

## GOLDEN PARACHUTES IN IBEX-35 COMPANIES

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Article 116 of the Securities Market Law obliges Spanish public trading companies to publish an Annual Corporate Governance Report (IAGC in Spanish). To complete this report, listed companies have to take into account the recommendations of the Unified Code of Good Governance, or Conthe Code.

This Code places special emphasis on the transparency of the remuneration system. As provided in recommendation 35, the Board must compile a report on the remuneration policy. This report addresses a number of issues, one of which is suggested to identify whether there are guarantees or protection for members of the company's senior management. Subsequently, based on recommendation 40, this report will be submitted to an advisory vote at the Annual General Meeting, as a separate item on the agenda, and will be made available to shareholders.

Analyzing the report of the National Commission for Market Values (CNMV in Spanish) for 2011 on corporate governance of IBEX-35 companies, we can see the degree of corporate transparency as to the amount of remuneration to senior executives and the existence of protection clauses. Thus, we find that 88.60% of the IBEX-35 companies have established guarantee or protection clauses for 260 members of senior management. The total number of IBEX-35 senior executives in 2011 was 482 people. The average remuneration was € 777,000, resulting in an increase of 3.10% compared to the previous year.

The following table contains a summary of the remuneration of members of senior management during the period 2004-2011, and data relating to the guarantee or protection clauses:

Senior Management								
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Senior Management in IBEX-35 companies</b>	436	464	468	464	514	502	513	482
<b>Senior Management (company average)</b>	13.2	13.5	13.4	13.3	14.7	14.8	14.7	13.8
<b>Average Remuneration (in €1,000s)</b>	511.7	539.9	640	669	675	699	754	777
<b>Distribution of Average Remuneration</b>								
(n° of businesses):								
< 200,000 €	2	-	1	-	1	1	-	-
200,000 - 500,000 €	21	26	16	21	19	20	18	18
500,001 - 1,000,000 €	8	6	14	9	10	8	11	9
> 1,000,000 €	2	3	3	5	5	5	6	8
<b>Average Remuneration as profit percentage (%)</b>	1.6	1.4	1.3	1.46	1.78	1.8	2.6	2.6
<b>Golden Parachutes:</b>								
Number of Companies	29	29	28	26	27	29	31	31
Number of Senior Management	307	312	301	288	278	256	251	260

**Source:** Carried out together with the I.A.G.C. of the C.N.M.V.

In the fiscal year of 2011, the average remuneration to senior management represents 2.60% of annual income; slightly higher than in previous years.

Between 2004 and 2007 there was a decline in the number of companies that established guarantee clauses, but this trend changed from 2008, and in 2011 the number of companies that established IBEX-35 protection clauses rose to 31. Although the number of beneficiaries thereof continued to decrease, there was a slight increase in 2011, from 251 to 260.

The table below (relevant to 2007-2011) shows which IBEX-35 companies have agreed protection clauses with senior management; the number of beneficiaries; the entity responsible for authorising the clause; and if the report on remuneration policy has gone to be voted at the General Meeting, as recommended in the Code of Good Governance and Conthe Code.

In 2009 we can see that, of the 31 companies with protection clauses, only two companies, Indra and Spanish Stock Exchanges and Markets, state in their Corporate Governance Report having been submitted for Shareholders' Annual General Meeting approval such clauses. In general, the body responsible for approving guarantee clauses is the Board of Directors. Nevertheless, 16 companies said they had informed the shareholders about the existence of such contracts.

It is possible to see how the number of IBEX-35 companies that have not agreed protection clauses with its senior management has increased by looking at the 2007-2011 period. In 2011, only four companies had not signed any clause shielding: Abengoa, Banco Popular Español, Bankinter and Obrascón Huarte Lain (OHL).

Firms with a greater number of golden parachutes during the period under review are Banco Sabadell and Endesa, with 24 and 23 beneficiaries respectively. But companies with fewer such contracts in 2011 are Ferrovial and Sacyr Vallehermoso with one senior manager each.

