



**“The growing importance of the role of counselors in a changing environment”  
Awarding of Certificates and Diplomas at the Instituto de Consejeros - Administradores**

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Good afternoon,

Thank you, Juan, for your words of welcome and thank you to the Instituto de Consejeros-Administradores for inviting us to participate in this event for another year. It is a pleasure for me to continue the tradition of participating in this certificate awarding ceremony. An event that also reflects the important work that institutions such as the Instituto de Consejeros do in the training of Board Members. Thank you also for facilitating my participation in this event by telematic means and I hope to be able to attend in person on future occasions.

First of all, a note of optimism, as I am happy to know that the awarding of certificates and diplomas for the graduates of the previous academic year, the one corresponding to 2019, as well as the one for 2020, will finally take place on a face-to-face basis. It is a sign of how we are gradually overcoming the effects of the pandemic, and this is undoubtedly positive for the recovery of the economy and for society as a whole.

All of us, and in particular those of you receiving your certificates and diplomas today, have many challenges to face in the coming years. I do not think I am exaggerating when I say that our economic and social system is undergoing a profound transformation, which will be a turning point in the organisation of economies on a global scale.

There are several well-known trends that have been manifesting themselves for years: the fight against climate change, digitalisation, changes in governance and new business models. What is perhaps new is the acceleration and intensity of these changes, which are already significantly affecting the way we produce and consume. But I do not want to fall into sweeping statements. Today I would like to share with you three reflections, all of them related to the growing importance of the role of board members in this environment.

#### **Sustainable and responsible corporate governance**

First, I will address sustainable corporate governance and the need to integrate sustainability elements into companies. There is no doubt that we are facing an unprecedented paradigm shift in corporate governance. Investors and society at

large are calling for economic models that are more environmentally, socially and governance friendly - the so-called ESG factors - and that promote long-term value creation as a way to ensure the economic sustainability of the planet.

There are many regulatory initiatives in this area, as well as continuous and increasing pressure from the market in general. On the legislative front, it is worth noting the new Sustainable Corporate Governance Directive under discussion in Europe. This directive aims at better aligning the interests of companies with those of their board members and senior management, shareholders and other stakeholders, such as employees, suppliers and citizens in general. The directive also encourages companies to take into account the impact of their decisions on society and the environment in which they operate, and how the environment in turn impacts on the long-term performance of entities. Along these lines, at the CNMV last year, we revised the Good Governance Code for listed companies to reinforce precisely the elements of sustainability. In this way, for example, we develop more clearly the minimum content that we believe a company's sustainability policy on environmental and social issues should contain, which is to be approved by the board of directors. And we also include the recommendation that specific sustainability functions be assigned to a specialised committee, either an existing one or an ad hoc sustainability committee.

But there are not only initiatives in the regulatory field. As I said, pressure from the investment community, in particular from large institutional investment funds, for companies to incorporate ESG factors in their management has been particularly intense in recent years. There is growing shareholder activism, which needs to be properly channelled. At the CNMV we are evaluating the opportunity to develop a stewardship code, a code of best practice aimed at institutional investors and asset managers. This code, in the style of those in place in other jurisdictions, will, where appropriate, establish a set of best practices to enhance the responsible allocation and management of capital by institutional investors. The ultimate goal is for investors to prioritise long-term value creation and thereby generate sustainable benefits for the company, the environment and society as a whole. As I said, we are now in the process of evaluation, for which an advisory group of experts has been set up. By the end of the year, we hope to be able to launch a document agreed by all parties for public consultation.

In this context of sustainable governance, the challenge is to define how and to what extent boards of directors should incorporate the sensitivities of the different interest groups, known as stakeholders, especially bearing in mind that these interests may sometimes not be aligned; and how to reconcile this with the need to generate sustainable value in the long term. Board members, and in particular independent ones, have an important role to play in this debate. And I would encourage you to actively participate in it.

