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La RSE Global

RSE.- How much should independent directors get paid?

The remuneration of independent directors in Spain sometimes exceeds Corporate Governance recommendations.



CORPORANCE, the first Spanish Proxy Advisor, has presented the Shareholders' Rights Directive (SRD II), which has a great importance for issuers, institutional investors, proxy advisors and for Corporate Governance in general.

The first panel was chaired by the former president of the CNMV and independent arbitrator Manuel Conthe, who said that "independent directors should be paid as little as possible", explaining that a very high remuneration goes against their independence.

Conthe was joined by other international experts such as the general manager of DSW Jella Benner-Heinacher (Germany), Chief Executive Officer of Proxinvest and Managing Partner of ECGS Loïc Dessaint (France) and the Founder of Frontis Governance and ECGS Southern Europe Senior analyst, Sergio Carbonara.

According to Dessaint, "the directors in Spain have very high salaries". He referred to the situation in France, where there has been a great debate that concluded with the introduction of legislation to regulate remuneration. This means that, in France, annual bonuses are paid differently than in Spain.

Drawing on her experience at the helm of a German company, Jella Benner pointed out that manager's salaries and remunerations are a hot topic up for the discussion of shareholders. As for the independence of managers, Sergio Carbonara, warned that this issue requires a case-by-case analysis.

Conthe also explained that institutional investors do not always have incentives to study the companies in which they have shares and exercise their voting rights, since they have very diversified portfolios. This justifies the existence of proxy advisors.

In addition, CORPORANCE's founding partner, Juan Prieto, who acted as the moderator for the first panel, said that Spain has evolved positively in when it comes to corporate governance in recent times and highlighted the important role of proxy advisors in the communication between issuers and shareholders.

The second debate was then chaired by the president of INVERCO, Ángel Martínez-Aldama, joined by the compliance director of Goldman Sachs España, Pilar López-Aranguren; the lawyer and director of InmoSur, Gregorio Arranz Pumar, and the head of financial communication at ATREVIA and the Good Governance Forum, Susana Graupera Sanz, who discussed the changes that will entail the transposition of the new Shareholders' Rights Directive, which establishes specific regulations for proxy advisors.

Ramón Hernández, legal director of CORPORANCE, who acted as moderator in this second panel, explained that "the 2017 directive is an important improvement for corporate governance and establishes harmonized standards for certain subjects, involving institutional investors, financial intermediaries, issuers and proxy advisors."

Gregorio Arranz pointed out that this directive recognizes the right to know who the final shareholders are and the number of shares they own. Pilar López-Aranguren added that this new directive might interfere with pre-existing data protection legislation when it comes to sharing shareholders' personal data. She added that in the case that such data is required by supervisory and judicial bodies, so it may be necessary to update the terms and conditions in each contract with clients. There may also be a conflict between the regime for the identification of shareholders that includes the directive and the regulations of some countries, such as the United States, where shareholders have the right to request that their intermediaries do not disclose such data.

On the other hand, Susana Graupera analyzed the new directive and its impact on the relationship between companies and shareholders, pointing out the value of transparency and a good reputation. According to Graupera, "this directive focuses more on what an investor should and should not do. Having a solid reputation offers significant benefits, especially when we face any kind of problem."