

GOOD GOVERNANCE IN IBEX-35 COMPANIES IN 2009

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Spanish regulation on stock market states that listed firms must annually publish a corporate governance report in order to provide complete and reasoned information about their practices within this area, so investors and other information users can have a founded opinion.

In this regard, once the Unified Good Governance Code of Listed Companies (Conthe Code) was approved on May 22, 2006, the Stock Market National Commission (CNMV) established it as mandatory reference for elaborating the Corporate Governance Annual Report (IAGC) of quoted companies for 2007 and subsequent years. Although Spanish regulatory framework does not force companies to follow the 58 recommendations included in the Unified Code, when these are not met, firms must justify such behaviour.

As responsible for following corporate governance recommendations, since 2008, CNMV publishes the Annual Report of Corporate Governance on Ibex-35 Companies. According to 2010 report, in aggregate, the most important aspects of the evolution of corporate governance practices in Ibex-35 companies during 2009 were as follows.

Overall, it can be observed certain improvement in the degree of compliance of Unified Code recommendations. In this regard, on average, companies met completely 87.5% of the Code (84.9% in 2008), and 6.7% in a partial way (7.9% in 2008). In this way, only 5.8% of recommendations were not fulfilled (7.2% in 2008). All categories experienced an increase in the percentage of compliance, especially those related to the Board of Directors.

In this sense, the average size of the boards remained without significant changes. On average, it was 14.4 members (14.5 in 2008), quite close to the maximum recommended in the Unified Code (15). 16.9% of the board members had executive duties, 38.4% were classified as proprietary directors, 40.4% were independent –which is an increase of three points over 2008–, and the rest was made up of other external members.

The average number of women on boards of directors in Ibex-35 increased from 8.7% in 2008 to 10.2% in 2009. However, despite this increase, the percentage of women occupying executive positions decreased to 4%, from 4.5% in 2008.

As in previous years, the least followed recommendations were those related to approval regime and transparency of directors' remuneration. On average, their degree of compliance (79.4%) was lower than in the complete Unified Code, although it grew three percentage points over 2008. In fact, the only two recommendations that were followed for less than a half of the companies included within Ibex-35 are those related to transparency of directors' remuneration. Specifically, recommendations 40 (that the Board of Directors submits to the General Shareholders Meeting a report on the remuneration policy) and 41 (that annual report includes individual remunerations) were met only by 35.3% and 44.1% of the companies, respectively.

The average remuneration per director was € 602,000, 15.5% more than in 2008. All remuneration items increased, although the weight of fixed compensation was reduced from 38% to 34%. On the other

hand, the number of top managers was 502 (514 in 2008). Their average remuneration was € 699,000, which represents an increase of 3.5% over 2008.

In 35.3% of the companies in Ibex-35 there was a physical or legal person which owns most of the voting rights or exercises or may exercise the control. The average attendance at the general meetings of shareholders was 73.3% in 2009 (72.5% in 2008). Six companies (17.6%) had limits regarding the maximum voting rights that a shareholder can wield: five of them fixed a ceiling of 10%, and the other one fixed it on 3%. In addition, it declined from 21 to 19 the number of companies that established a minimum number of shares to attend the meetings

Source: CNMV – Annual Report of Corporate Governance on Ibex-35 Companies, 2009.