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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. To continue earning stakeholder trust and to ensure compliance, Nissan institutes a corporate governance system that maintains business transparency and effectively manages risk.

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## CORPORATE GOVERNANCE & INTERNAL CONTROL

### NISSAN CSR SCORECARD

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 (Scope of Application)	FY2011	FY2012	FY2013	Long-Term Vision
Internal Control System & Compliance	Compliance/Code of Conduct	Establishment/global development of compliance promoting organizations and codes of conduct	<ul style="list-style-type: none"> <li>Clarified compliance-related risks and confirmed action plans for each region in the Global Compliance Committee; regularly followed up progress thereafter</li> <li>Formulated medium-term regional action plans (FY2011–13)</li> <li>Launched anti-bribery activities in line with expanding scope of Nissan's business; defined global policy, reached decision to implement related training</li> </ul>	<ul style="list-style-type: none"> <li>Discussed priority topics at the Global Compliance Committee and incorporated them into action plans for each region. Regularly monitored implementation status</li> <li>Established a Global Anti-Bribery Policy and implemented global training</li> </ul>	<ul style="list-style-type: none"> <li>Updated Japanese version of Nissan Code of Conduct (undertaken every three years) and held training for all Nissan Motor employees</li> <li>Implemented new professional training on export controls in Japan</li> <li>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 reporting channels within the company</li> </ul>	A fully functioning framework (process) for the prevention of conduct violations
Risk Management	Risk Management	Establishment/global development of an effective risk-management system	<ul style="list-style-type: none"> <li>Reviewed responses to Great East Japan Earthquake for each function; reflected results in the BCP and shared the findings throughout the company; verified progress through further simulation training, enhancing level of readiness</li> <li>Disclosed information on risk management activities via Annual Report and Sustainability Report, adding items and updating content of disclosure</li> <li>Re-implemented benchmarking activities following Renault's shift to new system</li> </ul>	<ul style="list-style-type: none"> <li>Identified corporate risk factors that could negatively affect the mid-term plan. Under the lead of risk owners, established control methods and implemented the necessary risk-reduction activities</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>Activities reported twice a year to the Internal Control Committee and Board of Directors to ensure that the PDCA management cycle is functioning</li> </ul>	<ul style="list-style-type: none"> <li>Identified corporate risk factors that could negatively affect the mid-term plan; under the lead of risk owners, established control methods and implemented necessary risk-reduction activities; promptly managed clear risks and implemented PDCA cycle to take preventive action against recurrence</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>Activities reported twice a year to the Internal Control Committee and Board of Directors to ensure that the PDCA management cycle is functioning companywide</li> </ul>	Contribute to raising corporate value with a global risk-management system; obtain better external understanding through appropriate information disclosure
	Information Security	Addressing personal data protection issues and establishment of stable information security	<ul style="list-style-type: none"> <li>Continued monitoring compliance with personal information safeguarding policies at Nissan Motor and its sales companies, confirming that level was maintained or improved</li> <li>Globally implemented, tracked progress in annual information security management plan, confirming that level was maintained or improved</li> <li>Implemented process for monitoring information security incidents that occurred outside of Nissan and confirmed that similar issues could not take place within the company</li> </ul>	<ul style="list-style-type: none"> <li>Continued monitoring compliance with personal information safeguarding policies at Nissan Motor and its sales companies, confirming that level was maintained or improved</li> <li>Based on the Information Security Policy, held Information Security Committee, implemented annual education, managed information assets, managed incidents, implemented PDCA cycle for assessment, and verified that the levels are being maintained or improved</li> <li>Learning from recent server attacks and social-engineering-related information security incidents at other companies, verified and made improvements to ensure that similar incidents do not occur at Nissan</li> </ul>	<ul style="list-style-type: none"> <li>Continued monitoring compliance with personal information safeguarding policies at Nissan Motor and its sales companies, confirming that level was maintained or improved</li> <li>Based on the Information Security Policy, held Information Security Committee, implemented annual education, managed information assets, managed incidents, implemented PDCA cycle for assessment, and verified that the levels are being maintained or improved</li> <li>Verified and made improvements to ensure that server attacks and social-engineering-related security incidents do not occur at Nissan</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 cornerstones: 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.

## FISCAL 2013 PERFORMANCE

- Updated the Nissan Code of Conduct (done every three years) and conducted training for all Nissan Motor Co., Ltd. employees
- Implemented new training on export control specialists; also reinforced cooperation with affiliated companies to ensure compliance with export controls
- Began externally operated Nissan Compliance Hotline for reporting internal compliance issues in Japan to supplement internal reporting channels

## FUTURE MEASURES

- Continue to strengthen corporate governance & internal control on a global basis
- Implement unified global e-learning on export controls and prevention of bribery and corruption in fiscal 2014

## 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 they make 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.

### 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 the 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.

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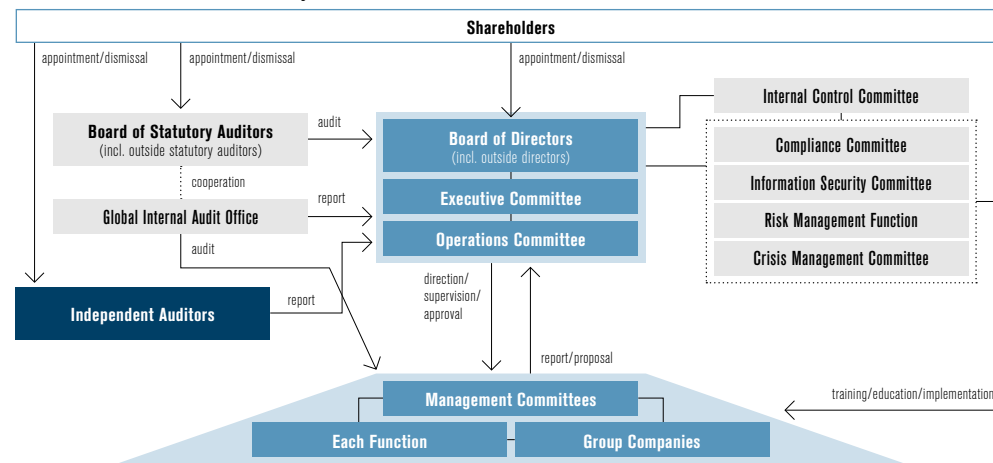
\* Click here for more information on the Board of Directors.