### Remuneration and independence

A second reflection I would like to share today concerns the design of board members' remuneration. Adequate remuneration of board members is key to attracting talent with the necessary qualifications and rewarding their dedication and responsibility. But we must also ensure that its design and amount do not

compromise the independence of judgement of board members and do not encourage short-sighted behaviour. This is indeed a complex balance.

Spanish Law 5/2021, which reformed, among others, the Spanish Corporate Enterprises Act, has introduced several aspects in this respect. Thus, for example, the annual report on board members' remuneration should provide a breakdown of remuneration, explaining the degree of compliance with the remuneration policy, and the contribution to the long-term and sustainable performance of the company.

Accordingly, on 9 October, the CNMV published an update of the corresponding Circular to adapt to the new requirements. In addition, in June 2020, we introduced certain reforms to the governance code in order to clarify certain issues related to remuneration. Thus, with regard to the introduction of variable remuneration schemes for board members, we recommend having a verification system in place to assess whether the necessary requirements have been effectively met in order to be able to proceed with their payment. Similarly, we believe that it is relevant to assess the inclusion of so-called "malus" clauses in situations of partial deferral of collection. That is, clauses allowing for the reduction or elimination of the outstanding and unsatisfied payment when it is found that the payment is not appropriate due to one of the situations envisaged for its reduction or elimination.

Furthermore, as regards variable remuneration of executive board members, which is linked to the delivery of shares or other financial instruments, we recommend that these may not be transferred or executed until a minimum period of three years has elapsed. In short, it is a question of having mechanisms to check, before remuneration is paid, that the objectives previously set have been achieved, and that the remuneration policy does not encourage short-sighted behaviour.

### Inclusive government and gender diversity

Finally, I cannot finish without mentioning the need to ensure an inclusive and diverse governing body structure. In particular, allow me to say a few words on gender diversity on boards. In my view, we have made great progress in recent years, with a continuous and uninterrupted trend of women on boards of directors. Currently, as you know, the CNMV's code of good governance recommends that by the end of 2022 a 40% female presence on boards of directors should be achieved. At the end of 2020, this percentage stood at 26.1% in listed companies and 31.3% in IBEX companies. Both percentages are still far from the target set, but it is necessary to look at them with the perspective of time: in almost a decade, we have gone from 12% (2012) to the current 26%, a more than significant leap.

Despite this significant step forward, female executive board members represent only 5% of the executive board members of listed companies. I personally find the lack of women in senior management of Spanish listed companies more worrying. By the end of 2020, only 17% of senior management positions were held by women.

It is clear that we have not made sufficient progress in this chapter. And, to make an analogy with today's event, we would not obtain our "diploma" in this area. I believe that companies should reflect on this situation, as senior management positions are the breeding ground for future board members. Moreover, as companies, but also as a society, we need to close this gap and maximise the options for bringing as much talent and intelligence as possible into the management and leadership of our companies. All the more so when there are so many and varied challenges ahead of us.

I shall finish by saying that the role of board member is taking on an increasing dimension in the corporate governance of companies. Their responsibility places them as the link between the various stakeholders, guiding and guaranteeing the company's function. This means that they are required to have increasingly in-depth knowledge in a wide range of subjects, and at the same time to be able to manage increasingly complex organisations in a changing environment.

In addition, they assume a high degree of responsibility for the decisions they take and the risk they take with these decisions. How to achieve this goal is not simple. In any case, in my opinion, the important thing is not to have the greatest experts in the different facets of business life, but rather that their profile, as a whole, guarantees an enriching debate on the boards, in which diverse opinions can be freely expressed and group thinking can be avoided. At the same time, board members must be proactive with regard to new phenomena and trends and know how to properly integrate societal demands in areas such as social and environmental contribution, without losing sight of the company's own interest.

I will leave it here, as I understand that you are awaiting the award of your certificates and diplomas. I would just like to offer you all my sincere congratulations, reminding you of and reiterating the importance of your role as board members or members of the decision-making bodies of companies, as the main element to ensure good corporate governance.

Thank you very much.