Sustainability Seminar Q&A session
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Date and Time: Friday September 3, 2021 16:00-17:00 (Japan standard time)
Spokespersons:
Joji Tagawa, Senior Vice President, Chief Sustainability Officer
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Q&A

Q1:
Please provide your evaluation of Nissan Sustainability 2022 so far. Are there any changes in priorities or objectives after announcing Nissan Sustainability 2022 in 2018?

A1 (Tagawa CSO):
We made good progress over the past 2 years. In terms of the environment, this January, Nissan announced its goal to achieve carbon neutrality across the life cycle of its products by 2050, as well as its intention to electrify all new Nissan vehicle offerings in key markets by early 2030's. On August 26, we announced that we were the first Japanese automaker to be certified from SBT (Science Based Targets), join the Race to Zero campaign and sign the Business Ambition for 1.5°C commitment.

In terms of society, the Global Minerals Procurement Policy was established in July 2020. We conduct due diligence of mineral procurement and human rights issues in the supply chain. Moreover, the Nissan Human Rights Policy was updated for the first time in three years this July. With this, the Nissan Global Guideline on Human Rights was newly created.

In addition, we are addressing the COVID-19 pandemic. Utilizing our expertise in production, we are supporting communal societies by assisting medical facilities, lending vehicles and disclosing intellectual property. We continue with these efforts.

Q2:
What are the specific efforts to achieve carbon neutrality by 2050, and the processes to reflect the carbon neutrality goal in the business strategy?

A2 (Tagawa CSO):
In order to progress towards the company's carbon neutrality goal, we announced four action plans:

1) Battery innovations to improve cost-competitiveness

2) Development of a new e-POWER with improved energy efficiency
3) Development of a battery ecosystem to contribute to renewable energy usage
4) Manufacturing process innovations to support production efficiency

Specific actions include the announcement of new technology to enable a 50% thermal efficiency for power generating engines used in e-POWER, as well as the replacement of fuel used in manufacturing, including electrification of production facilities and introduction of renewable energies, starting with the Tochigi plant, which we are considering to expand globally. We also announced EV36Zero in the United Kingdom together with a battery company and the city of Sunderland, to invest one billion pounds (Nissan's investment is approximately 400 million pounds), to produce 9 GWh of cells annually, which will increase to a maximum of 25 GWh by 2030, as well as an all-new EV.

In order to reflect these initiatives and implement them into the business strategy, executive management is actively discussing sustainability and electrification. The Global Environmental Management Committee meets twice a year to monitor globally the initiatives to address environmental issues. This will be reflected in the next mid-term plan as well as our long-term vision.

We are also ensuring that initiatives related to environmental challenges and human rights are linked to long term compensation for executive management from this year.

Q3:
Besides environmental and ethical considerations, the stable supply of components and semiconductors is becoming a challenge. Are there any changes in your approach to the supply chain?

A3 (Tagawa CSO):
Today, we face a large impact from the COVID-19 pandemic and semiconductor supply shortage. Also, the raw material price hike is expected to be a challenge for the long term due to electrification. Therefore, we are digging deeper into the supply chain, figuring out the right lead times, inventory levels and determining the appropriateness of sourcing and looking out for new suppliers. We are developing technology to lessen the dependence on precious metals or soaring materials to reduce the impact of increased raw material prices.

We established the Green Purchasing Guideline and monitor how suppliers address the issues of CO2 emission reduction and water resource management. Moreover, we are working to eliminate labor and human rights issues and ensure traceability of sourcing in the supply chain from the mining stage for specific minerals. In addition, the Global Minerals Procurement Policy, which was defined in July 2020, expanded the scope of minerals from the 3TGs (Tin, Tungsten, Tantalum and Gold) to include conflict minerals such as cobalt and we request suppliers to thoroughly observe the guideline. Based on this guideline, we have been inspecting conflict minerals every year since 2013. As for cobalt, we have been identifying the supply chain by interviews and

regular follow-up with lithium-Ion battery suppliers since 2018. We refer to the OECD guideline to strengthen our due diligence to identify refineries of cobalt and we are the first Japanese auto maker to disclose the names and locations of the identified refineries.

Q4:
How will you achieve carbon neutrality including scope 3? Are there any ideas to offset CO2 emissions?

A4 (Tagawa CSO):
We do not have a clear plan to achieve carbon neutrality in 2050 at this moment but milestones are set for 2030 and 2040. We set our goal by verifying that these milestones are in line with the trajectory toward 2050. We evaluate the appropriate powertrain mix, recycling and ecosystem, and renewable energy usage, to achieve this goal.

There are ways to offset CO2 emissions such as purchasing credits but we should consider this at the later stage. What is important now is to reduce CO2 emissions with good progression toward 2030 and 2040 by leveraging the expertise of 4R Energy Corp., and our 10 years of experience of EV development.

