

THE CNMV PUBLISHES ITS REPORTS ABOUT THE REPORTS ON CORPORATE GOVERNANCE AND THE REMUNERATION OF BOARD MEMBERS OF LISTED COMPANIES FOR 2021

19 September 2022

- *The degree of adherence to the Good Governance Code recommendations recorded in 2021 was 86.4% (83.7% in 2020) and five companies stated to be 100% compliant.*
- *The presence of women on boards increased by 3 points when compared with the previous year, to reach almost 29.3%, almost the level recommended for 2021 (30%).*
- *The remuneration of executive board members, not counting extraordinary items, on average amounted to 32 times the average remuneration of listed companies' employees. In any case, these figures show high dispersion between companies.*

The Spanish National Securities Market Commission (CNMV) published today the reports for 2021 on the Annual Corporate Governance Reports (IAGC) of issuing companies and the Annual Reports on the Remuneration of Board Members (IARC).

Both documents reflect, in aggregate and summarised terms, the main conclusions on both issues submitted by the companies to the CNMV during the year.

Annual Corporate Governance Report (IAGC)

2021 was the seventh year in which the 2015 Good Governance Code for listed companies was applied and the second after the amendments resulting from its review in June 2020 were applied.

In the seventh year, the degree of adherence to its recommendations was of 86.4%, three points more when compared with the previous year, mainly due to the fact that the companies have been adapting to the new practices included in the Code in said partial review in 2020.

In addition, a further 7.3% of the recommendations were partially adhered to (9.5% in 2020), meaning that full or partial adherence to the recommendations rose to 93.7% as a whole (93.2% in 2020).

It should be noted that 47.9% of the companies – 32% in 2020 – followed at least 90% of the recommendations of the new Code, with five stating



that they were 100% compliant (one less than in 2020). By contrast, two companies (two less than in 2020) recorded a compliance level of under 60%.

All listed companies stated that they had complied with the following recommendations.

- Number 12: that the board be guided by the company's best interests;
- 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 any employee or manager.

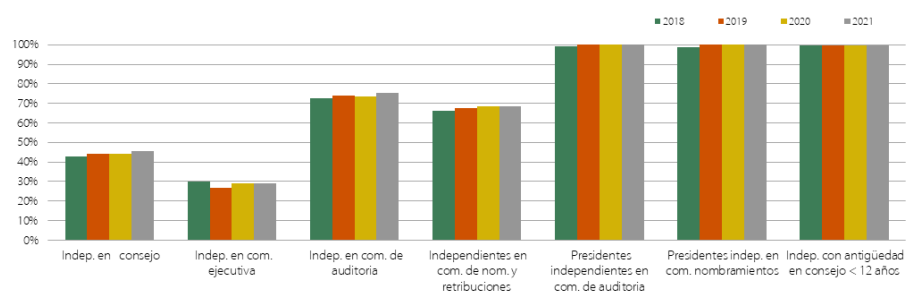
Conversely, the least followed recommendations, either partially or totally, continue to be the following:

- Those relating to large-cap companies having a separate nomination committee and remuneration committee (recommendation 48); and
- That relating to the variable remuneration of board members being 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 10.2 members (9.2 in 2020).

The majority of the chairpersons of boards of directors continue to be executive chairpersons, increasing their percentage they represent up to 51.7% (50% in 2020). Conversely, the percentage of independent board members holding the position of board chairpersons increased up to 14.2% (19.9% in 2020).

Percentage of independent board members on boards of directors



Source: IAGC of the companies and CNMV

In 2021, 70.6% of Ibex 35 companies had at least 50% independent board members on their boards (67.7% in 2020). As far as the other

companies are concerned, 73.3% of these had at least a third of their boards of directors made up by independent board members (73.6% in 2020).

The presence of women on boards rose to 29.3% (26.1% in 2020), reaching 34.2% in Ibx 35 companies. It should be recalled that the code recommendation was a minimum of 30% by 2021 and 40% by the end of 2022.

This increase took place in all categories, although it was more important regarding independent female board members. The number of female executive board members also increased up to 6.4% (5.6% in 2020).

The average age of board members was 60.6 years in 2021. This average is slightly higher, 61.5 years, in Ibx 35 companies.

As regards **ownership structure**, the free float remained unaltered with respect to the previous year at 43%. In 78 companies (two less than in 2020), the sum of significant shareholdings and blocks of shares held by the board exceeded 50% of the share capital. In 28 companies the free float was under 25% and below 5% in four of them.

Finally, it is worthy of note that the average participation in the general shareholders' meeting increased to 72.1% in 2021 (70% in 2020). The percentage of companies whose shareholders used remote voting systems (electronic, postal, by courier, etc.) increased by 6 percentage points, up to 57%.

This year, a chapter has been included at the end of the report to account for the main incidents detected during the supervision process, such as the need to improve the information on the shareholding of significant shareholders, to reconcile de differences existing, where applicable, between remunerations of the board and broken down in the IAGC and IARC, or to improve the quality and explanation of the methodology used to determine the data relating to the amount and percentage paid to the auditor as consideration for the audit and non-audit services provided. The aforementioned chapter provides guidelines and interpretations to help improve the quality of reports in the coming years and, therefore, reading it is recommended.

Annual Report on the Remuneration of Board members (IARC)

The report contains detailed information and various considerations on the system for remuneration of board members, both executive and non-executive, of listed companies in 2021 and the way in which it is applied.

Among the aspects that can be improved, it would be appropriate to provide further 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 further detail the most significant variations occurring in the years reported on.

The average remuneration of the board members increased last year both for executive and non-executive board members. The remuneration of the boards of directors increased by 13.2% due, among others due to



the extraordinary remunerations resulting from the cessation of board members in a company. The increase would amount to 5.2% when excluding these extraordinary remunerations.

The average remuneration of executive board members (i.e., excluding proprietary and independent board members), increased by 7.1% (amounting to €1.7 million) and that of non-executive board members by 28.5% (up to €167,000). The increase in the remuneration of non-executive board members is mainly explained by the aforementioned extraordinary remunerations, due to the cessation of executive board members who did not perform any management functions by the financial year-end.

This year has been the first in which companies have had to make comparisons between the remunerations of board members, the consolidated results and the average remuneration of their employees. According to the data published in the IARC, the remuneration of executive board members, not counting extraordinary items, on average amounted to 32 times the average remuneration of listed companies' employees. Anyhow, these figures show a high dispersion between different companies, sectors or company sizes.

The ratio of remunerations between executive board members and employees increases up to 60 times the average remuneration in the case of Ibex companies, this being 17 times the average remuneration for companies not forming part of said index.

When analysing the average remuneration of external (non-executive) board members, without considering extraordinary items, the ratio falls to 3 times the average remuneration of employees.