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NISSAN PRIORITIES

## VALUE CHAIN

Together with its business partners, Nissan aims to achieve sustainable growth built on a foundation of mutual trust. The company listens carefully to and works with its suppliers and dealers as equal partners, developing and maintaining cooperative and competitive relations that enable it to implement best practices. Nissan's value chain today extends around the globe due to its expanded business interests. By improving its CSR management through sharing fundamental values and principles with its business partners, Nissan promotes consistency in the CSR activities undertaken throughout the supply chain. (Photo: Sharing information at a suppliers' meeting.)

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## VALUE CHAIN

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 CSR SCORECARD

Nissan Priorities	Nissan Objectives	Indicators of Progress (Scope of Application)	FY2011	FY2012	FY2013	Long-Term Vision
Nissan promotes ethical, environmentally sound actions in all stages of the supply chain.	Share Renault-Nissan values, compliance with laws and regulations with all suppliers	Processes, extent of values and compliance shared with suppliers  (Scope of Application) All tier-1 suppliers to Renault-Nissan Purchasing Organization (RNPO) as well as their supply chains (RNPO is responsible for 100% of total Renault-Nissan procurement by value)	<ul style="list-style-type: none"> <li>Started confirming acceptance of <i>Renault-Nissan CSR Guidelines for Suppliers</i> when sourcing suppliers</li> <li>Drew up rules for responding to legal noncompliance by suppliers, implementing them when incidents occurred</li> <li>Recovery from the Great East Japan Earthquake and Thai flooding carried out with suppliers as vital activities; these were implemented and evaluated as CSR for contributing to society through support for suppliers in affected areas, prompt relaunch of production</li> <li>Main approaches included:               <ol style="list-style-type: none"> <li>Swift sharing of information related to production recovery</li> <li>Steps to deal with planned blackouts, shift to weekend operations in summer months</li> <li>Creation of BCPs for supply chains (Japan and Thailand)</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Continued <i>Renault-Nissan CSR Guidelines for Suppliers</i> requirement when sourcing suppliers</li> <li>Clarified and launched procedures to halt requests for quotation (RFQs) when suppliers violated legal compliance</li> <li>Began preliminary conflict mineral surveys to instill CSR mindset in the supply chain</li> <li>Continued activities for disaster countermeasures               <ol style="list-style-type: none"> <li>Constructed supply chain visualization database in Japan</li> <li>Identified disaster risk areas and checked supply systems of suppliers in risk areas at important overseas sites</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Added confirmation of the EU REACH Regulation actions to the <i>Renault-Nissan CSR Guidelines for Suppliers</i> during sourcing process (to start in FY2014)</li> <li>Implemented strict response to prevent recurrence of legal noncompliance by suppliers</li> <li>Conducted CSR-based investigation of conflict mineral usage in Japan, North America, Europe and China</li> <li>Implemented on-site checks of disaster preparation measures at suppliers in areas with a high disaster risk within Japan</li> </ul>	Proceed continuously to ensure legal compliance in the supply chain and thorough understanding and implementation of appropriate measures
Reduce the environmental impact of products through green procurement activities	Ascertaining management with suppliers based on Nissan Green Purchasing Guidelines  (Scope of Application) All tier-1 suppliers around the world		In line with Nissan Green Program 2016, deployed revised Nissan Green Purchasing Guidelines to suppliers	<ul style="list-style-type: none"> <li>Bolstered environmental management and required compliance of suppliers with FY2012 revision of Green Purchasing Guidelines</li> <li>Started suppliers' environmental data surveys for CO<sub>2</sub> emission and other factors</li> </ul>	<ul style="list-style-type: none"> <li>Distributed action plan for EU REACH, other chemical substance regulations to suppliers, requiring thorough understanding and implementation</li> <li>Worked with suppliers to collect component data and ensure no inappropriate use of restricted or banned substances</li> <li>Continued implementation of suppliers' environmental data surveys; researched condition of target setting for CO<sub>2</sub> emission reduction in suppliers and discussed Nissan's CO<sub>2</sub> emission-reduction targets for suppliers</li> </ul>	Continuously advance cooperation with suppliers regarding environmental management to help reduce use of environment-impacting substances
Promotion of CSR activities at sales companies	Sales companies (Japan)		<ul style="list-style-type: none"> <li>Efforts to firmly establish compliance self-inspection program helped boost compliance awareness from FY2010 levels</li> <li>Representative meeting in June urged greater care with personal information protection, leading to enhanced measures and stronger information management at each company</li> </ul>	<ul style="list-style-type: none"> <li>Continued implementation of compliance self-inspection program to enhance compliance awareness</li> <li>Held meeting for dealership representatives to share examples of issues in improper handling of money, information security and harassment</li> <li>Provided improvement policies, educational materials to encourage dealer efforts to prevent compliance issues</li> </ul>	<ul style="list-style-type: none"> <li>Continued implementation of compliance self-inspection program to enhance compliance awareness</li> <li>Held meeting for dealership representatives to share information about examples of violations and improvement policies</li> <li>Dealer efforts undertaken to prevent compliance issues</li> <li>Implemented a new system to bolster prompt internal information sharing and responses when violations occur</li> </ul>	Provide support to help cement voluntary efforts at sales companies

