

THE CNMV PUBLISHES THE REPORT ON CORPORATE GOVERNANCE AND REMUNERATION OF BOARD MEMBERS OF LISTED COMPANIES FOR 2002

13 September 2023

- Follow-up of the Code of Good Governance recommendations registered in 2022 was 86.8% (86.4% in 2021) and six companies stated to be 100% compliant
- For the first time, the number of female board members was more than 30% (31.9%). There was a slight increase in female executive board members, reaching 6.7%
- The average remuneration of board members decreased by 4.4% Said decrease was of 2.6% if extraordinary remuneration is not included

The Spanish National Securities Market Commission (CNMV) has published the reports for the 2022 financial year on the Annual Corporate Governance Reports (ACGR) and the Annual Reports on the Remuneration of Board Members (IARC) of listed companies. Both documents reflect, in aggregate and summarised terms, the main conclusions of the information on both matters submitted to the CNMV by the companies.

Annual Corporate Governance Report (ACGR)

In 2022, the level of compliance with the Code of Good Governance was 86.8% of the recommendations, slightly higher than the previous year. In addition, another 7% were partially adhered to (7.3% in 2021), leading to full or partial adherence to the recommendations rising to 93.8%, a level similar to 2021.

It is worth highlighting that 51.2% of companies (47.9% in 2021) followed at least 90% of the recommendations of the new Code and six of them stated to have complied fully (one more than in 2021). On the other hand, two companies (same number as 2021) recorded a compliance level of under 60%.



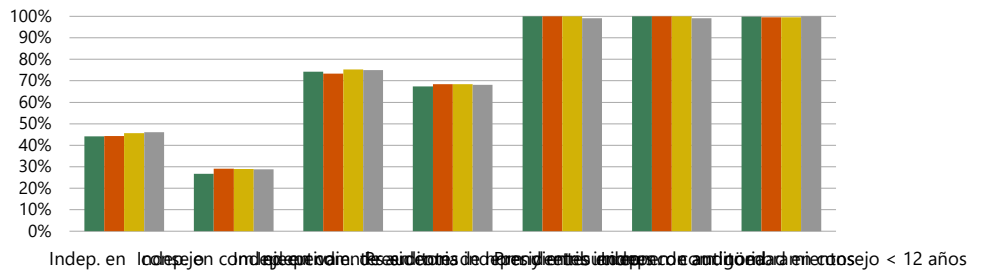
All listed companies stated that they complied with the following recommendations:

- Number 12: that the board is guided by the company's best interest;
- Number 21: that the board of directors does not propose the separation of any independent board member before complying with the statutory period for which he/she was appointed, except if there is a justified cause in the opinion of the board of directors and after a report by the nomination committee;
- Number 21: that all the board members express their opposition whenever they consider any proposal is contrary to the best interests of the company;
- Number 28: that whenever the board members state their concern regarding any particular proposal and it is not resolved, this is recorded in the minutes;
- Number 43: that the audit committee can call on any employee or manager; and
- Number 49: that the appointment committee consults the chairman of the board of directors and the chief executive of the entity (and that any board member may request the appointment committee to consider potential candidates to fill positions on the board).

On the other hand, the least followed recommendations, either fully or in part, continued to be those relating to the new practices recommended by the Code on large-cap companies having separate appointment and remuneration committees (recommendation 48), and that the variable remuneration of board members be linked to the delivery of shares (recommendation 61).

In relation to the Board of Directors, it should be noted that the average size was of 10 members (10.2 in 2021).

Percentage of independent board members on boards of directors



Source: IAGC of the companies and the CNMV

The percentage of executive chairpersons of the board of directors decreased by 2.1 points to 49.6% (51.7% in 2021). On the other hand, the percentage of independent board members holding the position of chairperson of the board decreased to 11.6%, compared to 14.2% in 2021.

