporate officers regarding compliance, holding regular seminars and educational activities to ensure strict adherence to the rules. Under the oversight of its Global Compliance Committee, the company has established regional compliance committees in each of the regions in which it operates to form a system for preventing illegal and unethical behaviors. Nissan is working with all regions and bases of operation to ensure full awareness of compliance issues and engage in prevention of illegal activities. Nissan deals severely with any employee who violates or infringes the Global Code of Conduct or the law. In fiscal 2014, Nissan redefined the scope of its information disclosure and established a global reporting process to ensure more rigorous compliance management.

▶ page\_105 | [Click here for more information on the Nissan Global Code of Conduct.](#)

FY2014 Global Compliance Committee Organization



▶ As of December 2014.

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### Security-Related Export Controls

To help maintain both national and international peace and security, Nissan thoroughly complies with export control laws and regulations in Japan and other countries and regions where it operates to prevent sensitive goods and technologies from reaching sponsors of terrorism, as well as corporate espionage or human rights violations. In line with these rules, Nissan implements export controls under an independent system headed by its representative executive. Specifically, working together with business owners, the Export Control Global Secretariat sets control and monitoring mechanisms to ensure compliance with security-related export controls. The company strictly applies this process to its operations.

To improve the level of internal control and to minimize overall Nissan risk exposure, the Secretariat has been conducting employee training in all three of the company's main regions of operation. Since 2013, in addition to e-learning and other basic education, managers and employees in Asia, the Americas and Europe have been receiving in-depth educational programs adapted to their needs. For example, sensitive classification training has been provided in-house to related functions including R&D in Japan and the Americas; AMIE participants have benefited from Renault-Nissan seminars.

Overall, the Secretariat has increased knowledge globally and demonstrated that compliance can help minimize risk and facilitate trade. More specifically, the Secretariat supports global sales initiatives in large exporting Nissan entities with relevant controls and proactively provides regulatory advice on new Nissan technology, such as Autonomous Drive, in-car connectivity and EVs, so as not to hinder their development.

Global Export Control Policy Framework



### Promoting Thorough Compliance

Nissan has established a Global Code of Conduct and has appointed departments and officers at each of its operations worldwide to take responsibility in promoting compliance measures.

To ensure full understanding of the code, employees in Japan take an e-learning or video training course based on the Japanese version of the Nissan Code of Conduct—"Our Promises," drawn up in 2004 and revised every three years since (most recently in October 2013)—after which they sign an agreement to abide by it. In this way, Nissan seeks to ensure cross-the-board understanding, making sure all employees are fully aware of compliance issues. A number of education programs to promote compliance are held regularly for employees in North America, and a set of universal guidelines has been drawn up for each country in Europe. Nissan also carries out compliance-related training in other regions based on guidelines that take into account conditions in each country. Moreover, all Group-affiliated companies have introduced their own codes based on the Nissan Global Code of Conduct. Nissan institutes global training to foster employee respect for compliance measures and the Code of Conduct. The company communicates compliance measures to all of its employees in Japan. By fiscal 2013 more than 90% of these employees had undergone training on the Nissan Global Anti-Bribery Policy.\*

Nissan has created a series of internal regulations that are applied globally, covering areas such as insider trading, personal information management, information security, bribery and corruption and use of social media. With these regulations in place, Nissan is working to prevent compliance infractions.

▶ website | [Click here for more information on the Nissan Global Anti-Bribery Policy.](#)

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## Global Code of Conduct for Nissan Group

### Principle

The following standards apply to all employees in Nissan Group companies (collectively herein referred to as "Nissan" or "Company"). Each member of the Company is charged with responsibility to uphold and extend this Code of Conduct.

#### Global Code of Conduct

- 1 Comply with All Laws and Rules  
Nissan employees will abide by all laws of the country, and all regulations of the Company, in which they work.
- 2 Avoid Conflict of Interest  
The best interests of Nissan are expected to be foremost in the minds of employees. It is prohibited to behave, act or use information in a way conflicting with Company interests.
- 3 Preserve Company Assets  
Nissan employees are personally accountable for preserving and safeguarding Company assets. Unauthorized use or diversion of Company assets, including funds, information and intellectual property, is prohibited.
- 4 Be Impartial and Fair  
Nissan employees must maintain impartial and fair relationships with business partners, including dealers, parts suppliers and other third parties.
- 5 Be Transparent and Accountable  
Nissan employees shall make fair, transparent, timely and appropriate disclosure of the Company's business activities to our stakeholders, including stockholders, customers, other employees and local communities.
- 6 Value Diversity and Provide Equal Opportunity  
We value and respect the diversity of our employees, suppliers, customers and communities. Discrimination or harassment, in any form or degree, will not be tolerated.
- 7 Be Environmentally Responsible  
Nissan employees shall strive, within the business objectives of Nissan, to consider environmental protection when developing products and services, to promote recycling and to conserve materials and energy.
- 8 Be Active; Report Violations  
Nissan employees are expected to carry out their work in accordance with the Code of Conduct. Employees who suspect that a violation of the Code of Conduct has occurred are obligated to report it as soon as possible, and such employees shall be protected from retaliation.

