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# VALUE CHAIN

The challenges facing modern societies, such as climate change and energy supply, are increasingly global in their scope. To meet these challenges, it is essential for Nissan to identify significant issues at various stages of the value chain and make ongoing efforts to address them. As a business with worldwide operations, Nissan pursues its activities on a similarly global scale, with a value chain that extends throughout the world. The company promotes consistency in the procurement practices undertaken throughout the value chain, sharing its vision and principles with business partners and engaging with them to ensure their adoption.

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 ACTIONS

*Renault-Nissan CSR Guidelines for Suppliers distributed to:*

**100%**  
of suppliers

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## VALUE CHAIN

### SCORECARD

FY2016 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 and Long-Term Vision		Indicators of Progress	FY2016 Results	Assessment
Working with suppliers	Proceed continuously to ensure legal compliance in the supply chain and thorough understanding and implementation of appropriate measures.	Promote thorough understanding and implementation of CSR at suppliers, particularly instilling recognition of legal compliance.	Progress in suppliers' CSR activities, as gauged in third-party sustainability assessments	● Together with Renault, implemented third-party sustainability assessments for suppliers in Europe, North America and Japan	✓✓
		Conduct conflict mineral surveys to instill CSR mindset in the supply chain.	Level of implementation of conflict mineral surveys	● Conducted follow-up surveys at suppliers, where necessary, based on the previous year's results	✓✓
	Continuously advance cooperation with suppliers regarding environmental management to help reduce environmental impact.	Promote management of controlled and banned substances at suppliers to meet environmental regulations.	Level of implementation of Nissan Green Purchasing Guidelines and specific substance management initiatives	● Worked with Renault to unify technical standards for managing chemical substances and distributed revised Nissan Green Purchasing Guidelines, asking suppliers to apply them	✓✓
		Reduce environmental impact in the supply chain based on environmental surveys (CO <sub>2</sub> emissions, wastewater and other waste) at suppliers.	Conducting of surveys at suppliers representing more than 70% of total procurement by value	● Continued participation in supply-chain program designed by international NPO CDP to gauge supplier situations, as well as follow-up activities	✓✓
Working with dealers	Provide support to help cement voluntary efforts at dealerships.	Implement the PDCA cycle to make improvements to promotion of CSR activities at dealerships.	Level of implementation of compliance self-inspection program	● Continued implementation of twice annual compliance self-inspection program to enhance compliance awareness	✓✓
			Discussion of policies for improvement based on examples of violations	● At meetings for dealership representatives, discussion covered examples of financial improprieties and approaches for improving such situations; dealers were asked to implement appropriate work management approaches	✓✓
			Level of implementation of training based on examples of violations and initiatives to prevent violations	● Distributed training materials and held training to prevent violations including information leaks, harassment and reckless driving	✓✓
			State of initiatives for building new system to bolster prompt internal information sharing and responses when violations occur	● To strengthen compliance, continued implementing systems to bolster prompt internal information sharing, preventive measures and responses when violations occur	✓✓



▶▶ GRI G4 Indicators  
 ▶▶ G4-EN33/G4-LA15/  
 G4-HR11/G4-SO10

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### NISSAN'S APPROACH TO THE VALUE CHAIN

To promote effective purchasing activities, in 2001 the Alliance partners established a common purchasing company, the Renault-Nissan Purchasing Organization, and steadily increased the scope of its activities. This organization now covers all purchasing domains, incorporates all purchasing functions and builds mutually profitable business partnerships with all suppliers.

Nissan uses a common, transparent process and criteria worldwide when sourcing suppliers and 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 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.