### KEY FIGURES

#### Distribution of Renault-Nissan CSR Guidelines for Suppliers

**7,700** suppliers

#### Distribution of Nissan Green Purchasing Guidelines

**3,000**  
parts, materials and service parts suppliers

**Suppliers examined in environmental data survey** **70%** of global purchases

**Improvements recommended for compliance violations (FY2013)** **10**

**Nissan Green Shop certification\* conferred** **158** firms/approx. **2,700** outlets



►► GRI G4 Indicators  
►► G4-EN27/G4-EN33/G4-LA15/  
G4-HR11/G4-SO7/G4-SO10



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\* Click here for more information on the Nissan Green Shop certification.

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## NISSAN'S APPROACH TO THE VALUE CHAIN

To promote effective purchasing activities, the Alliance partners have established the Renault-Nissan Purchasing Organization as a common purchasing company to handle all procurement for both companies. This organization is building mutually profitable business partnerships with all suppliers.

Transactions are based on the three important values of trust (work fairly, impartially and professionally), respect (honor commitments, liabilities and responsibilities) and transparency (be open, frank and clear).

Nissan uses the common transparent process worldwide when sourcing suppliers. It provides a wide variety of opportunities for other companies to do business with it, regardless of their nationality, size or history with the company. When making selections, the relevant Nissan divisions meet together to examine from a range of perspectives the proposals received from suppliers. Nissan explains its decision to every supplier that has taken part in the sourcing process as part of a thoroughly fair, impartial and transparent system.

Nissan manages and maintains a database of basic information about its suppliers worldwide, such as the locations of suppliers' plants and the total value of purchases.

Nissan and Renault have produced a booklet, *The Renault-Nissan Purchasing Way*,<sup>11</sup> outlining the important values and processes to be adhered to when doing business. This booklet has been shared with the tier-1 suppliers of Renault and Nissan since 2006.

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<sup>11</sup>Click here to download *The Renault-Nissan Purchasing Way*.

## FISCAL 2013 PERFORMANCE

- Working with suppliers for legal compliance and CSR promotion
  - Added confirmation of the EU REACH Regulation actions to the *Renault-Nissan CSR Guidelines for Suppliers* during sourcing process (to start in fiscal 2014)
  - Implemented strict response to prevent recurrence of legal noncompliance by suppliers
  - Conducted CSR-based investigation of conflict mineral usage in Japan, North America, Europe and China
  - Implemented on-site checks of disaster preparation measures at suppliers in areas with a high disaster risk within Japan

- Working with suppliers to reduce use of environment-impacting substances
  - Distributed action plan for EU REACH, other chemical substance regulations to suppliers, requiring thorough understanding and implementation
  - Worked with suppliers to collect component data and ensure no inappropriate use of restricted or banned substances
  - Continued implementation of suppliers' environmental data surveys; researched condition of target setting for CO<sub>2</sub> emission reduction in suppliers and discussed Nissan's CO<sub>2</sub> emission-reduction targets for suppliers
- Working with suppliers to promote CSR activities
  - Continued implementation of compliance self-inspection program to enhance compliance awareness
  - Held meeting for dealership representatives to share information about examples of violations and improvement policies
  - Dealer efforts undertaken to prevent compliance issues
  - Implemented a new system to bolster prompt internal information sharing and responses when violations occur

