

Enhance corporate governance in Corporate Enterprises

Act 31/2014 was adopted to amend the earlier Corporate Enterprises Act in order to enhance corporate governance within the framework of the Committee of Experts' Report on Corporate Governance. It has included nearly all their recommendations.

The act introduces other changes apart from the amendments described in our previous issue (Progreso 1). Of special importance is the section on the annual report and the annual corporate governance report on director remuneration (articles 540 and 541).



Article 540, Informe anual de gobierno corporativo, establishes the obligatory nature of an annual corporate governance report for publicly listed companies. This must be filed with the Securities Commission (CNMV), which will determine its content and structure. The report must provide a detailed explanation of the entity's corporate governance and how it works in practice. Should the listed company be a European company, it must not only file the Spanish annual report but also another report drawn up by the board regarding oversight of its performance of duties.

Article 541, Informe anual sobre remuneraciones de los consejeros, obliges the board of directors in listed companies to prepare and publish a report on director remuneration each year. This must include the remuneration directors receive for their directorships and, where applicable, the remuneration they receive for executive duties. The information provided must be comprehensive, clear and understandable. It will be disclosed as a relevant event filing, presented alongside the annual corporate governance report. The report filed will be put to a consultative vote at the General Meeting as a separate item on the agenda. However, the Ministry of the Economy & Competitiveness or the CNMV are expressly empowered to determine the content and structure of the report.