Q5:
Regarding investments in batteries, how do you balance the achievement of carbon neutrality and maximization of return on investments? Please explain Nissan's scope of battery investment.

A5 (Tagawa CSO):
We have heated discussions internally on this topic as there are many options. Envision AESC, in which we hold a 20% stake, continues to be our core supplier of batteries but various battery manufacturers have their own strengths. At this moment, it is difficult to specify Nissan's scope of investment and suppliers' scope of investment, as we do not yet have any final decision or conclusion.

Q6:
I believe the fact that there has never been any battery-related fire incidents with Nissan LEAFs should be appreciated more. How can this be reflected in ESG evaluations and enhancement of corporate value?

A6 (Tagawa CSO):
For the past 10 years, we never suffered serious battery-related fire accidents caused by the Nissan LEAF. This is a strength that needs to be widely known and we are discussing this among the management team.

The Nissan LEAF has been viewed as a very safe car. We continue to communicate this point and we would like to capitalize on this to maximize the return.

Q7:
I believe that Nissan is advanced in automotive safety efforts, which is represented by ProPILOT technology. How is this evaluated by third parties in their sustainability and ESG scores?

A7 (Tagawa CSO):
Safety results in protecting human rights, as well as reducing costs by decreasing the number of accidents. The sales volume of vehicles equipped with ProPILOT is our strength, so we will continue to communicate this benefit.

Today, it is very challenging to realize level 4 with standard vehicles under normal road conditions. Our goal is to protect lives and create an environment for drivers to drive comfortably and not invest heavily just to focus on realizing level 3 or 4. This will contribute to our sustainability.

Q8:
I believe the level of acceptance of robo-taxi services will vary by region. How do you see the progression by region? Also, what is the purpose for investing in WeRide in China?

A8 (Tagawa CSO):
In China, there are cases where the government invested significantly to accommodate autonomous driving for an entire city. We work with WeRide as a partner to gain expertise in this area. Such expertise is a source of our autonomous driving technology featured in Venucia vehicles sold in China.

Q9:
How will you plan to deploy Vehicle to Home (V2H), as EV sales increase with new products such as Ariya and Kei-EV? How do you view the growth potential of this market?

A9 (Tagawa CSO):
In some rural areas of Japan, Kei-EV may become a major driving force of electrification. Government support is essential to spread V2H and V2G as a circular society. US and European governments are pushing for deployment with significant subsidies. In Japan, Nissan has the expertise in this area, so we hope our knowledge will be utilized.

CHAdeMO battery charging system, which Nissan has been promoting, has high compatibility with V2H. However, CCS, a charging system promoted in some parts of Europe and US, does not accommodate V2H at this moment. We believe that a circular society will be achieved when V2H is widely adopted with CHAdeMO (or other charging system compatible with V2H). We would like to contribute to the reduction of CO_2 emissions throughout the life cycle of the vehicle by leveraging our expertise.

Q10:
How do you feel the company's governance has changed since the previous management team?

A10 (Tagawa CSO):
In the past, the 43.4% shareholder sent the top executive, who yielded excessive power at the shareholders' meeting or executive committee meetings, so people were hesitant to speak out. We deeply regret that we were unable to correct this. The current leadership team is strongly determined to never repeat this lapse in corporate governance. We immediately adopted a corporate form with three statutory committees and selected new board members with various backgrounds including females and foreigners. In the past, the board of directors meeting were short but now, we never know when it will conclude and end.

Uchida CEO is a good listener, and he focuses on creating an atmosphere where people can speak up. He holds remote townhall meetings with employees to hear their opinions, which also leads to the promotion of diversity and inclusion. In terms of compliance, we have a whistle-blowing system which directly reports to an outside law firm. The discussions are heated at the board meetings and proposals may be rejected at the executive meetings. You may think this is ordinary but this is a major change from what we saw with the previous management team.

Q11:
Why are the carbon footprint and energy usage for scopes 1 and 2 for Japan so high relative to the production volume?

A11 (Environmental Strategy Groupe, Tagawa GM):
Powertrains produced at the Tochigi and Iwaki plants (also JATCO, Aichi Kikai, Nissan Kohki) are included in scopes 1 and 2 for Japan, so it does not match with the vehicle production volume. In addition, CO2 emission intensity is higher in Japan compared with Europe or other countries.

Q12:
The Nissan Intelligent Factory starts in Tochigi with 33B yen of investment. Will the process at Tochigi be deployed across the globe or will you make modifications by region?

A12 (Tagawa CSO):
We announced that it would be deployed globally but details have not been decided yet.

A12 (Environmental Strategy Groupe, Tagawa GM):
The process at the Nissan Intelligent Factory will be deployed across the globe after verification to achieve the 2050 carbon neutrality goal. Some of the technology is already implemented at some plants. For example, the three-wet paint process is already used at the Kyushu plant and Resende plant in Brazil.