## FUTURE MEASURES

- Proceed continuously to ensure legal compliance in the supply chain and thorough understanding and implementation of appropriate measures, based on the *Renault-Nissan CSR Guidelines for Suppliers*
  - Investigation of use of conflict minerals in the supply chain and disclosure of its findings in the Sustainability Report and elsewhere
- Continuously advance cooperation with suppliers regarding environmental management to help reduce use of environment-impacting substances
  - Continued examination of suppliers' environmental data to promote CO<sub>2</sub> emission reductions and other environmental efforts in the supply chain
- Continued information security training for sales companies

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## WORKING WITH SUPPLIERS

To make its global supply chain sustainable, Nissan aims to conduct ethically, socially and environmentally responsible business at every stage. Based on the *Renault-Nissan CSR Guidelines for Suppliers* and the *Nissan Green Purchasing Guidelines*,<sup>\*1</sup> the company is working together with suppliers to instill CSR principles.

### *Renault-Nissan CSR Guidelines for Suppliers*

To effectively implement CSR practices worldwide, in May 2010, Nissan drew up the *Renault-Nissan CSR Guidelines for Suppliers*<sup>\*2</sup> following discussion with Renault and with reference to the CSR guidelines of the Japan Automobile Manufacturers Association, Inc. It also drew up self-assessment checklists.

Via explanations in the following five areas, the guidelines aim to help suppliers review their business activities from a CSR viewpoint and implement CSR activities.

- Safety and Quality: Providing products and services that meet customer needs, etc.
- Human Rights and Labor: Prohibition of child labor and forced labor; compliance with working hour and remuneration laws, etc.
- Environment: Implementation of environmental management; reduction of greenhouse gas emissions, etc.
- Compliance: Compliance with laws; corruption prevention, etc.
- Information Disclosure: Open and impartial communication with stakeholders, etc.

Renault and Nissan have distributed the guidelines to all suppliers worldwide. The Alliance partners have also asked suppliers to further distribute them to secondary business counterparts to ensure they are shared throughout the supply chain. The guidelines must be confirmed by candidate suppliers at the sourcing stage.

Chapter 3 of the guidelines, "To Our Suppliers," mandates compliance with laws and regulations. If suppliers engage in activities that violate legal compliance, they are to report this immediately, along with investigation results, and submit corrective countermeasures. In case of infringement, Nissan will take rigid actions based on its company rules and do everything necessary to prevent a recurrence.

When the guidelines were published in 2010, a section on compliance with laws and regulations was incorporated into the basic contract and applied in contracts with new business partners.

### Confirming CSR Observance at Suppliers

Nissan confirms that suppliers are observing CSR requirements in the following ways.

- Requiring acceptance of *Renault-Nissan CSR Guidelines for Suppliers* when suppliers are selected.
- Checking suppliers' environmental management systems and environmental activities to be conducted with Nissan at time of selection.
- Plant process and environmental management inspections for new suppliers.
- CSR training in purchasing department to ensure that employees responsible for purchasing can check supplier CSR activities during routine operations.

Any problems in the supply of parts and materials may lead to problems for Nissan's production, the supply chain as a whole and even society itself. The company has therefore set the following criteria as assessment of CSR activities.

- Ability to continue supply in case of disaster (checking of disaster countermeasures in sourcing process and during daily operations).
- Ability to supply under normal circumstances (implementation of monthly surveys).
- Financial risk (annual assessments implemented in cooperation with finance department).
- Quality, cost, delivery, development, management (QCDDM) performance (annual assessments and checks by relevant departments).

Nissan assesses the situation at suppliers based on the above. In cases of high risk, the company works with suppliers to rapidly draft and implement countermeasures.

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<sup>\*1</sup> Click here to download the Nissan Green Purchasing Guidelines.

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<sup>\*2</sup> Click here to download the Renault-Nissan CSR Guidelines for Suppliers.

