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Supply Chain Management

Supply Chain Strategy

The challenges facing modern societies, such as climate change and energy issues, are increasingly global in their scope. To meet these challenges, it is essential for Nissan to identify relevant issues at each stage along the supply chain and make ongoing efforts to address them. As a business with worldwide operations, Nissan has a supply chain that extends across the globe. We promote consistency in purchasing activities throughout the global supply chain, sharing our vision and policy with business partners and strategically collaborating with them to ensure their adoption.

We aim to achieve sustainable growth built on a foundation of mutual trust with our business partners. We listen closely to and work with our suppliers as equal partners, developing and maintaining cooperative and competitive relations that enable us to implement best practices.

Nissan’s Approach to the Supply Chain

To optimize purchasing activities, the Alliance partners established a common purchasing company, the Renault-Nissan Purchasing Organization (RNPO), in 2001 and have steadily increased the scope of its activities in the years since then. The organization now covers all purchasing domains, incorporates all purchasing functions, and builds mutually profitable business partnerships with all suppliers. Its name was changed to the Alliance

Purchasing Organization (APO) in April 2018, after Mitsubishi Motors joined the Alliance. The new organization aims to help each company in the Alliance achieve sustainable performance through the steady development of the Alliance as well as through the advantage of economies of scale.

We use common, transparent processes and criteria worldwide to select suppliers and are open to doing business with new partners, regardless of nationality, size, or transaction ties in the past. Suppliers are selected after the relevant Nissan divisions meet to examine submitted proposals from a range of perspectives. We explain our decisions to every supplier that takes part in the supplier selection process as part of a thoroughly fair, impartial, and transparent system.

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

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 tier-1 Renault and Nissan suppliers since 2006. In Japan, we also adhere to the “proper trading guidelines” issued by the Ministry of Economy, Trade and Industry for the automotive industry.

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

https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/ASSETS/PDF/Renault_Nissan_Purchasing_Way_English.pdf

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The Alliance Purchasing Organization (APO) created by Renault, Nissan, and Mitsubishi Motors

APO

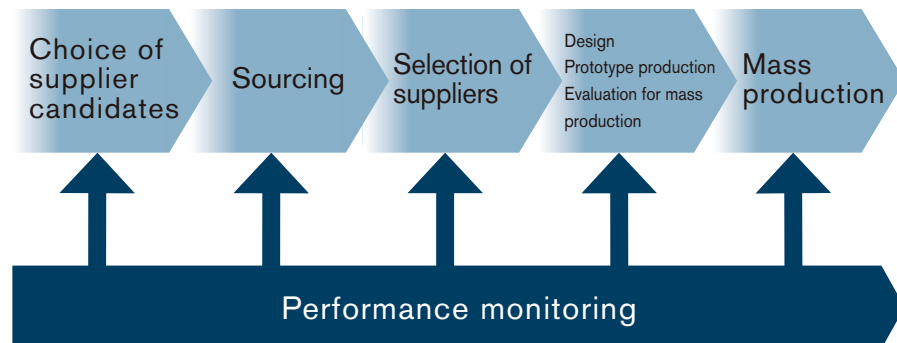
Alliance Purchasing Organization

- Purchasing domains: All (components, materials, equipment, molds, service support)
- Purchasing functions: All (planning, procurement, projects [vehicles/units], vmanagement, supplier quality, etc.)



RENAULT NISSAN MITSUBISHI

Processes from Supplier Selection to Mass Production



Working with Suppliers

We aim to make our global supply chain sustainable by conducting ethically, socially, and environmentally responsible business at every stage. We collate and manage a database of plant locations, total purchase values, and other basic information for all suppliers. We are working together with all suppliers to promote the sustainability principles set out in the Renault-Nissan CSR Guidelines for Suppliers and the Nissan Green Purchasing Guidelines.

Supply Chain Management Policies and Philosophy

Promoting Widespread Permeation through the Renault-Nissan CSR Guidelines for Suppliers

To effectively implement sustainability practices worldwide, Renault and Nissan revised the Renault-Nissan CSR Guidelines for Suppliers*1 in December 2015. Renault and Nissan distributed the revised guidelines to all their suppliers and have also asked suppliers to share the revised guidelines with their own business partners to ensure they permeate throughout the supply chain. Renault and Nissan drew up the first edition of the guidelines for distribution in 2010 with reference to the CSR guidelines of the Japan Automobile Manufacturers Association, Inc.

Key revisions and clarifications in the 2015 edition included, as a response to new laws and ordinances: (1) updating the procurement policy to include responsible mineral procurement and the elimination of antisocial forces based on new Japanese governmental guidelines and regulations; (2) requiring a shared commitment to sustainability activities with suppliers

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at the time the guidelines are distributed; and (3) beginning third-party assessment of supplier sustainability activities as an Alliance initiative from fiscal 2016. As part of efforts to promote sustainability practices among business partners in emerging countries, the revised guidelines were published in Chinese as well as English and Japanese.