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

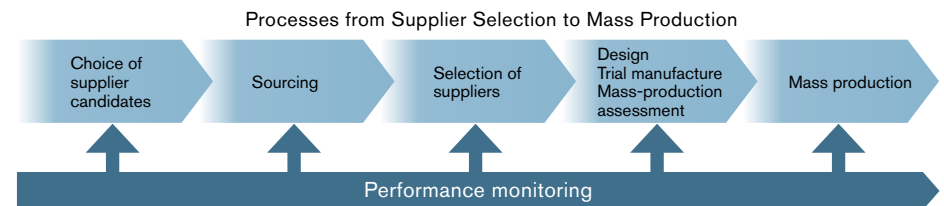
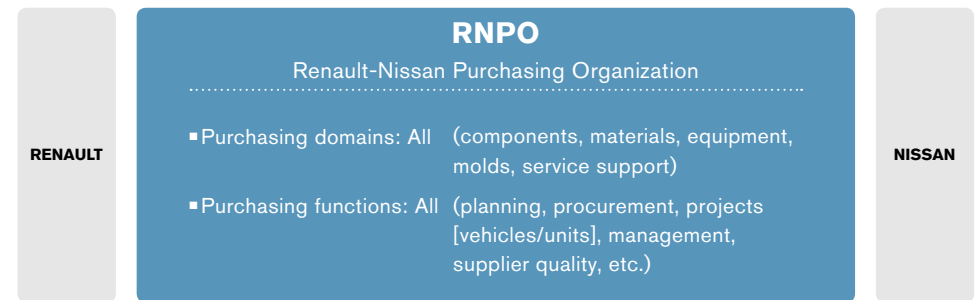
Nissan and Renault have produced a booklet, *The Renault-Nissan Purchasing Way*, outlining the values and processes the Alliance sees as important when doing business. This booklet has been shared with the tier-1 suppliers of Renault and Nissan since 2006.

In Japan, Nissan has also been practicing transactions confirming to "proper trading guidelines" issued by the Ministry of Economy, Trade and Industry for the automotive industry.

► website  
 ► Click here to download *The Renault-Nissan Purchasing Way*.

### COMPANY ORGANIZATION FOR THE VALUE CHAIN

The Renault-Nissan Purchasing Organization



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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. The company collates and manages a database of plant locations, total value of purchases, and other basic information for all of the suppliers with which it conducts transactions. Building on this understanding of its partners in the value chain, and based on the *Renault-Nissan CSR Guidelines for Suppliers* and the *Nissan Green Purchasing Guidelines*, the company is working together with all its suppliers to instill CSR principles.

### Renault-Nissan CSR Guidelines for Suppliers

To effectively implement CSR practices worldwide, in December 2015, Renault and Nissan revised the *Renault-Nissan CSR Guidelines for Suppliers*. Renault and Nissan have distributed the revised guidelines to all suppliers worldwide. The Alliance partners have also asked suppliers to further distribute them to their own business counterparts to ensure they are shared throughout the supply chain. The 2010 first edition of the guidelines was drawn up for distribution by Renault and Nissan with reference to the CSR guidelines of the Japan Automobile Manufacturers Association, Inc.

Key revisions clarify the following areas: based on new Japanese government guidelines and regulations, updating procurement policy to include responsible mineral procurement; eliminating association with antisocial elements; requiring shared commitment to CSR activities with suppliers at the time the guidelines are distributed; and beginning third-party assessment of Alliance supplier CSR activities in fiscal 2016. As part of efforts to instill CSR practices at business partners in emerging countries, the new guidelines were published in Chinese, in addition to English and Japanese versions published to date.

Via explanations of expected practices in 26 categories across the following five areas, the guidelines aim to help suppliers to review their business activities from a CSR viewpoint and to implement CSR activities.

- 1 Compliance: Complying with laws; corruption prevention, etc.
- 2 Safety and Quality: Providing products and services that meet customer needs, etc.
- 3 Human Rights and Labor: Prohibition of child labor and forced labor; complying with working hours and remuneration laws, etc.
- 4 Environment: Implementing of environmental management; reducing greenhouse gas emissions, etc.
- 5 Information Disclosure: Open and impartial communication with stakeholders, etc.

The guidelines mandate compliance with laws and regulations. If suppliers engage in activities that violate the law, they are to report this immediately, along with investigation results, and to 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.

### Confirming CSR Observance at Suppliers

Nissan oversees its suppliers' observance of CSR requirements by confirming their acceptance of the *Renault-Nissan CSR Guidelines for Suppliers* and by checking their environmental management systems and environmental activities to be conducted with Nissan at time of selection.

In 2016, the Renault-Nissan Alliance began third-party assessment of suppliers' CSR activities to raise the standard of those activities through mutual confirmation. When results do not meet Alliance standards, suppliers are asked to draw up plans for improvement; Nissan then monitors their implementation.

The company also conducts CSR training in its purchasing department to ensure that employees there are equipped to check supplier CSR activities during routine operations.