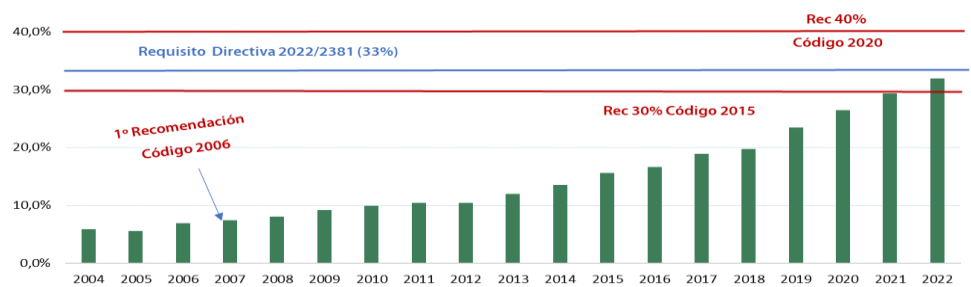
In 2022, 67.7% of Ibx 35 companies had at least 50% independent board members on their boards (70.6% in 2021). In other companies, 72.4% had at least one third of independent board members on their boards of directors.

The presence of women on boards rose to 31.9% (29.3% in 2021), reaching 37.6% in Ibx 35 companies. Women holding positions in senior management made up for 21.7%, an increase of 2.1 percentage points.

Moreover, from a long-term perspective, there is significant increase in the number of female board members since 2004:

Evolution of the percentage of female board members

GRAPH 11



Source: IAGC of the companies and the CNMV.



As seen, with a system of mere recommendations, the percentage of women on boards has risen from 5.9% in 2004 to 31.9% in 2022.

In 2022, the average age of board members was 60.8.

Regarding the ownership structure, the floating capital had a slight decrease by half a percentage point, reaching 42.5 %. In 79 companies (one more than in 2021) the sum of significant shareholdings and blocks of shares held by the board exceeded 50% of the share capital. In 31 companies the floating capital was below 25%, while in three of them it was below 5%.

Lastly, it is worth highlighting that the average participation in the general shareholders' meeting fell to 71.6% in 2022 (72.1% in 2021). The percentage of companies whose shareholders used remote voting systems (electronic, postal, by courier, etc.) increased by 6 percentage points, up to 62.8%.

Just as last year, a chapter has been included at the end of the report which lists the main **incidents found** during the monitoring process and provides guidelines and interpretations to help improve the quality of the reports over the next years and, therefore, securities issuers are recommended its review.

Annual Report on the Remuneration of Board members (IARC)

The report includes detailed information and various considerations on the system for the remuneration of board members, executive and non-executive, of listed companies in 2022 and the way in which it is applied.

As in the previous year, among the aspects that can be improved, it would be appropriate to provide better explanations on the assessment of the degree of compliance with the non-financial parameters linked to the variable remuneration of board members. It would also be advisable to explain in greater detail the most significant variations that took place in the reported financial years.

The average remuneration of board members was reduced, in general terms, over last year, both for executive and non-executive board members. The remuneration of the boards of directors decreases by 4.4%, among others due to the extraordinary remunerations in the previous year, resulting from the termination of board members in a company. There were, even if in 2022, extraordinary payments, which were lower than in the previous year. The decline would have reached 2.6% without such extraordinary remunerations.



The average remuneration of executive board members decreased by 4.3% (amounting to 1.6 million euros) and that of non-executive board members by 8.4% (up to 153,000 euros).

In regard to the pay gap by gender, the remuneration of female executive board members is 0.3% higher than that of male members, a difference that increases to 41.7% in the case of the higher remuneration average of female executive board members of Ibex companies, compared to male executive board members of the same index. However, the small number of female executives makes such average unrepresentative. In the case of non-executive board members, men's remuneration is 20% higher than that of women.

This has been the second year in which companies have had to compare the remunerations of board members, the consolidated results and the average remuneration of employees. According to the data published in the IARC, in 2022, the remuneration of executive board members, not considering extraordinary items, amounted to, on average, 31 times (32 times 2021) the average remuneration of employees of listed companies. The ratio between executive board members and employees increases up to 54 times (60 times in 2021) in the case of Ibex companies, this being 17 times the average remuneration for companies not forming part of said index (as in 2021). Just like 2021, the average remuneration of non-executive board members in 2022, excluding extraordinary items, was almost 3 times the average remuneration of employees.