To help suppliers review their corporate activities from a sustainability perspective and take sustainability actions, the guidelines explain expected initiatives in 26 categories across the following five areas:

1. Compliance: Complying with laws, preventing corruption, etc.
2. Safety and Quality: Ensuring the safety and quality of products and services, etc.
3. Human Rights and Labor: Prohibition of child labor and forced labor, complying with working hours and remuneration laws, etc.
4. Environment: Environmental management, reducing greenhouse gas emission and industrial waste volumes, and managing chemical substances, etc.
5. Information Disclosure: Open and impartial communication with stakeholders, etc.

In addition, suppliers are requested to undergo assessments by third parties. The guidelines mandate that suppliers comply with laws and regulations. If suppliers are found to be in a state of non-compliance, the guidelines prescribe required responses, such as filing a report immediately, conducting an investigation, and formulating corrective measures. In the case of a noncompliance incident, we will take firm action based on our regulations and do everything necessary to prevent a recurrence.

In 2022, “Renault-Nissan CSR Guidelines for Suppliers” Supplementary Handbook for Nissan Suppliers*2 was published for Nissan suppliers to facilitate better understanding of sustainability issues and responses to social demands. Specifically, we clarified important matters that should be

considered and addressed regarding human rights and labor, which were made known at supplier meetings and on other occasions.

Positioning of “Renault-Nissan CSR Guidelines for Suppliers” Supplementary Handbook for Nissan Suppliers



In fiscal 2021, no human rights violations, such as discrimination, occurred, and no supplier was found to be at serious risk of forced labor or child labor.

*1 Click here for more information on “the Renault-Nissan CSR Guidelines for Suppliers”.
<https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/SUPPLIERS2015/>

*2 Click here for more information on the “Renault-Nissan CSR Guidelines for Suppliers” Supplementary Handbook for Nissan Suppliers
https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/SUPPLIERS_SH/index.html

* Working with Suppliers in Strengthening Our Business Foundations to Address Environmental Issues
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Supply Chain Management

Nissan has always been working to improve its supply chain through activities including third-party assessment of suppliers' sustainability activities and sustainability training for workers in its purchasing department. We have also instituted an awards system to recognize suppliers whose performance is outstanding. 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 social responsibility and environmental concern.

Working with Suppliers in Strengthening Our Business Foundations to Address Environmental Issues

[>>> P091](#)

Product Safety and Quality Achievements with Suppliers

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Evaluation, Monitoring, and Auditing of Suppliers' Sustainability Practices

Nissan has been confirming suppliers' acceptance of the Renault-Nissan CSR Guidelines for Suppliers and check their environmental management systems and their willingness to advance environmental activities with us at the time of supplier selection. Among newly selected suppliers in fiscal 2021, 100% of them met both Nissan's social standards and basic environmental principles.

In 2016 the Renault-Nissan alliance began third-party assessment of suppliers' sustainability activities to raise standards through mutual confirmation. When results do not meet Alliance standards, suppliers

are asked to draw up plans for improvement. We then monitor their implementation. We held a seminar for suppliers, where a rating organization spoke to them directly how to answer assessment questions and formulate improvement plans. By now, more than 90% of Nissan's purchase demands are covered by a third-party assessment.

We also conduct sustainability training in our purchasing department to ensure that employees conduct checks of suppliers' sustainability activities in their daily work. In addition, Nissan requires all employees to attend e-Learning courses on the Subcontractors Act*1 and the Anti-Monopoly Act*2 as mandatory training every year in order to maintain fair and impartial relationships with suppliers.

If there are issues with the supply of parts and materials, they may lead to problems not only for Nissan's production but also the supply chain as a whole. We therefore position the following measures as part of sustainability activities and implement; (1) confirming supply risks under normal circumstances; (2) following up annually on quality, cost, delivery, development, management, sustainability, and risk (QCDDMSR) performance; and (3) working with suppliers to craft response plans for natural disasters to ensure production continuity or early restoration of capacity.

We monitor compliance from the perspective of supplier management, constantly assessing the situation at each supplier based on a range of factors. When high risk is identified, we work with the supplier to rapidly draft and implement countermeasures.

In fiscal 2021, there were no suppliers whose compliance was problematic, and no supplier contract was terminated for such a reason.

*1 Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

*2 Act on Prohibition of Private Monopolization and Maintenance of Fair Trade

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Promotion of *Monozukuri* Activities with Suppliers

We work to continually improve the competitiveness of our products through the *Monozukuri* Activities program, a collaboration between suppliers and Nissan that was launched 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 under today’s challenging market conditions, we strive 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, we introduced the Total Delivered Cost (TdC) Challenge, aiming to optimize all fluctuating costs, including for specifications, materials, exchange rates, and logistics. Our various functional departments, together with suppliers, are continuously working to proactively promote 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 Nissan’s purchasing policy for the fiscal year, midterm business plan, and other matters. In Japan, we hold monthly meetings and directly inform suppliers of our production plans, activities, and requirements. The meetings are also an opportunity for Nissan to respond to supplier questions and requests.