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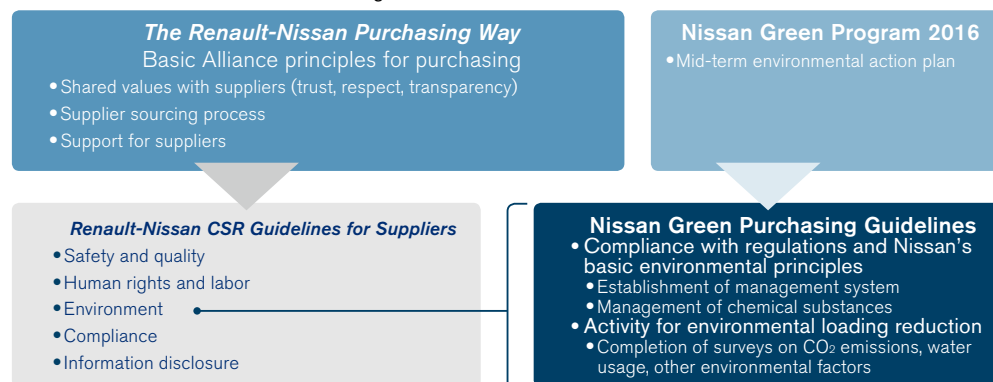
### Suppliers and Environmental Activities

Nissan shares its environmental philosophy and its environmental action plan with all suppliers. To improve environmental performance throughout the value chain, Nissan published the Nissan Green Purchasing Guidelines<sup>\*1</sup> in 2001, requiring suppliers' cooperation. The guidelines offer a more detailed explanation of the environment section in the *Renault-Nissan CSR Guidelines for Suppliers*.

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<sup>\*1</sup> Click here to download the Nissan Green Purchasing Guidelines.

#### The Role of the Nissan Green Purchasing Guidelines



### Revisions to the Nissan Green Purchasing Guidelines

In 2008, the Nissan Green Purchasing Guidelines were expanded from Japan to cover all operations worldwide. In 2011, to coincide with the publication of the Nissan Green Program 2016,<sup>\*2</sup> the company's mid-term environmental action plan, the following points were added.

- Start of environmental data surveys for CO<sub>2</sub> emissions and water usage.
- Management of environment-loading substances expanded to more areas and substances to comply with environmental regulations in different countries.

Based on these changes, Nissan started environmental data surveys at suppliers in fiscal 2012. In fiscal 2013, the company researched the status of target-setting for CO<sub>2</sub> emission reduction in suppliers and started to study targets for Nissan to set for supplier emission reductions.

In 2012, to reflect trends in regulations worldwide, such as the EU's REACH Regulation and RRR directive, the following points were added.

- Addition of further banned substances and global expansion of component data management.
- Checking of environment-loading substance management and activities when suppliers are selected for new cars.

Based on these changes, Nissan requires suppliers to conduct actions to comply with the EU REACH Regulation in fiscal 2014, and is proceeding with its own activities in connection with suppliers.

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<sup>\*2</sup> Click here for more information on Nissan Green Program 2016.

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### Promotion of Monozukuri Activities with suppliers

Nissan has been working to continually improve the competitiveness of its products through its Monozukuri Activities program, a collaboration among suppliers and Nissan that commenced in 2008. Since 2009, these activities have expanded through the joint Thanks Activities initiative, which emphasizes trust and cooperation between Nissan and its suppliers. With the goal of working with suppliers to become cost leaders in today's challenging market conditions, the company is striving to improve product quality, reduce costs and rationalize manufacturing through measures that include increasing production volume per part, promoting localization and improving logistics.

In fiscal 2013, Nissan started the Total delivered Cost (TdC) Challenge as part of further implementation of its mid-term business plan, Nissan Power 88.\* The initiative aims to optimize all fluctuating costs, including for specifications, materials, exchange rates and logistics. Nissan's various functional departments and suppliers are coming together to make strong efforts in the TdC Challenge and improve both quality and supply.

### Engagement with Suppliers

Providing suppliers with timely and accurate information is a key task for Nissan. Suppliers' meetings are held in Japan and overseas to spread understanding of the company's purchasing policy for the fiscal year and mid-term business plan, as well as other matters. In the case of Japan, Nissan holds monthly meetings and directly informs suppliers of its production plans and various activities and requirements. The meetings are also an opportunity for Nissan to respond to supplier questions and requests.

