

# New reporting models on corporate governance and remuneration

The National Securities Market Commission (CNMV) has approved Circular 2/2018, June 12th, amending the current models in place for annual corporate governance reporting and for annual directors' remuneration reports.

In publishing this Circular, the body responsible for supervising and inspecting the Spanish securities markets hopes to achieve three goals:

## To make the formats for presenting reports more flexible

Up till now, those entities required to submit an annual corporate governance report and the annual directors' remuneration report have found that the models created for this purpose were rigid to complete. These formats limited their ability to organize and structure the information in the manner in which they believed best described their activity and performance. Furthermore, many found it necessary to fill out another template with a format that was better adapted to their particular context, circumstances and corporate image, for distribution among their shareholders, institutional investors, proxy advisors and other stakeholders.

The new Circular enables those institutions that do not want to use the standardized electronic document to submit their reports in the format they wish. Nevertheless, they must still abide by the minimum contents specified in the regulation and must include statistical appendices so that a minimum level of information is available in a standardized format to make it easier for the CNMV to compile and manipulate it, so that it continues to carry out its supervisory functions effectively.

## Inclusion of new contents

The Circular introduces the new contents required under Royal Decree 18/2017, as we discussed in [Progreso 13](#), amending the Commercial Code, the consolidated text of the Corporate Enterprises Act and the Audit Act, where they concern financial information and diversity.

The additional new information that must be included in both reports includes, most importantly:

- Directors' ages, training, disability and professional experience
- Reasons and circumstances surrounding departures of directors, specifying whether these were resignations, dismissals or another reason, especially in the case of independent directors
- Proposals submitted to the Annual General Meeting that were not approved
- Description of corruption-related risks that affect the business

## Simplified reports

The experience of recent years has demonstrated the need to make some technical adjustments. To this end, the Circular reduces or eliminates clauses that are no longer relevant in the current context, while expanding and introducing others that lend themselves better to understanding the corporate governance systems in place in institutions issuing securities and directors' remunerations in listed companies.

Regarding the annual report on directors' remuneration, Circular 2/2018 sets out the additional information that should be included about how the bonuses received have been arrived at, while the content of the information about stock option arrangements has been recast, as has the data on pensions and long-term saving systems.

Finally, there is an appendix with a new annual corporate governance report template for institutions in the public sector that issue securities other than shares; the model is simpler and better adapted to the particularities of these entities.