Any problems in the supply of parts and materials may lead to problems for Nissan's production and value chain as a whole. The company therefore addresses CSR comprehensively, including confirmation of risk affecting suppliers' ability to supply under normal circumstances; annual follow-ups on suppliers' quality, cost, delivery, development, and management (QCDDM) performance; and measures crafted together with suppliers in response to natural disaster risk to ensure production continuity or early restoration of capacity.

Nissan promotes supplier observance of CSR requirements based on risk management, constantly assessing the situation at suppliers based on a range of factors. If cases of high risk emerge, the company works with suppliers to rapidly draft and implement countermeasures.

▶▶ website

❖1 Click here to download the Nissan Green Purchasing Guidelines.

▶▶ website

❖2 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 environmental action plan with suppliers. To improve environmental performance throughout the value chain, Nissan published the Nissan Green Purchasing Guidelines <sup>\*1</sup> in 2001, and has since then promoted actions in line with them. After Nissan and Renault integrated their technical standards for management of chemical substances in fiscal 2016, the company published a revised version of the guidelines in January 2017, instructing suppliers to apply them. The guidelines offer a more detailed explanation of the environment section in the *Renault-Nissan CSR Guidelines for Suppliers*.

Environmental activities at suppliers are based on the core components of compliance with environmental regulations and Nissan's basic environmental principles and activities to reduce environmental load.

To reflect trends in regulations worldwide, such as the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation and the European Reusability/Recyclability/Recoverability (RRR) Directive, Nissan has also added further banned substances and expanded component data management globally. Further, the company checks environment-loading substance management and activities when suppliers are selected for new cars. Nissan informs suppliers of specific actions to comply with the REACH Regulation and requires their compliance.

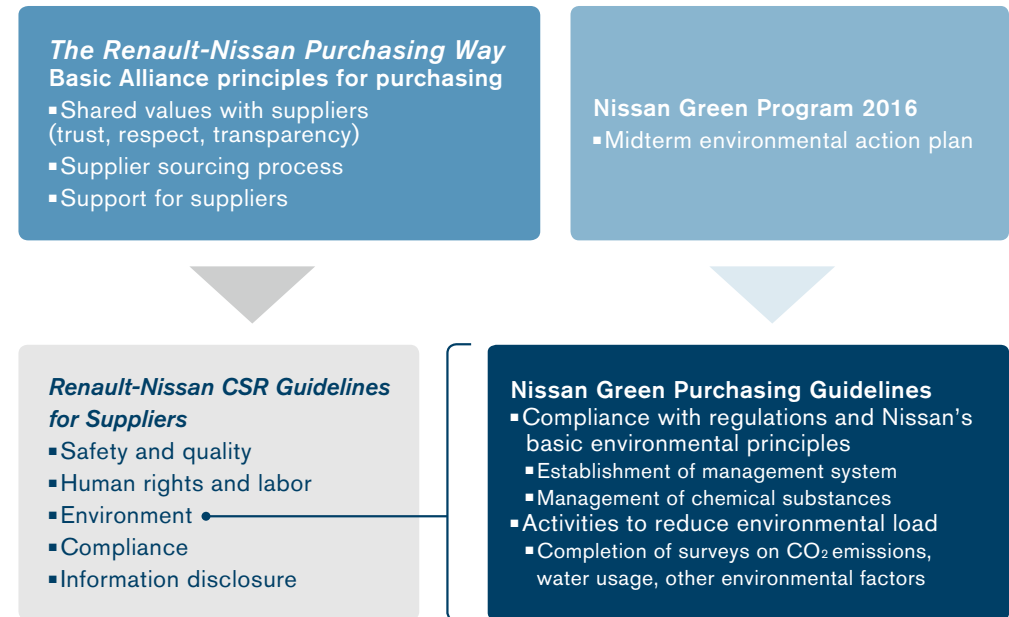
Based on the Nissan Green Program 2016, <sup>\*2</sup> the company's midterm environmental action plan, Nissan holds annual environmental briefing sessions and has since fiscal 2012 conducted surveys to ascertain CO<sub>2</sub> emissions, water usage, waste production and other data related to environmental load. To further enhance its activities in this area, in fiscal 2014 Nissan adopted the supply-chain program offered by CDP, an international environmental NPO that manages a global system for disclosing corporations' environmental impact and strategies. In fiscal 2016, in partnership with CDP, Nissan worked to increase the accuracy of performance data. <sup>\*3</sup>

▶▶ website  
<sup>\*1</sup> Click here to download the revised version of the Nissan Green Purchasing Guidelines.

