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# COMPLIANCE

Nissan understands that acting with integrity and high standards is of paramount importance, not only because it is the right thing to do, but also because it allows all employees to perform at the highest levels. Nissan expects all employees to maintain the highest ethical standards as they carry out their duties. To raise compliance awareness throughout the company, Nissan has established a Global Compliance Office, as well as specialized departments, and appointed officers to promote compliance in each region where it operates.

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## Enhancing Compliance

### Preventing a Reoccurrence of Nonconforming Final Vehicle Inspections at Nissan's Plants in Japan

After the discovery in September 2017 of nonconformities in the final vehicle inspection process at its plants in Japan, Nissan began a full and comprehensive investigation of the facts, including the causes and background. We have since implemented appropriate countermeasures based on the results. Strict compliance is a top priority for our management, and we have taken it upon ourselves to examine the current situation with regard to compliance in every area of our business. When issues do arise, we take appropriate measures, and we are committed to promoting and

enforcing compliance and awareness thereof in all operational areas.

\*Click here for more information on nonconforming final vehicle inspections.  
[https://www.nissan-global.com/EN/SUSTAINABILITY/VEHICLE\\_INSPECTIONS/](https://www.nissan-global.com/EN/SUSTAINABILITY/VEHICLE_INSPECTIONS/)

### Executing an Overhaul of Compliance Checks

At Nissan, following the discovery of nonconformities in the final vehicle inspection process at vehicle assembly plants in Japan, we were determined to ensure that such a thing could never happen again. Accordingly, in fiscal 2018, an overhaul of compliance checks were carried out and some monitoring items were defined. In fiscal 2019, compliance office and relevant functions started to monitor those items periodically twice a year. In fiscal 2019, comprehensive compliance checks for affiliate companies in Japan was undertaken and no relevant findings were identified. This project will be expanded to overseas entities in fiscal 2020.

### Working with Dealerships

Nissan undertakes various measures to ensure that its approach to compliance is shared with dealerships and to enhance its internal controls. We are strengthening lines of communication with dealerships to further improve our sustainability management. We carry out activities on an ongoing basis aimed at helping dealerships in Japan enhance their compliance.

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Nissan organizes self-inspection programs at all dealerships to enhance understanding of compliance matters and improve their compliance management status. The dealerships check their current compliance status and issues based on Nissan's self-assessment checklists and use the PDCA cycle to make voluntary improvements. Nissan also annually updates, edits and expands the checklists based on our internal audit results, informing dealerships of changes and ensuring compliance. The program status is shared among applicable Nissan departments and reports are made to the Board of Directors of dealerships. Through measures to check improvements and their effectiveness, and a unified approach with dealerships, Nissan strives to further improve its sustainability management.

When major compliance issues occur, the legal, communications, external and government affairs and other applicable Nissan departments work together with dealers to take prompt and appropriate action.

## Anti-Bribery

### Anti-Bribery: Policies and Philosophy

Nissan does not tolerate corruption of any kind, whether individual or systemic, committed by a company or a government. The Nissan Global Anti-Bribery Policy\* establishes a global framework for preventing and responding to corruption. Different cultural contexts may result in what seem to be gray areas, and Nissan respects local customs and traditions, but corrupt practices are never acceptable.

\*Click here for more information on the Nissan Global Anti-Bribery Policy.

[https://www.nissan-global.com/EN/DOCUMENT/PDF/SR/2013/NIS\\_SUS2013E\\_POLICY.pdf](https://www.nissan-global.com/EN/DOCUMENT/PDF/SR/2013/NIS_SUS2013E_POLICY.pdf)

Click here for more information on the Avoidance of Conflict of Interest.

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## Anti-Bribery: Management

Nissan has established a Global Code of Conduct\* and Global Compliance Office as well as departments and officers at each of its operations worldwide with responsibility for promoting compliance measures. Moreover, all Group-affiliated companies have introduced their own codes based on the Global Code of Conduct. The Code of Conduct is supported by training courses to ensure full understanding of its content.

Nissan's overall policy management strategy was redesigned in fiscal 2016 in order to support the promotion of compliance knowledge, including the creation of a Policy on Policies and related standardized procedures.

With this enhanced process, Nissan seeks to ensure across-the-board understanding, making sure all employees are fully aware of Nissan's policies and able to act appropriately when faced with compliance issues. Nissan has created a series of internal regulations that are applied globally, covering areas such as decision-making, insider trading, personal information management, information security, bribery and corruption and use of social media. With these policies in place, Nissan is working to heighten awareness and reduce infractions.

