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New developments for listed companies: partial revision of good governance code

Legal flash

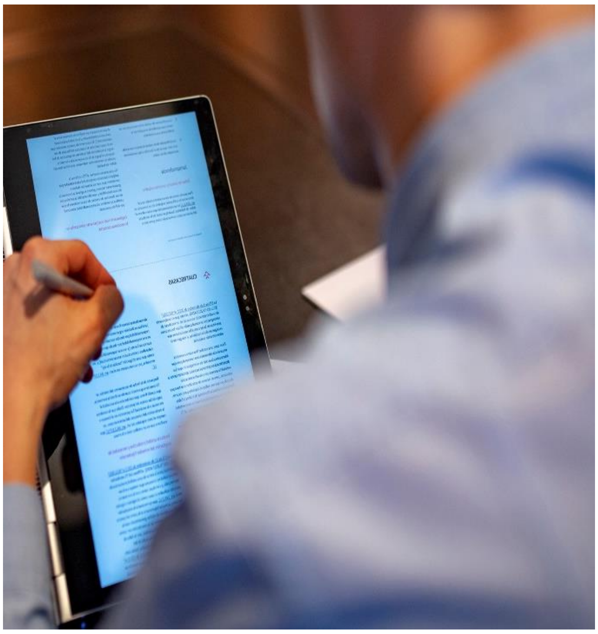
July 14, 2020

On June 26, the Spanish Securities and Exchange Commission ("CNMV") published a partial review of the good governance code of listed companies, to align it with the highest international governance codes. In this legal flash, we highlight the main new developments.

The four pillars on which this reform is based are as follows:

- Promotion of diversity on boards of directors.
- Greater importance of non-financial information and sustainability.
- Particular attention to the non-financial risks, particularly reputational risks.
- Clarification of aspects relating to the remuneration of directors.

The CNMV has announced its intention to amend the standard forms for the annual corporate governance report and the annual report on directors' remuneration as soon as EU Directive 2017/828 is incorporated into Spanish law. The Council of Ministers is expected, in one of its upcoming sessions, to approve the draft bill for incorporating this directive, and therefore, trigger the process for the Spanish parliament to approve it.



Key aspects

- At the end of 2022, the **percentage of women on boards of directors** should be **40%**.
- **Gender diversity** is promoted **at senior management level**.
- It is clarified which amounts should be considered when **calculating the directors' termination payment.**
- Greater transparency is promoted for **deferred variable remuneration** and it is recommended to assess the benefits of including **malus clauses**.
- The exceptions to the lockup affecting the **share-based remuneration** are clarified and extended.
- **Online attendance and voting** at general meetings are promoted.
- There will be increased auditing of the **non-financial risks and information,** and reinforcement of **environmental, social and governance** matters.
- Transparency regarding the reasons for **directors' dismissal, separation or resignation** is promoted.
- Companies are to develop **a general communication policy** through the media, social networks and similar means.
- The rules on the makeup of the **executive commission** are adjusted.

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