Corporate and Board Governance Forum: KPMG
Governance as a Tool for Competitiveness

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Good morning.

I would like to begin by thanking KPMG and *El Mundo* for inviting me to participate in this Corporate and Board Governance Forum. It is an honour to be at this event with all of you and to have the chance to discuss some of the main challenges our companies and their governing bodies are facing today.

This year's programme clearly reflects these challenges, covering topics such as sustainability, artificial intelligence, risk oversight, digital transformation, business growth and geopolitics. As wide-ranging as they may be, these issues all share one thing in common: they are reshaping the business landscape, thereby changing the way in which boards of directors must carry out their responsibilities.

That's why the theme of this year's event, 'Governance as a Tool for Competitiveness', is so fitting. In my view, it perfectly encapsulates how corporate governance has evolved over the past few decades.

- When we think about good corporate governance, we tend to focus on the obligations it imposes on companies. But I think we should try to shift our perspective. The real question we should be asking ourselves is not what good governance demands of companies, but what companies stand to gain from it.

- The answer is clearer than ever today. Good corporate governance leads to better decisions. It strengthens organisations' ability to anticipate risk and adapt to rapidly changing contexts. It helps companies navigate change with more confidence and resilience. It builds trust and provides transparency for investors, lenders and stakeholders as a whole. And trust and transparency are arguably some of the most valuable assets for any company seeking to grow, attract investment and compete successfully. In short, good governance is more than just a control mechanism. It is a key factor in competitiveness.

Given the value that corporate governance contributes to companies and markets, it must continue evolving. We live in particularly challenging times. Accelerating technological change, artificial intelligence, increasingly sophisticated cyber risks, the evolving European sustainability framework and geopolitical uncertainty are all significantly broadening the scope of board of director agendas.

Meanwhile, Europe is facing another challenge that is equally important: strengthening its competitiveness and improving its capacity to finance the growth of its companies.

In recent years, one particular idea has gained increasing traction and prominence in European initiatives: improving competitiveness requires, among other things, a simplified European regulatory framework.

- Simplification does not worsen the quality of regulation. It does not imply compromising on transparency, lowering the standards that have helped build trust in our markets over the years or undermining investor protection.

- The real challenge lies in striking the right balance between simplification and all these objectives. This search for balance can currently be found in many areas of the European agenda.

  It is part of the initiatives designed to promote the Savings and Investment Union, which aims to help companies and investors gain access to deeper, more integrated markets by removing barriers and simplifying processes, all while maintaining a high level of investor protection.

  We also witness it in the evolution of the European sustainability framework. Following significant regulatory expansion in recent years, attention has shifted to how certain disclosure requirements can be streamlined to reduce administrative burdens. The question is how to do this without compromising the critical information that investors, supervisors and the market need in order to properly evaluate company risks and opportunities, while also maintaining the objectives and commitments set out in the Green Deal and the Sustainable Finance Action Plan.

The same question arises in corporate governance. Here too, we must think about how governance codes can continue to add value.

- This includes looking at how we can ensure that they remain a reference point for developing the best governance practices, rather than becoming just another series of requirements that companies view as a compliance burden. In the end, the success of a governance code should be measured by the extent to which it improves the quality of governance within companies. This means that codes must focus on the areas that are truly relevant to the way board of directors operate today.

- There is another element that I find particularly important. The object of a good governance code is not to dictate every detail of the way companies organise themselves, nor to replace the decision-making responsibilities of their governing bodies. Instead, they set the principles and recommendations that promote best practices, while being flexible enough for each company to adapt them to their own circumstances. It is ultimately up to each company to decide which governance model works best for them.

- This is exactly why the 'comply or explain' principle remains one of the greatest achievements of the European corporate governance model. It makes it possible to maintain high transparency standards and good governance while respecting each company's freedom to organise itself in a way that best suits its ownership structure, strategy and circumstances.
- Finding the right balance is important here as well. The codes should encourage best corporate governance practice, but without becoming so overly prescriptive or intrusive that they needlessly limit companies' ability to make decisions for themselves. The true strength of the European model lies precisely in this combination of shared principles, transparency and flexibility.

I believe this philosophy also explains the changes we are seeing in various European codes, which we have been analysing across nine jurisdictions: Spain, Belgium, France, Germany, Italy, Sweden, Switzerland and the United Kingdom.

- Corporate governance is clearly converging around the same key issues.

- Firstly, there is still widespread agreement that these codes should be based on principles. What makes them so valuable is that they provide a frame of reference for best practice, without seeking to replace the judgement of boards of directors or the decision-making authority of companies and their shareholders.

- Secondly, the codes are evolving towards greater clarity and a more organised structure. The goal is not to lower the standards of good governance, but to avoid duplicating existing legislation and focus on the recommendations that continue to provide genuine added value.

- Finally, there is a remarkable degree of consensus on the new issues that boards of directors should address in their agendas. Boards must have the capacity to understand and monitor issues that scarcely featured on their agendas up until recently: artificial intelligence, digitalisation, cybersecurity, operational resilience over the short, medium and long term, sustainability and the impact of an increasingly complicated geopolitical landscape.

- It is not just a matter of adding new items to the board agenda. Rather, boards must acknowledge that the nature of business risks is changing, and that good governance must evolve with it to help companies manage those risks more effectively and respond to an increasingly complex and fast-changing world.

- As part of this working group with eight other European jurisdictions, we are examining the similarities and differences between our Codes, as well as the direction they should take in the future. In our opinion, we should work towards establishing a shared set of best practices and recommendations across our nine jurisdictions, with codes becoming increasingly similar over time, and perhaps even create a common European governance code in the future.

This is precisely the spirit behind the CNMV's review of the Governance Code, which we expect to complete in the first half of 2027. It is a necessary review, given how much has changed since the current version of the Code was introduced: national and European regulatory developments, emerging trends in governance and new areas of interest.

- The review is based on the premise that, in order for the Code to continue serving as a point of reference, we must focus on recommendations that add real value. With that in mind, we are carrying out a simplification exercise to review any areas that have ceased to serve that purpose over time. This happens in some cases because recommendations get incorporated into new legislation, so keeping them in the Code is simply repetitive. In other cases, it is because these practices have already been fully embraced by listed companies and have become an integral part of their good governance culture.

- We wish to reinforce the 'comply or explain' principle, as it remains one of the greatest strengths of the European corporate governance model and an essential tool for providing investors with helpful information on how companies put good governance into practice.

- We are examining certain structural aspects of our governance model, such as the role of the independent director, the role of the Chairman and the possibility of him taking on executive responsibilities, as well as the communication between companies, their shareholders and other stakeholders.

- We are also more clearly reflecting the issues that are central to the agenda of every board today: sustainability, digitalization, cybersecurity and artificial intelligence.

- We ultimately aspire to create a Code that says less about the practices that have already been firmly established and more about the issues that are truly critical to good governance today: a code that removes unnecessary burdens while maintaining high standards of transparency and good governance, and without becoming overly prescriptive.

In conclusion, if I had to answer the question in the title of this speech — 'Where should good corporate governance go from here?' — in a single sentence, I would say that it has to evolve into a model that can remain trustworthy in a rapidly changing world. One that upholds the highest standards of governance while being clear, useful and proportionate. One that serves as a guide, not as a substitute for the responsibilities of governing bodies. A code that encourages best practices without undermining company and shareholder freedoms. And, ultimately, a code that helps our companies become more robust, more attractive to investors and more competitive. I believe this is also the spirit behind the review of the Spanish code and the direction in which European corporate governance is heading.

Thank you very much.