Employee education programs to promote compliance are held regularly in all regions in which Nissan operates. For example, training sessions based on the Global Anti-Bribery Policy have been conducted in all regions.

\*Click here for more information on the Global Code of Conduct.  
[https://www.nissan-global.com/EN/DOCUMENT/PDF/SR/2017/NISSAN\\_GCC\\_E.pdf](https://www.nissan-global.com/EN/DOCUMENT/PDF/SR/2017/NISSAN_GCC_E.pdf)

## Business Ethics

### Business Ethics: Policies and Philosophy

#### Employees and Compliance

Nissan's sustainability efforts are based on each employee's ability to do his or her job with a high level of integrity. In 2001, we established a Global Code of Conduct containing practical guidance for employees. Today this Code of Conduct is applied at all Nissan Group companies worldwide. We also provide guidance on compliance for directors and corporate officers, holding regular seminars and educational activities to ensure strict adherence to the rules.

Under the oversight of our Global Compliance Committee, we have established a Regional Compliance Committee in each region of operation, forming a worldwide system for detecting and deterring illegal and unethical behavior. Global Headquarters works with all regions and bases of operation to ensure full awareness of compliance issues and prevent illegal activity, and has processes in place to take appropriate disciplinary action against those who violate or infringe the Global Code of Conduct or the law. Our Global Compliance Office further increases the rigor of our compliance management. In addition, to enhance compliance at the regional level, stand-alone, independent, regional compliance officers have been hired in the Japan, Asia and Oceania (A&O), China, North America, Latin America and the Caribbean (LATAM), Europe, and Africa and Middle East and India (AMI) regions.

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### Fiscal 2019 Global Compliance Committee Organization (As of March 31, 2020)



\*Each Regional Compliance Committee oversees various local compliance committees as appropriate.

### Global Code of Conduct

Nissan's Global Code of Conduct contains our core principles for doing business with honesty and integrity, in full compliance with established laws and regulations in all locations in which we operate. The Code of Conduct's standards apply to all employees within Nissan Group companies, and every employee is responsible for upholding and adhering to the Code. The Code of Conduct is reviewed for revision at least once every three years to ensure that it evolves along with the company and society. The Code is also updated promptly, outside the regular review cycle, in response to significant changes to laws or other major factors affecting it. The Code of Conduct was most recently updated in 2017, when employee and customer safety were proactively added as a new key pillar of the Code.

In fiscal 2019, updated Global Code of Conduct training material was delivered to all regions. The e-learning material for indirect employees was available in 20 languages and accessible in number of formats including via portable devices like smartphones and tablets. Factory-focused training material was prepared for factory workers, who received the training via regular shift-start messaging or in a seminar setting. This global Code of Conduct training is mandatory for all Nissan employees every year as well as Board members and Corporate Officers. The fiscal 2019 global completion ratio is over 95%.

#### ① Comply with All Laws and Rules

Nissan employees are expected to follow all laws and regulations of the country in which they work as well as all Company policies and rules.

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## ② Promote Safety

Nissan is committed to employee safety and wellness. Nissan employees are expected to engage in safe work practices to promote a healthy work environment. Nissan is also committed to the safety of our customers and their passengers and Nissan employees are expected to continually promote safety of Nissan products.

## ③ Avoid Conflicts of Interest

Employees are expected to act in the best interest of Nissan. It is not permitted for employees to behave, act, or use information in a way that conflicts with Company interests. Furthermore, employees must attempt to avoid even the appearance of a conflict of interest.

## ④ Preserve Company Assets

Nissan employees are accountable for preserving and safeguarding Company assets. The unauthorized or improper use of Company assets, including funds, confidential business information, physical property and intellectual property, is prohibited.

## ⑤ Be Impartial and Fair

Nissan employees must maintain impartial and fair relationships with business partners, including dealers, suppliers and other third parties.

## ⑥ Be Transparent and Accountable

Accounts and records shall be maintained with integrity. Nissan employees shall make accurate, transparent, timely and appropriate disclosures of the Company's business activities to our stakeholders, including shareholders, management, customers, other employees and local communities.

## ⑦ Value Diversity and Provide Equal Opportunity

We value and respect the diversity of our employees, suppliers, customers and communities. Discrimination, retaliation or harassment, in any form or degree, will not be tolerated.

