



THE CNMV LAUNCHES THE PUBLIC CONSULTATION FOR THE REVISION OF THE AUDIT COMMITTEES' TECHNICAL GUIDE

18 December 2023

The Spanish National Securities Market Commission (CNMV) has initiated a public consultation for an update of the Technical Guide on Audit Committees of Public Interest Entities, the first version of which dates to 2017.

The objective of said technical guide is to foster the proper functioning of such audit committees in public interest entities (EIP for its abbreviation in Spanish), paying particular attention to listed companies.

The key element to this update is the processing of information on sustainability and its associated risks, which were not explicitly addressed in the guide of 2017. This will allow adjusting the guide's guidelines to current regulations and business practice.

The corresponding modifications affect the functions to be carried out by entities' governing bodies, including, in particular, the new roles of audit committees, which must expand and develop their supervisory and control mechanisms to adapt to the new requirements related to the approval and transparency of sustainability information.

Thus, among other duties, the CSRD Directive on sustainability, and its draft law in Spain, entrust audit committees with the obligation to notify the General Shareholders' Meeting of the result of the verification of sustainability information. It is additionally required to explain how such verification has contributed to the information's integrity and the role it has played in such process.

Moreover, IOSCO approved in 2019 a best practices document regarding the role of audit committees in promoting the quality of audits, including some recommendations that have been considered appropriate to incorporate into the Guide.

Additionally, Spanish Law 5/2021, amending the recast text of the Spanish Corporate Enterprises Law, included specific regulations for transactions carried out by listed companies with related parties. In this process, audit committees play an extremely important role in enabling shareholders and other investors to properly assess and determine the conditions of the transaction, as well as the risks that they may represent.

In this regard, it is worth highlighting that the CNMV published, on 15 November 2021, a document titled “Questions and answers on the reporting regime of related-party transactions, regulated under Chapter VII bis of Title XIV of the Spanish Corporate Enterprises Law”, which also provides clarifications on the relevant information on certain related-party transactions according to their type and circumstances.

Furthermore, in terms of format and style, this guide implements a new standard for CNMV technical guides by using language that is less prescriptive, tables with definitions, and a clear identification of the recommended practices, in order to increase its usefulness for receivers.

The following are some of the updates incorporated into the Technical Guide:

1. Modifications to terminology

Terminology is adapted to the Directive 2022/464 and applies the term “information on sustainability” in reference to environmental, social, and governance (ESG) information, reserving the term “non-financial information” for its general use. The latter shall include information on management, corporate governance, directors' remuneration or the control systems and risk management, as well as including, in a general sense, information on sustainability. Moreover, the reference to corporate social responsibility has also been replaced by the broader and more precise term “sustainability”.

Likewise, the term “non-financial risks” is used in a broad sense, expressly including sustainability-related risks and other additional risks, such as legal, reputational, tax risks, those resulting from competition or consumer preference, as well as cybersecurity risks.

2. Clarify the roles of the audit committee and a possible sustainability committee

The roles of the audit committee and of the possible sustainability committees are clarified, in addition to highlighting the importance of appropriate coordination among the latter, in a similar way to how such matter is managed in the Guide and the Code of Good Governance for Listed Companies relating to the risk committee.

3. Independent verification service provider

The practices recommended by the Guide related to the auditor are extended to the verifier of sustainability information with the necessary clarifications and adaptations.

4. Expertise

The Technical Guidance determines it is desirable for members of the audit committee to hold, as a whole, the necessary knowledge on accounting, auditing, financial, internal control and risk management and business issues. An update is the consideration that such members are advised to have knowledge regarding sustainability.

5. Training

Sustainability-related topics are included among those recommended as part of the regular training plan for audit committee members.

The content of the Draft Circular is available in this [link](#).

Please send any comments in writing no later than 18 March 2024 to the following address of the CNMV:

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