Despite recommendations made by both the European Commission and the Conthe Code, transparency remains an unresolved matter for large companies. Many shareholders are unaware of the existence of senior management contracts and their terms. It is important to remember that these claims are, in most cases, astronomical amounts that lay a heavy burden on company.

Former President of the CNMV, Manuel Conthe, even declared: *"the protection clauses for some Spanish managers are outrageous. They come out of the company profits and are at the expense of all shareholders"*.

**GOLDEN PARACHUTES FOR SENIOR MANAGEMENT MEMBERS**

IBEX 35 Companies	2009			2010			2011		
	Nº of Beneficiaries	Authoritative Group	Vote in General Meeting	Nº of Beneficiaries	Authoritative Group	Vote in General Meeting	Nº of Beneficiaries	Authoritative Group	Vote in General Meeting
Abengoa	0			0			0		
Abertis Infraestructuras	4	Board	√	2	Board	√	3	Board	√
Acciona	9	Board	×	7	Board	×	7	Board	√
Arcelor Mittal									
Acerinox	10	Board	×	10	Board	×	10	Board	×
ACS	9	Board	×	9	Board	√	9	Board	√
Amadeus It Holding, S.A.				8	Board	≈	7	Board	√
B. Bilbao Vizcaya Argentaria	11	Board	≈	13	Board	≈	13	Board	√
Banco Sabadell	14	Board	√	14	Board	√	24	Board	√
Banco Español de Crédito	6	Board	≈	7	Board	√			
Banco Popular Español	0			0			0		
Banco Santander	25	Board	√	22	Board	√	20	Board	√
Bankia							7	Board	√
Bankinter	0			0			0		
Bolsas y Mercados Españoles.	3	Meeting	≈	4	Meeting	≈	4	Meeting	√
CaixaBank	3	Board	≈	2	Board	≈	12	Board	√
DIA							1	Board	√
Ebro Foods	4	Board	√	2	Board	√	2	Board	√
Enagás	9	Board	≈	8	Board	≈	8	Board	≈
Endesa	25	Board	≈	24	Board	≈	23	Board	√
Ferrovial	1	(1)	≈	1	(1)	≈	1	(1)	≈
Fomento de Construcciones y Contratas	7	Board	×	7	Board	×	7	Board	×
Gamesa Corp. Tecnológica	11	Board	≈	14	Board	≈	8	Board	√
Gas Natural SDG	13	(1)	×	13	(1)	×	13	(1)	√
Grifols	3	Board	×	3	Board	×	5	Board	×
Iberdrola Renovables	6	Board	≈	5	Board	√			
Iberdrola	9	Board	≈	8	Board	√	8	Board	√
Iberia	11	Board	×	11	Board	×			
Indra Sistemas, S.A.	11	Meeting	√	10	Meeting	√	9	Meeting	√
Inditex	9	Board	≈	8	Board	≈	8	Board	≈
IAG							8	Board	√
Mapfre	9	Board	√	8	Board	√	9	Board	√
Mediaset	5	Board	√	5	Board	√	5	Board	√
Obrascon Huarte Lain	0			0			0		
Red Eléctrica Española	3	Board	√	3	Board	√	3	Board	√
Repsol YPF	15	Board	≈	11	Board	≈	12	Board	≈
Sacyr Vallehermoso	2	(1)	≈	2	(1)	≈	1	(1)	≈
Técnicas Reunidas	0			1	Board	×	3	Board	√
Telefónica	9	Board	≈	9	Board	≈	10	Board	≈

Source: Carried out together with the CNMV's IAGC.

(1) The company does not specify, in the Annual Corporate Governance Report, the body authorising the guarantee clauses.

√ Yes.

× No.

≈ Partial compliance.

■ Arcelor Mittal has submitted an IAGC, but it does not contain the same information as the other companies in the IBEX-35. The company is based in Luxembourg and is therefore not required to submit an IAGC in the form approved by the CNMV's circular letter 4/2007 on 27 December. For this reason, the data from this company has not been included in statistical calculations.