

NEW CIRCULAR AMENDING THE STRUCTURE AND TEMPLATES FOR ANNUAL CORPORATE GOVERNANCE REPORTS AND REPORTS ON THE REMUNERATION OF BOARD MEMBERS OF LISTED COMPANIES

9 October 2021

- Circular 3/2021 comes into force on 10 October 2021, the day after its publication in the BOE (Spanish Official State Gazette) and will apply to annual reports for financial years ending on or after 31 December 2021.
- The templates are adapted to the new provisions of Spanish Law 5/2021, of 12 April 21.

The Spanish Official State Gazette published today [Circular 3/2021, of 28 September 2021](#), amending the structure and templates for annual corporate governance reports and reports on the remuneration of board members of listed companies.

Spanish Law 5/2021, of 12 April, amending the recast text of the Spanish Corporate Enterprises Act, approved by Spanish Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder engagement in listed companies, has introduced some changes in the area of corporate governance and board member remuneration, which has made it necessary to modify the structure and templates of the board member remuneration report and the report on the remuneration of board members of listed companies.

Thus, the main modifications introduced in the structure and template used for annual reports on the remuneration of the board members of listed companies are as follows:

- they must report on any deviations from the procedure for the application of the remuneration policy and on any temporary exceptions that have been applied;
- they must include an explanation of how the remuneration accrued and vested in the financial year contributes to the long-term and sustainable performance of the company;
- a new section has been added to compare the annual amounts accrued and the annual changes over the last five years in the remuneration of each of the board members, in the consolidated results of the company and in the average remuneration on a full-time equivalent basis of the employees

For further information:

[CNMV](#) Communications Department

Tel.: 91 5851530 - comunicacion@cnmv.es

of the company and its subsidiaries who are not board members.

As regards the annual corporate governance report on listed companies, the main changes introduced in the structure and template are as follows:

- it provides for the reporting, where appropriate, of "double loyalty voting shares";
- the section on related-party transactions has been brought into line with the definitions and criteria set out in the Spanish Corporate Enterprises Act;
- information is requested on positions held by board members in other listed and unlisted companies and about board members' other remunerated activities.

Finally, the annual corporate governance report templates applicable to other securities issuers, other than savings banks, and to institutional public sector entities have been eliminated, since Spanish Law 5/2021 has repealed the obligation to prepare a corporate governance report for these entities.

Circular 3/2021, of 28 September 2021, will enter into force on the day following its publication in the Spanish Official State Gazette and will be applicable to the annual reports on board members' remuneration and the annual corporate governance reports that the reporting companies must submit for financial years ending on or after 31 December 2021.

Assessment of comments

The new Circular was put out for public consultation between 8 June and 5 August 2021. Many of the comments received have been taken into account in the final draft.

In accordance with the CNMV's new public consultation policy, the analysis of the comments received is also published, and can be consulted in the document "[Comments received during the phase for public consultation on Circular 3/2021 amending the templates used for Annual Corporate Governance and Board Member Remuneration Reports](#)".

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