## ⑧ Be Environmentally Responsible

Nissan employees shall strive to consider the environment and environmental protection when developing products and services, promote recycling and conserve materials and energy.

## ⑨ 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. Employees are encouraged to use the SpeakUp system to report their suspicions. Employees who act in good faith and report suspected violations will be protected from retaliation.

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## Business Ethics: Management

### Internal Reporting System for Corporate Soundness

Nissan has established a globally integrated reporting system to promote thorough understanding of compliance among employees worldwide and facilitate sound business practices. The system, known as SpeakUp, can be used by employees to ask questions or voice concerns to the company, thereby improving workplaces and operations. Where allowed by law, SpeakUp permits anonymous reporting by and two-way confidential communication with employees and other stakeholders. It is available 24 hours a day, 365 days a year, in more than 20 languages. Employees are encouraged to report violations of the Code of Conduct or other company rules, and are protected from retaliation by our non-retaliation policy, a cornerstone of our compliance program.

In fiscal 2019, 1,681 issues and questions were reported globally. Among those, 485 compliance-related matters were identified. The number of reporting has been increased since SpeakUp was introduced. This trend is as expected, and indicates both that our compliance program is working effectively and that employees are taking an interest in using it to raise their concerns.

## Security-Related Export Controls

To help maintain both national and international peace and security, we rigorously comply with export control laws and regulations in Japan and other countries and regions where we operate to keep sensitive goods, software and technologies from reaching sponsors of terrorism, espionage or human rights violations. Our export compliance program is implemented under a system headed by the representative executive responsible for export control. Specifically, our Export Control Global Secretariat, consisting of a Global Director and Regional Managers, works with each of our businesses to set control and monitoring mechanisms ensuring compliance with security-related export controls, and these mechanisms are strictly applied to all operations.

We recognize our responsibility for compliance with all regulations related to export controls on goods, software and technologies in our areas of operation. In 2017, we formulated a Global Export Regulatory Compliance Policy to ensure proper compliance with such regulations across the Nissan Group. Based on this global policy, we are working to develop regional policies for each of the regions where we operate, such as export regulatory compliance policies issued in fiscal 2019 for Latin America, updates to North America and have begun discussions for the Europe, AMI (Africa, Middle East, India) and A&O (Asia & Oceania) regions. We also respond in a timely manner to export control regulation changes and related developments around the world, including the enforcement of the Export Control Reform Act (ECRA) in the U.S., amendments to the EU export control list and moves to deploy export control regulations in China, Thailand, India and the Philippines.

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With the overall aim of improving our level of internal control, we strive to conduct regular risk-assessment activities in connection with export controls in each region, create monitoring mechanisms aligned with regulatory requirements and business demands, and continually improve our operations. To make employees more familiar with compliance risks, we are reviewing our training system and materials, including information about complying with relevant customs and trade laws. From fiscal 2018, we began annual training in Japan based on the new system. In addition, we deployed mandatory training globally starting in fiscal 2019 with North America, Latin America, AMI, and China completing this training, and A&O and Europe under development.

We have been addressing export control of advanced technology on a global level to prepare for the future of our company. To hasten the implementation of our Global Export Regulatory Compliance Policy, we continue to promote export control for advanced technologies, such as autonomous driving and connected-car technologies at Nissan sites in Japan, the U.S., and Europe as well as other locations around the world, where warranted. At our development sites in Japan, we are improving our classification process for sensitive goods, software and technologies using IT systems. By making export control procedures an integral part of our development and design operations, we aim to strengthen our compliance. In addition, we are renewing and collecting information on controlled goods, software and technologies in each region and are implementing comprehensive and sound export controls for each business operation through the systematic global sharing of this information.

### Global Export Control Policy Framework



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## Nissan's Commitment to Tax Transparency

### Nissan's Approach to Tax

Based on its Global Code of Conduct, Nissan is committed to complying with the laws and regulations of all countries in which Nissan Group does business, as well as with international tax treaties and tax-related financial reporting rules. In order to conduct business properly and efficiently in many markets across the globe, Nissan established a documented tax policy from 2015. This document is continuously revised in order to keep up with the legislative and regulatory changes. This policy document includes details of the company's governance arrangements, tax risk management strategy and its approach to dealing with tax authorities, although it is currently not publicly available in full. Nissan is consistently fulfilling all tax disclosure requirements such as OECD Country-by-Country Reporting and other mandatory country-specific transparency requirements like those in Australia or the United Kingdom\*.