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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.

#### Nissan's Internal Governance System



\* As of March 2014.

#### 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.

#### COMPLIANCE

**In promoting corporate social responsibility (CSR), it is essential that each employee practices 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.**

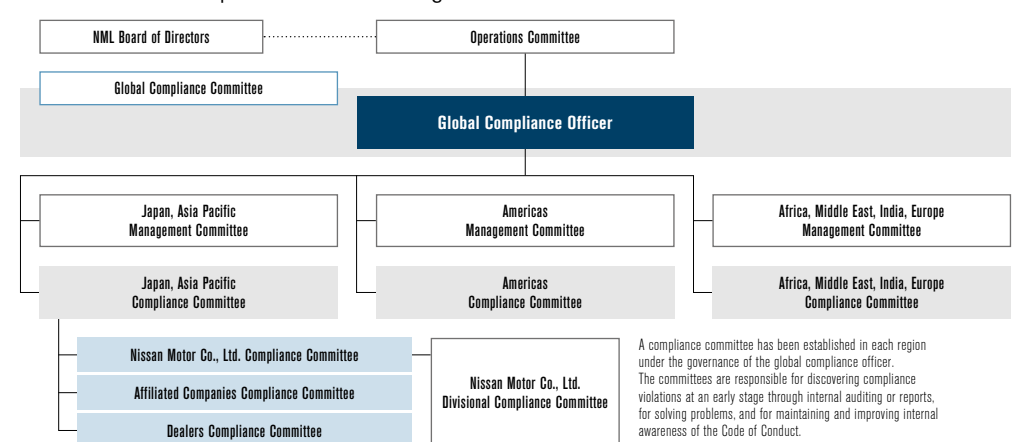
#### Employees and Compliance

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.

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\* Click here for more information on the Nissan Global Code of Conduct.

#### FY2013 Global Compliance Committee Organization



\* As of March 2014.

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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 upon the Global Code of Conduct or the laws.

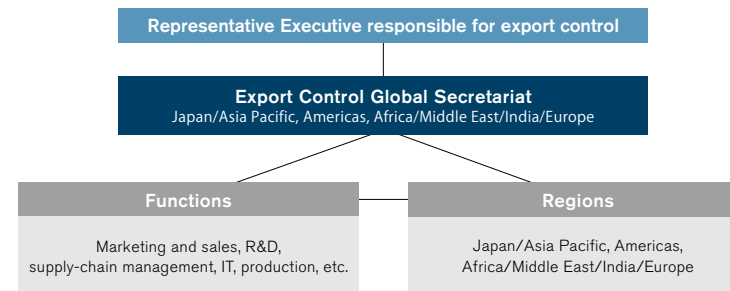
### Security-Related Export Controls

Nissan thoroughly complies with the laws and regulations of Japan and the other countries where it operates, giving full consideration to the requirements of the international community. Part of this effort includes the company's initiatives aimed at contributing to global peace and security. Nissan has established export control rules in line with local countries' laws and regulations, Japanese laws and U.S. re-export regulations to prevent the proliferation of weapons of mass destruction, conventional weapons and any goods or technologies used for their development. 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 function sets control process and monitoring mechanisms to ensure compliance with security-related export controls. The company strictly applies this process to its operations.

To fully enforce as well as improve the level of internal control, the Export Control function and associated business functions at Nissan conduct employee training on export control. In addition to e-learning and other basic training, employees in applicable departments have been receiving comprehensive training on export classification from professional organizations since 2013.

Affiliated companies also strictly adhere to the same export control rules, thereby enhancing the overall compliance level in the Nissan Group. Nissan reinforces monitoring and facilitates best practices sharing at affiliated companies. Furthermore, to raise awareness at the management level in affiliated companies, Nissan provides explanations to executives and makes every effort to ensure compliance with security-related export controls.

### 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 across-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 have been drawn up for each country in Europe. Nissan is also carrying 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.

Additionally, 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.

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\* Click here for more information on Nissan's global anti-bribery policy.

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### Global Code of Conduct for the 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, 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 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, which offers full protection to any persons offering information in accordance with Japan's Whistleblower Protection Act of April 2006, 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 began operations 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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Click here for more information on risk management in the CSR Data section.

## 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 Committee makes decisions on risk issues that must be handled at the corporate level and designates "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 the 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 after 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.

### Protecting Personal Data and Reinforcing Information Security

Nissan recognizes its social responsibility to properly handle customers' personal information in full compliance with Japan's Personal Information Protection Act. Nissan has set up internal systems, rules and procedures for handling personal data. All group companies in Japan are fully enforcing these processes.

Moreover, Nissan shares with group companies worldwide, its Information Security Policy as its basis to reinforce overall information security. The company's Information Security Committee implements measures as necessary to further strengthen information security in order to prevent information leaks and other such incidents. To thoroughly educate and motivate employees to uphold their responsibilities in this regard, the company institutes regular in-house educational programs every year. Nissan enhances training by providing training materials to all Japanese sales companies with the primary aim of reinforcing personal data protection at these companies.



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\* Click here for more information on Nissan Power 88.