GOOD GOVERNANCE IN IBEX-35 COMPANIES IN 2012

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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 users of information 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 Annual Report on Corporate Governance (IAGC) of quoted companies for 2007 and subsequent years. Although Spanish law 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 of monitoring the degree of compliance of corporate governance recommendations, since 2008, CNMV publishes the Annual Report of Corporate Governance on Ibex-35 Companies. According to 2012 report, in aggregate, the most important aspects of the evolution of corporate governance practices in Ibex-35 companies during that year 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 91.6% of the Code (90.2% in 2011), and 4.1% in a partial way (5.1% in 2011). In this way, only 4.3% of recommendations were not fulfilled (4.7% in 2011). 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 was 14 members (14.4 in 2011), ranging from a minimum of 9 and a maximum of 21. The total number of directors in the 35 companies included in Ibex-35 was 490 (505 in 2011). 15.9% of board members were executives, 36.1% were proprietary directors, 42% were independent (a proportion quite similar to 2011), and the remaining were other external members.

In 24 companies there was no separation among the President of the Board and the CEO. However, 20 of them reported they had rules which empowered an independent director in order to limit an excessive concentration of power.

The average number of women on boards of directors increased from 12.1% in 2011 to 13.5% in 2012. 35% of companies with scarce or null presence of women have not taken any step to correct the situation.

On average, remuneration of Boards of Directors was € 7.9 millions, which means an annual income of € 562.000 per director. By type of director, internal executives obtained 61.3% of the total (representing a decrease of 10.6% over the previous year), proprietary directors 8.9%, independents 14.8%, and other external members 15%. The board met on average 10.7 times a year.

On the other hand, the number of top managers was 467 (482 in 2011). Their mean remuneration was € 766.000 (a decrease of 1.3% over 2011), which represents 2.5% of total profits obtained by the companies during the year.

The attendance to Shareholders' General Meeting was, on average, 68.3% of equity in 2012 (72.9% in 2011). 17 companies had set a minimum number of shares to be able to attend shareholders' meetings. In 7 firms there was a physical or legal person which owns most of the voting rights or exercises or may exercise the control.

Source: CNMV – Informe Anual de Gobierno Corporativo de las Compañías del Ibex-35. Ejercicio 2012