Recognizing Supplier Contributions Worldwide

Each year we recognize the contributions of our suppliers to the development of our business and improvement of our performance with awards presented at the global level as well as in each of the regions where we operate. At the Nissan Global Supplier Awards, we present Global Quality Awards to suppliers showing exceptional performance in quality for the year, and Global Innovation Awards to suppliers whose innovative initiatives improved Nissan’s brand and product power. 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 Nissan’s production, development, and other divisions in two categories: product technology and process management. In fiscal 2021, five companies received Global Quality Awards, while Global Innovation Awards went to 16 companies.

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Responsible Minerals Sourcing

Minerals Sourcing Policy

In 2013, Nissan moved quickly to establish a policy against use of conflict minerals and published the policy on its website. Following this, in July 2020 it formulated and published its new Global Minerals Sourcing Policy Statement and expanded the scope from the conflict minerals known as 3TGs (tin, tungsten, tantalum, and gold) to all minerals including cobalt from conflict-affected and high-risk areas.

Nissan's goal is to conduct ethical, social, and environmentally conscious business practices at every level of our global supply chain. We monitor our supply chain to assess whether the mineral resources contained in materials or components used to manufacture our products have any harmful social effect, such as on human rights or the environment. When there are concerns about the minerals being used, Nissan actively works to end that use.

Based on its Global Minerals Sourcing Policy Statement, Nissan references to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas to implement due diligence related to minerals sourcing in its supply chain. From 2021, the Renault-Nissan-Mitsubishi Alliance has also joined the RMI* and will work with its suppliers to assess risks and will strengthen its efforts to take corrective actions furthermore whenever issues are identified.

* Click here to download the Global Minerals Sourcing Policy Statement.
https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/ASSETS/PDF/Minerals_Sourcing_Policy_e.pdf

* RMI stands for Responsible Minerals Initiative, an organization with member companies and associations from the information and communications technology and other industries that works to improve global social and environmental awareness.

Responsible Minerals Sourcing Management

Governance System for Supply Chain Due Diligence

The head of the Purchasing Department is responsible for conducting supply chain due diligence with the cooperation of the R&D Division, Sustainability Development Department, and other related divisions, and reports the results to the Global Sustainability Steering Committee. If necessary, the results are also reported to the Executive Committee (EC), Nissan's highest decision-making body, for use in determining future initiatives.

Conflict Minerals Management

We began conducting conflict mineral surveys in our major areas of operation (Japan, North America, and Europe) in fiscal 2013. Starting in fiscal 2014, we gradually expanded the scope of these surveys to other areas. Surveys on a massive scale are required to grasp the status of minerals usage throughout the global supply chain. We therefore collaborate with organizations including the Japan Automobile Manufacturers Association, Inc., the Japan Auto Parts Industries Association, and the Japan Electronics and Information Technology Industries Association to hold regular working group sessions to consider methods for investigation and analyzing the results of those investigations.

The surveys track minerals back through the chain of suppliers using CMRT (Conflict Mineral Reporting Template) provided by the RMI. This enables Nissan to identify smelting and refining companies that are not procuring minerals that are a source of funds for armed groups in their regions. We provide the suppliers we survey with manuals describing how to fill in required forms and what tools to use to collate results. In this way, we work to increase understanding of conflict mineral issues throughout the supply chain.

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In fiscal 2021 we conducted surveys in nine markets— Japan, the U.S., Mexico, Europe, China, Thailand, India, South Africa and Brazil. No suppliers were found to be using minerals from smelters / refineries believed to be connected to armed groups.

Going forward, we plan to make our surveys more effective by improving its methodology in conjunction with the member companies of the Japan Automobile Manufacturers Association, Inc., and the Japan Auto Parts Industries Association. We will also continue to seek responses from suppliers that did not reply to the survey.

* Click here for more information on our actions for minerals sourcing.
https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/ASSETS/PDF/Minerals_e.pdf

Cobalt Management

Nissan is aware that not only geopolitical risk but also environmental impact and human rights issues related to cobalt mining have been pointed out. Together with suppliers, Nissan aims to carry out responsible cobalt sourcing.

Since 2018, Nissan has conducted interviews with its lithium-ion battery suppliers and follows up with them on a regular basis and is identifying its supply chain. We are enhancing our approach to identifying cobalt smelters / refineries by referencing the OECD Due Diligence Guidance. Any identified smelters / refineries will be disclosed on an ongoing basis.

* Click here for more information on our actions for minerals sourcing.
https://www.nissan-global.com/EN/SUSTAINABILITY/LIBRARY/ASSETS/PDF/Minerals_e.pdf