

Engagement objectives

Governance



Board independence



Succession planning



Sachi Suzuki
Sector lead: Automotive

Nissan Motor manufactures and distributes cars and related parts. It also provides financing services. The company manufactures its products in Japan, the US, the UK and many other countries.

Background

While its environmental performance and progress in developing sustainable vehicle technologies deserved commendation, Nissan's governance structure had raised some significant concerns. For instance, its joint chair and chief executive Carlos Ghosn has also held the combined chair and chief executive position at Renault, which holds 44% of Nissan. The board also lacked independence. Of its nine directors, eight were Nissan company executives and only one, a former Renault senior executive, was designated as an outside director. The concentration of power at the top of the company underlined the need for a more independent board, capable of holding management accountable.

Our engagement

We have been engaging with the company on these issues since 2011, through a number of channels, including meetings, calls and letters to the board. We highlighted the importance of adding independent directors to the board and sought clarity on succession planning.

Although Nissan did acknowledge our concerns, it was often unclear whether the company was prepared to change the existing governance structure. It was not until a meeting with a senior executive in 2014 that we first felt confident that Nissan was seriously considering the possibility of appointing independent directors. We were therefore

disappointed by the lack of progress on this in the following years, despite the fact that Japan's Corporate Governance Code, which was introduced in 2015, requires at least two independent directors. We also encountered some difficulties in seeking to maintain a dialogue with the company on these issues. However, we had the opportunity to speak with the senior executive in early 2016. We followed up this discussion with a letter to the board, reiterating our requests for change. Our concerns were exacerbated when Mr Ghosn was appointed chair of Mitsubishi Motors, following its partial acquisition by Nissan in 2016. We wrote a letter to the board in late 2016, which was supported by other investors. Shortly before the 2017 AGM, we published a statement which acknowledged progress made by the company, but also repeated remaining concerns.

Changes at the company

In early 2017, Nissan announced that Mr Ghosn would step down as its CEO and focus on the role of chair, and a new chief executive was appointed. Then, in 2018, the company appointed two independent directors, including the first ever female director. During a call with company representatives shortly after the announcement, they provided further details on the candidates' backgrounds. Both candidates were elected at the June AGM, with more than 99% support from shareholders.

We welcome these significant improvements to the governance structure of the company. However, we will continue to press for a higher level of board independence, in line with our request that large Japanese companies should have a board which is at least one third independent. We will also continue to engage with Nissan on other issues, including the development of sustainable vehicles and its response to misconduct identified in its final vehicle inspections.

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