▶▶ page\_19  
<sup>\*2</sup> Click here for more information on Nissan Green Program 2016.

▶▶ page\_126  
<sup>\*3</sup> Click here for more information on supply-chain environmental survey data.

The Role of the Nissan Green Purchasing Guidelines



**The Renault-Nissan Purchasing Way**

- Basic Alliance principles for purchasing
- Shared values with suppliers (trust, respect, transparency)
- Supplier sourcing process
- Support for suppliers

- Nissan Green Program 2016**
- Midterm environmental action plan

**Renault-Nissan CSR Guidelines for Suppliers**

- Safety and quality
- Human rights and labor
- Environment
- Compliance
- Information disclosure

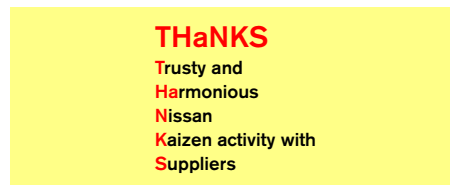
**Nissan Green Purchasing Guidelines**

- Compliance with regulations and Nissan's basic environmental principles
- Establishment of management system
- Management of chemical substances
- Activities to reduce environmental load
- Completion of surveys on CO<sub>2</sub> emissions, water usage, other environmental factors

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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. Based on activities at its own plants, Nissan is also making efforts together with major suppliers to reduce their electricity, gas and other energy costs and CO<sub>2</sub> emissions, as an energy-efficient THaNKS Activities initiative.



In fiscal 2013, Nissan introduced the Total Delivered Cost (TdC) Challenge as part of efforts to achieve the goals of its midterm business plan, Nissan Power 88. The initiative aims to optimize all fluctuating costs, including for specifications, materials, exchange rates and logistics. From fiscal 2017 onward, Nissan's various functional departments and suppliers will continue to come 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 midterm business plan, as well as other matters. In the case of Japan, Nissan holds monthly meetings and directly informs suppliers of its production plans, various activities and requirements. The meetings are also an opportunity for Nissan to respond to supplier questions and requests.

► website  
 Click here for more information on the midterm business plan, Nissan Power 88.

**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 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 2016, six companies received Global Quality Awards, while Global Innovation Awards went to six companies in the product technology category.

**Conflict Mineral Policy and Measures**

In August 2012, the U.S. government enacted regulations requiring companies to report the use of four minerals mined in the Democratic Republic of the Congo and surrounding countries, believed to be sources of funds for armed insurgents. Agreeing with the spirit of this legislation and with the aim of ensuring full CSR awareness, Nissan investigated the supply chain for any use of conflict minerals and established a policy aimed at the non-use of conflict minerals, publishing related information on its website. Investigations began in fiscal 2013.

The search for conflict minerals throughout the global supply chain is a large-scale undertaking. Nissan works together with organizations including the Japan Automobile Manufacturers Association, Inc., the Japan Auto Parts Industries Association and the Japan Electronics and Information Technology Industries Association and regularly discusses the issue in working groups, while considering the best methods for investigation and result analysis.

► 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.

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 annually 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 a unified approach with dealerships, Nissan strives to further improve its CSR 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.

### Compliance Training for Dealers

Nissan conducts the following initiatives as part of training for dealers:

#### 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. Nissan trains its employees concerning revisions and ensures thorough knowledge and implementation of the updated code.

#### Bolstering Information Security and Preventing Harassment

Based on teaching materials that cover the same topics as taught in Nissan's information security courses, each dealer implements training to avert risks arising from serious incidents occurring in the course of daily activities, such as virus infections, unintended email 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 dealers, which further share these internally to help prevent such posts. To enhance awareness and prevent recurrence, Nissan shares information on the potential adverse impact, not just with the dealers but also with 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 dealerships, Nissan is providing training materials with a focus on power harassment. Since fiscal 2012, dealers have implemented training on such topics as "examples of acts and statements that constitute harassment," "what impact a harassment case can have," "past incidents involving dealers" and "what steps should be taken when a case comes to light." In fiscal 2016, sections of the training materials, principally relating to "examples of acts and statements that constitute harassment," were again updated with reference to recent cases.

In fiscal 2016, Nissan also conducted work management surveys at dealers, offering guidance about how to make improvements at those outlets where management approaches were found to be deficient. These actions promoted appropriate work management.



▶▶ page\_109

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