

Summary

Law 31/2014 of 3th of December which modifies Capital Companies Law, to improve the corporate governance, whose finality shall be modernize and improve the governance of Companies.

On 4th of December 2014 was published in the Official Gazette (BOE) Law 31/2014 of 3th of December which modifies Capital Companies Law, to improve the corporate governance, whose finality shall be modernize and improve the governance of Companies.

The changes introduced by the new Law could be grouped into two blocks:

1. Amendments relating to the shareholders and shareholder's rights,
2. Amendments relating to the board of directors.

Regarding the **Shareholders**, the Law provides a few competencies aimed at strengthening its role and opening channels to promote shareholding, guaranteeing to decide as shareholders separately on the appointment, re-election or removal of directors and statutory changes.

Regarding **Companies in general**, we can remark some modifications relating the intervention in matters of management and core operations, where the Shareholders can decide about important issues (when the volume exceeds 25% of total balance sheet assets); regarding the voting in the Board, its members must vote separately, and it is forbidden any favorite vote to any member when conflict of interest may arise.

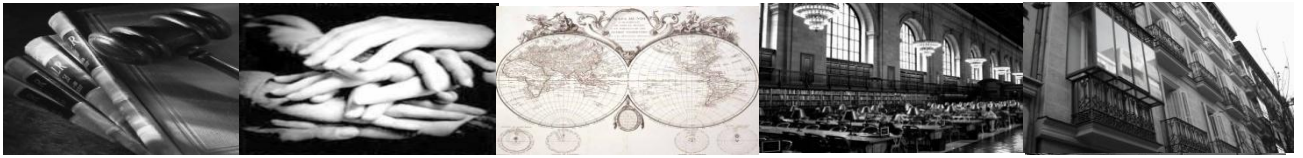
Finally, we must point out the amendments relating to the challenging of resolutions as it disappears the distinction between void and voidable agreements, as well as the contesting deadline which is extended from 40 days to 1 year, except in those cases where the agreements are considered contrary to public policy, which are deemed non-lapsable. However, the shareholders of these companies are only entitled to challenge if they own a minimal interest of 1% of the capital.

Regarding **Listed Companies**, the threshold for which shareholders can exercise their rights decreases to 3% of the share capital, as well as the law establishes a maximum number of shares (1000) to assist the General Meeting by statutory requirement. It should be remarked that the deadline for challenging corporate resolutions for these companies is reduced to three months, and may only be carried out by shareholders who own a minimal interest of 0.1% of the share capital.

Regarding the Board of Directors of the Company, the new law regulates in detail its operative:

For companies in general, the Law introduces a few measures to encourage the proper functioning of the Board, and therefore:

-The Council shall meet quarterly;



-The law attributes delegated powers as the decisions that correspond to the core of the management and supervision; and

-It is mandatory an agreement approved by the Board of Directors for those cases of designation of CEO and/or a director with executive functions.

Moreover, in the Listed Companies regarding the composition of the Board, the law introduces two new rules related to the figure of the President. On the one hand, its functions are fixed in detail; on the hand, the law introduces the need to appoint a coordinator counselor in those companies where the President of the Board assumes an executive functions.

Finally, we must remark the novelty provided by the Law about the regulation of **directors' remuneration**. The law provides the statutory incorporation of a system of directors' remuneration, with the conditions that this suits the market practices and whose purpose is to offer greater transparency to their management and decision functions.

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