

CNMV PUBLISHES ITS REPORTS ABOUT THE REPORTS ON CORPORATE GOVERNANCE AND THE REMUNERATION OF BOARD MEMBERS OF LISTED COMPANIES FOR 2018

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- The degree of adherence to the Good Governance Code recommendations recorded in 2018 was 85.7%, just over one percentage point more than in 2017.
- 42.9% of companies adhered to 90% of the Code and five claimed that they complied with it in its entirety.
- The presence of women on boards of directors increased slightly compared with the previous year, and the average in the IBEX 35 companies stood at 23.1%. The percentage of female executive board members remained at a very low level (4.9% of the total number).
- In comparable terms, the average remuneration of Ibex 35 executive board members fell 6.8%, while in other listed companies it decreased by 1%. In the case of non-executive board members, the figure remained unchanged in Ibex 35 companies and increased by 4.7% in other listed companies.

The Spanish National Securities Market Commission (CNMV) has published the reports on the Annual Corporate Governance Reports (ACGR) of issuing entities and the Annual Reports on the Remuneration of Board Members (IARC) for 2018. Both documents reflect, in aggregate and summarised terms, the main conclusions of the reports on both matters that companies submitted to CNMV over the course of this year.

Annual Corporate Governance Report (ACGR)

2018 was the fourth year in which the 2015 Good Governance Code for listed companies was applied.

In this fourth year, the degree of compliance with the recommendations was 85.7%, compared with 84.6% in 2017. In addition, another 7% were partially adhered to (the same percentage as in 2017), meaning that full or partial adherence to the recommendations rose to 92.7% (91.6% in 2017).

It should be noted that 42.9% of companies – 7 percentage points more than in 2017 – followed 90% of the recommendations of the new Code and five companies stated that they had complied with 100% of them



(one more than in 2016). In contrast, three companies complied with less than 60% of such recommendations.

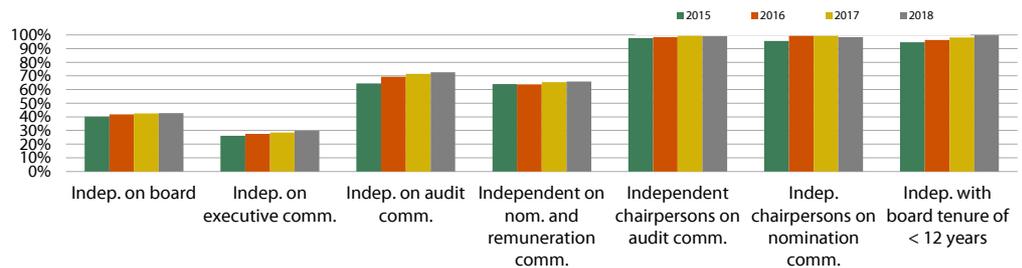
All the listed companies stated that they had followed recommendations number 2 — that when the parent and a subsidiary are listed, both publicly and precisely define their areas of activity and business relations, as well as the mechanisms in place to resolve potential conflicts of interest —; 8 — that the audit committee ensure that the board submits the annual accounts without limitations or qualifications —; 12 — that the board be guided by the corporate interest) —; 23 — that all board members express their opposition when they consider a proposal to be contrary to the corporate interest —; 28 —that when board members express concern about a proposal and it is not resolved, it be recorded in the minutes —; and 43 — (that the audit committee may call upon any employee or executive.

On the other hand, the least followed recommendations continued to be those relating to the new practices recommended by the Code on large-cap companies having a separate nomination committee and remuneration committee (recommendation 48), and on information transparency at the general shareholders’ meeting through its website (recommendation 7), whose degree of adherence was 39.5% and 41.2%, respectively.

In relation to the Board of Directors, it should be noted that the average size remained unchanged with respect to 2017.

The chairpersons of boards of directors continued, in their majority, to be executive chairpersons (48.9%), particularly in the Ibex companies, where this average stood at 57.6%. The percentage of independent board members holding the position of board chairperson increased to 12.8% (11.5% in 2017).

Percentage of independent board members on boards of directors



Source: ACGR of the companies and CNMV

In 2018, 63.6% of the boards of the Ibex 35 companies were, at least, 50% made up of independent board members (60% in 2017). As far as the other companies are concerned, the boards of directors of 70% of them were at least one-third composed of independent board members (68.3% in 2017).

The presence of women on boards experienced a slight increase, reaching 19.7% (18.9% in 2017), a percentage which stood at 23.1% in the Ibex 35 companies. This rise was mainly concentrated in independent women directors, although the number of female executive board members also increased slightly to 4.9% of the total number of executive board members (four-tenths of a percentage point more than in 2017).

In 2018, the average age of board members was 59.9 years. In Ibex 35 companies this average is slightly higher, standing at 61.8 years.

As regards **ownership structure**, the floating capital increased slightly to 44.3% (44.2% in 2017). In 79 companies (nine less than in 2017) the sum of significant shareholdings and blocks of shares held by the board exceeded 50% of the share capital. In 30 companies the floating capital was less than 25%, while in four of them it was below 5%.

Finally, it is worthy of note that the average participation in the general shareholders' meeting increased to 72% in 2018 (69.3% in 2017). The number of companies that made available remote voting (electronic, postal, by courier, etc.) also increased by 3.9 percentage points, to stand at 40.6%.

Annual Report on the Remuneration of Board members (IARC)

The report contains detailed information and various considerations on the system for the remuneration of board members, both executive and non-executive, of listed companies in 2018 and the way in which it is applied.

In 2018, the average remuneration of the executive board members, mainly executive chairpersons and CEOs, of the Ibex 35 companies fell by 1.1% (to stand at 3.07 million euros), while that of the executive board members of the other listed companies increased by 2.2% (up to 887,000 euros). 2018 was the first year in which companies prepared their IARCs in accordance with the new models contained in Circular 2/2018, which for the first time include as remuneration the vested savings systems. Without taking into account this effect, the average remuneration of executive board members fell by 6.8% in Ibex 35 companies and by 1% in other companies. The reduction of the remuneration of executive board members of Ibex 35 companies was mainly due to a lower number of maturities of multi-year variable plans for executive chairpersons in 2018. As for the non-executive board members, their remuneration remained unchanged at approximately 210,000 euros (184,000 euros excluding non-executive chairpersons) in Ibex 35 companies, and increased by 4.7% (up to 89,000 euros, 81,000 euros excluding non-executive chairpersons) in other listed companies.

The areas for improvement mentioned, as in previous years, include the information that companies provide on pension plans and other long-term savings systems, as well as on the criteria and metrics used to determine variable remuneration and their specific application.



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