### Nissan's Stance Against Discrimination and Harassment

Item 6 of Nissan's Global Code of Conduct, "Value Diversity and Provide Equal Opportunity," is the requirement to accept, respect and value the diversity found among the company's employees, business partners, customers and communities, while rejecting discrimination and harassment in all forms, regardless of the magnitude. Nissan executives and employees must respect the human rights of others, and may not discriminate against or harass others based on race, nationality, gender, religion, physical capability, sexual orientation, age, place of origin or any other reason; nor may they allow such a situation to go unchecked if discovered. The company also works to ensure that all employees, both male and female, can work in an environment free from sexual and other forms of harassment.

### Internal Reporting System for Corporate Soundness

To promote thorough understanding of compliance among all employees worldwide and to facilitate sound business practices, Nissan employs a variety of internal reporting mechanisms. These mechanisms allow employees to submit opinions, questions or requests to the company, thereby improving workplaces and operations as well as fostering a compliance-oriented corporate culture.

In Japan, Nissan's Easy Voice System offers full protection to any persons offering information in accordance with Japan's Whistleblower Protection Act of April 2006 and has become an integral part of operations in all Nissan Group companies in the country. In August 2013, the Easy Voice System was joined by the external Nissan Compliance Hotline, which aims to further promote ethical business practices. Using this system, employees can report compliance issues under their real name or anonymously either via the Internet or by telephone. Experienced counselors at a third-party organization take appropriate action, such as by passing along information to departments or organizations that can take follow-up steps while protecting the privacy of the reporting employee.

Internal reporting systems have also been established at

Nissan's global sites in appropriate forms that take into account local culture and laws. In the United States, Canada, Mexico and Brazil, Internet and telephone hotlines are available 24 hours a day, 7 days a week. Nissan is also preparing to start full-scale implementation of systems in Asia and Europe. Employees reporting issues through internal reporting systems are protected and do not suffer any detriment.

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## RISK MANAGEMENT

**Nissan defines risks as anything that might prevent it from achieving its business goals. By detecting risks as early as possible, examining them, planning the necessary measures to address them and implementing those measures, the company works to minimize the materialization of risks as well as the impact they cause.**

### Principles for and Approach to Corporate Risk Management

Risk management must be a real-world activity that produces concrete measures. Based on its Global Risk Management Policy, Nissan carries out activities on a comprehensive, groupwide basis.

In order to respond swiftly to changes in its business environment, Nissan has set up a department in charge of risk management that carries out annual interviews of corporate officers, carefully investigating various potential risks and revising the company's "risk map" in line with impact, frequency and control level.

The Executive-Level Committees make decisions on risk issues that must be handled at the corporate level and designate "risk owners" to manage the risks. Under the leadership of these owners, the company designs appropriate countermeasures. Finally, the board member in charge of internal control regularly reports to the Board of Directors on progress.

With respect to individual business risks, each division is responsible for taking the preventive measures necessary to minimize the frequency of risk issues and their impact when they do arise as part of its ordinary business activities. The divisions also prepare emergency measures to put in place when risk factors do materialize. Nissan Group companies in Japan and overseas are strengthening communication in order to share basic processes and tools for risk management, as well as related information, throughout the Group.

In addition, Nissan has created an area on its intranet called "Companywide Risk Management." Information relating to risk management is also distributed to subsidiaries in Japan, North

America, Europe and other overseas regions, as well as to major affiliated companies.

Nissan is currently engaged in meeting the goals of the Nissan Power 88 mid-term business plan. To achieve the ambitious goals of raising both global market share and operating profit margins, the company needs to fully utilize its existing production capacity in countries around the world so that new spending can be curtailed. It also needs a highly efficient production setup allowing quick restoration of production if a plant is forced to shut down by unforeseen circumstances.

To support the mid-term business plan from a risk-management perspective, Nissan's efforts will be expanded worldwide and throughout the supply chain, incorporating the valuable lessons learned from responding to the 2011 earthquake and tsunami in east Japan as well as the 2011 flooding in Thailand.

▶▶ website | [Click here for more information on Nissan Power 88.](#)

### Protecting Personal Data and Reinforcing Information Security

Nissan shares its Information Security Policy with Group companies worldwide as a basis for reinforced information security, implementing via the Information Security Committee measures enhanced through the PDCA cycle. The company reliably addresses issues by identifying internal and external information leaks as they occur worldwide and reinforces information security on a timely basis. To thoroughly educate and motivate employees to adhere to relevant policy, the company institutes regular in-house educational programs.

Moreover, Nissan recognizes its social responsibility to properly handle customers' personal information in full compliance with the respective personal information protection law in each region. Nissan has set up internal systems, rules and procedures for handling personal data. All Group companies are fully enforcing these processes.

▶▶ website | [Click here for more information on risk management.](#)