

CNMV SUBMITS FOR PUBLIC CONSULTATION A TECHNICAL GUIDE ON NOMINATION AND REMUNERATION COMMITTEES

20 November 2018

- The Guide provides principles, recommendations and criteria for the proper functioning of these types of committees
- It is considered appropriate that the Nomination and Remuneration Committee (NRC) should also perform certain functions with respect to senior management, as well as in relation to board members
- It contains criteria and recommendations on the use of external advisers by the NRC

The Spanish National Securities Market Commission (CNMV) has submitted for public consultation a proposed Technical Guide on Nomination and Remuneration Committees.

The objective of the document is to provide a series of principles and recommendations of good practices, as well as criteria on how these committees can improve talent management in companies and the performance of their functions.

The basic principles on which the NRC's performance should be based are the following:

- Independence and scepticism
- Constructive dialogue to promote the free expression of its members
- Internal dialogue
- Sufficient analytical capacity with the possibility of using experts. The NRC must have its own budget to ensure its autonomy and must pay special attention to possible conflicts of interest that could affect any external advisers that it hires.

The good practices recommended include those aimed at reinforcing the independence of the committee and fostering its proper functioning in the selection of board members and senior managers, the assessment of the board, the design of the remuneration policy, and the contractual conditions for board members and senior management.

Recommended good practices focus on matters such as:

- Regarding **composition**, diversity and training are defined, it is considered desirable that, if there are proprietary directors among its members, they are

preferably "micro-proprietary" and that the coordinating board member is a member of the NRC.

- The Guide recommends **a minimum of four meetings per year** called sufficiently in advance to be able to propose to the board the objectives, criteria and metrics of the different remuneration items for the year, assess compliance with those established in the previous year and disclose all of this in an appropriate manner in the annual board member remuneration report.
- With regard to the **assessment and selection of board members and senior managers**, the Guide recommends that a model setting out the necessary competencies of the board and senior management be drawn up. The NRC is also advised to assess the suitability and qualifications of all candidates, regardless of their category and who proposed them. In the case of board members who are legal persons, the assessment should be extended to the natural person representing them.
- **Special recommendations in relation to the appointment, re-election and removal of independent board members** are included, and the outsourcing of the search for candidates, for example, is highly valued. It is recommended that the NRC pay special attention and exercise extreme caution when a candidate has been proposed by significant shareholders, or proprietary or executive board members. It is also recommended that proposals for re-election take into account the need for a progressive renewal of the board, and that any proposal for the removal of independent board members that the board decides to submit at the general shareholders' meeting necessarily come from the NRC.
- Other matters covered by the Guide are **the examination and organisation of the succession of the chairman** of the board, the CEO and the senior managers, as well as the **assessment of the board** of directors and its specialised committees, it being considered preferable for the adviser who assists the NRC in the assessment of the board not to be the same one who advises the company on the appointment of board members or senior managers, or on remuneration systems; the information that the NRC must provide to other bodies of the company and to its shareholders, as well as a final section on the **transparency** to be given **to the reasons for the removal of board members**.
- Regarding **the remuneration of the board and senior management**, the Guide states that the policy submitted to the board by the NRC must be clear, precise, verifiable, based on objective criteria, adapted to the company's particular circumstances and take into account its impact on the sustainable strategy and performance of the company and on the assumption of risks. It is recommended that the policy be reviewed annually to ensure that it is aligned with the company's current situation and strategy and to analyse whether it contributes to the creation of long-term value.

The public consultation on this Technical Guide is open until 20 December 2018, providing interested parties with sufficient time to submit comments.

The content of the Technical Guide can be consulted at:

[CNMV - Spanish National Securities Market Commission documents for consultation](#)

Comments can be sent to the email address Mercados.gtcnr@cnmv.es or to the following postal address:

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