### Recognizing Supplier Contributions Worldwide

Each year Nissan recognizes the contributions of its suppliers with awards presented in each of the regions where it operates, as well as with two worldwide supplier awards, the Global Quality and Global Innovation Awards. These are presented to suppliers that have contributed to its business performance at the global level. This awards system aims to encourage

suppliers in the global supply chain to embrace Nissan's management approach, which balances the economic activities of quality, cost reduction and technological development with environmental concern and social responsibility.

Global Quality Award recipients are selected by Nissan's purchasing, quality and other divisions using standard criteria applied worldwide. Global Innovation Award recipients are selected from suppliers nominated by its production, development and quality divisions in the two categories of product technology and process management. In fiscal 2013, three companies received Global Quality Awards, and Global Innovation Awards went to six companies in the product technology category.

### Conflict Mineral Policy and Measures

In August 2012, bylaws were enacted in the United States requiring companies to report the use of four minerals mined in the Democratic Republic of the Congo and surrounding countries, which were potentially believed to be sources of funds for armed insurgents. Agreeing with the spirit of this legislation, Nissan decided, from a CSR viewpoint, to investigate the supply chain for any use of conflict minerals and established a policy aimed at the nonuse of conflict minerals, announcing related information on its website. Investigations began in fiscal 2013.

The necessity to check whether conflict minerals are being used throughout the global supply chain makes this a large-scale undertaking. Nissan is working together with organizations including the Japan Automobile Manufacturers Association, Inc., companies listed on the U.S. Securities and Exchange Commission, the Japan Auto Parts Industries Association and the Japan Electronics and Information Technology Industries Association to consider the best methods for investigation and result analysis.



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\* Click here for more information on the mid-term business plan, Nissan Power 88.

» website

Click here for more information on Nissan's conflict mineral measures.

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## WORKING WITH DEALERS

**Nissan undertakes various measures to ensure that its approach to compliance is shared with dealerships and to enhance its internal controls. The company is strengthening lines of communication with dealers to further improve its CSR management.**

### Working with Dealers for CSR Management

To promote consistency in the CSR management approaches taken by Nissan and its dealers, the company carries out activities on an ongoing basis aimed at helping dealerships in Japan enhance their compliance.

As a specific measure, twice a year 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 (plan, do, check, act) cycle to make voluntary improvements. Nissan also updates, edits and expands the checklists based on audit results, informing dealerships of changes and ensuring compliance. The program status is shared among dealerships and applicable Nissan departments and reports are made to the Board of Directors. Through measures to check improvements and their effectiveness, and by ensuring that its sense of compliance is shared with dealerships, Nissan strives to further improve its CSR management.

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

### Compliance Training for Sales Companies

Nissan conducts the following initiatives as part of training for sales companies:

#### Regular Revision of Code of Conduct

Every three years, Nissan revises its Code of Conduct in response to legal amendments and social demands of corporate ethics. As well as regularly revising the Code of Conduct with regard to sales companies, Nissan trains its employees concerning revisions and ensures thorough knowledge and implementation of the updated code.

In fiscal 2014, Nissan will hold training at sales companies regarding the revisions in the Nissan Code of Conduct that year.

#### Bolstering Information Security and Preventing Harassment

Based on teaching materials that cover the same topics as those taught in Nissan's e-learning courses, each sales company implements information security training to avert risks arising from serious incidents occurring in the course of daily activities, such as virus infections, unintended e-mail transmissions and information leaks due to misplaced or stolen PCs.

Examples of inappropriate posts on social networking services or blogs that are in violation of Nissan's global social media policy are shared with sales companies, which further share these internally to help prevent such posts. In an effort to enhance awareness and prevent recurrence, Nissan shares information on the potential adverse impact, not just to the sales company but also to the Nissan Group as a whole, when such posts are made.

In the light of growing social interest in abuses of authority and incidents of such abuse at sales companies, Nissan is providing training materials with a focus on power harassment. From fiscal 2012 to fiscal 2013, sales companies undertook training on such topics as "examples of acts and statements that constitute harassment," "what impact a harassment case can have," "past incidents involving sales companies" and "what steps should be taken when a case comes to light." In fiscal 2014, training will be held again for all new employees who joined the company in or after fiscal 2013.