Nissan effectively manages its tax risks by providing tax input into key business decisions. Nissan's Tax Department collaborates with and supports other functions to ensure tax implications are properly evaluated and addressed in operational and strategic decision-making. In particular in relation to transactions, restructurings, legal entity modifications, and other business changes, as necessary to support Nissan's business strategy. Through the delegation of authority process, the tax function validates key business decisions from a tax perspective, thereby ensuring the tax strategy is aligned with the wider business objectives, in a consistent manner. Nissan applies established international standards like OECD principles to its dealings between the companies within the group. Intercompany transactions are priced on an arm's-length basis, which means that Nissan-

related entities trade with each other as if they were unrelated.

Nissan is transparent about its approach to tax. Nissan aims to pay the appropriate amount of taxes in the jurisdictions in which it operates, and to avoid tax-related interest payments and penalties for failure to comply. The CFO reviews and approves the tax strategy. The Global Head of Tax and the CFO update annually the Board of Directors on Nissan's tax risks and adherence to its tax strategy.

\*Click here for information on Nissan's U.K. tax strategy.

<https://www.nissan.co.uk/legal/nissan-uk-tax-strategy.html>

### Nissan's Tax Management

Nissan effectively manages tax risks within the Group by participating in and—through the delegation of authority process at a global, regional and local level—validating key business decisions from a tax perspective in a consistent manner.

Nissan's global brand reputation and the continuing success of its manufacturing and distribution operations are of paramount importance. Consequently only a low level of tax risk is considered acceptable as also demonstrated by proactive discussions with tax authorities.

Where Nissan has tax audits, the company seeks to reach an agreement with the Tax authorities on the treatment that will apply. In case Nissan is unable to successfully negotiate, Nissan will uphold its tax positions in court and defend its application of the law through litigation.

Nissan has several methods for identifying and managing tax risks. The Global Tax Controversy Report is Nissan's global tax function tool for central management of tax risk. It includes all tax exposure: both direct and indirect taxes. Key findings are discussed quarterly with top management.

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Specifically for income tax, Nissan has a process in place at local, regional and global level to recognize uncertain tax positions as required by the International Financial Reporting Interpretations Committee (IFRIC). Nissan adopted IFRIC 23 from the beginning of fiscal 2019.

Regarding transfer pricing topics, the tax function has internal procedures and controls in place to identify transfer pricing risks, assess and mitigate such risks, and to monitor and escalate and report material risks to all stakeholders. Profitability by product basis and by company basis is monitored regularly to identify the tax risks in terms of transfer pricing. When potential tax risks are identified, they are reported to the finance executive in charge. The executive-level position within the organization accountable for compliance with the tax strategy is the Global Head of Tax, reporting to the CFO.

Compliance with the tax governance and control framework is evaluated regularly by the global tax team, the compliance departments and internal audit checks. Global policies on tax governance and control are published on Nissan's internal website. Compliance departments (at regional, local and global level) check with tax departments as the policy owner how the policies are enforced and are in line with the business (through regular updates of the policies).

Nissan has a hotline which is called SpeakUp where employees have a way to report unethical or illegal activities they have witnessed or that they suspect. It is publicly filed within Japan according to required laws and regulations. Nissan reports IFRS consolidated financial statement information to Renault.

## Nissan's stakeholder engagement and management of concerns related to tax

Nissan seeks to maintain a long-term, open and constructive relationship with national tax authorities by proactively engaging with them, as well as other governmental and relevant industry bodies directly and indirectly. First, Nissan strives to develop cooperative relationships with tax authorities through regular meetings and partnership programs. Nissan has ongoing communication with tax authorities including, where applicable, use of advance rulings and advanced pricing agreements (APAs). Nissan engages in APAs with tax authorities to obtain certainty regarding transfer pricing for intercompany transactions.

Then, Nissan regularly engages with policy makers to support the development of tax rules and regulations based on sound tax policy principles. Nissan also provides input to industry groups and international economic organizations, such as the Tax Executives Institute (TEI) and the business at OECD. As a Japanese automaker, Nissan is a member of Keidanren, one of Japan's major private sector business associations and also part of the Japan Automobile Manufacturers Association (JAMA). Finally, Nissan's Investors Relations Department engages with the Global Tax Department each time there is a question from stakeholders related to tax topics. The Tax team will assist so that the information is provided in a satisfactory way.