Corporate governance, a crucial element for building corporate reputation

Our Chairman, Ignacio Galán, presented the Annual Report for 2013 “La Comunicación Empresarial y la Gestión de los Intangibles en España y Latinoamérica” (Corporate Communication and Managing Intangibles in Spain and Latin America), along with the Director of the report, Senior Professor Justo Villafañe from Madrid's Complutense University.

According to the study, Iberdrola, Gamesa and Inditex are ranked as the top three companies in Spain in terms of corporate governance.

The "Marca España" policy will be the focus of the next edition of the annual report.

The Chairman of IBERDROLA, Ignacio Galán, and Senior Professor Justo Villafañe from the Complutense University of Madrid, presented the fifteenth edition of the Annual Report “La Comunicación Empresarial y la Gestión de los Intangibles en España y Latinoamérica” (Corporate Communication and Managing Intangibles in Spain and Latin America) at the premises of the Madrid Stock Exchange.

The report researches the following topic: “The influence of corporate governance on the reputation of Spanish companies listed on the stock exchange”. The conclusion reached is that as well as being positive in helping companies access the capital market, improving corporate governance also leads to greater recognition from stakeholders, which in turn enhances the company's reputation.

How is corporate governance measured? Good Governance Reputational Index (Spanish acronym: IRBG)

The study involved the analysis of 34 listed Spanish companies using a methodology called the Good Governance Reputational Index (Spanish acronym: IRBG), designed by the consultancy firm Villafañe & Asociados.

Justo Villafañe explained at the launch that this tool detects weaknesses and risks in corporate governance by analysing eight different variables: Regulation of power and rewards, Transparency, Competencies of the Board of Directors, Company's mechanisms for self-regulation, Composition of the Board of Directors, Preventing and dealing with conflicts of interest, Mechanisms for combating corruption and fraud, and Participation in the Shareholders' Meeting. After this initial stage of analysis, a plan aimed at enhancing corporate governance will be formulated.
governance and tailored to meet the needs of each particular company is drawn up, with an emphasis on the corporate governance practices that have the greatest impact on reputation.

The senior professor and author of the research pointed out that "in the early days of the crisis, there were a host of corporate practices that could not be described as being exemplary from the perspective of business ethics; it was precisely this ethical crisis that was so detrimental to the reputation of the corporate sector and that is why it is essential to work with methodologies that allow to improve this intangible".

In turn, the Chairman of IBERDROLA explained that although managing intangibles is something that has always been taken into account by corporations, nowadays "it has acquired a crucial significance in attaining business excellence, particularly after the economic crisis, which we seem to be leaving behind, based on the most recent positive reports, thanks to the effort made by workers and companies alike and to the reforms being made by the Government". "After seeing their reputation affected, many organisations are now having to tackle the challenge of restoring their credibility and the confidence of their various stakeholders", he added.

According to Ignacio Galán, "the more transparent a company is and the more information that is made available, the greater the investors' confidence in that company". He reminded those in attendance that IBERDROLA aspires to being a responsible and sustainable company that carries out its activity in three main spheres: economic, social and environmental, and which strives to strike the right balance between financial results and its commitment to its surroundings.

**Companies with Best Corporate Governance in Spain**

The Good Governance Reputational Index (IRBG) allocates a score to each of the indicators analysed, with the maximum sum being 1000 points. The research presented included a *Synthetic IRBG*, drawn up solely on the basis of analysing the annual corporate governance reports for FY 2011, in which IBERDROLA stood out as the leading company in Spain in terms of corporate governance, with a total of 943 points. IBERDROLA was followed by Gamesa, which scored 877 points, and Inditex, with 862.

In referring to this issue, Mr. Galán recalled the huge effort made by IBERDROLA, "not just with a view to maximising the company's financial value - in conformity with the company's interests - but also in a bid to safeguard the expertise and professionalism of the Board Members and Directors". In this regard, he highlighted the group's corporate governance system, which is "at the forefront in terms of best practices both in Spain and abroad, having received several awards".
Ignacio Galán also emphasised the group's commitment to ethical behaviour, which has led the company to draft a new wording for its Ethical Code and create the Compliance Unit, with a view to continuing to perfect its procedures and align them with the strictest international standards in the area of corporate ethics.

**Link between Corporate Governance and Corporate Reputation**

A comparison between the data obtained in the *Synthetic IRBG* and the information provided by the corporate reputation monitor *Merco Empresas* reveals that the companies with the highest scores for their Corporate Governance are also the ones with the highest scores in the stakeholder reputation ranking.

In this regard, the companies that stand out in the *IRBG* receive a more favourable assessment in the *Merco Empresas* from directors and financial analysts, both as regards their *economic-financial results* and the *quality of their economic information*. The same is true of the score allocated by journalists for their economic information under the heading *Transparency and Accessibility*.

**Looking ahead to 2014: "Marca España" policy**

The next edition of the Annual Report will include research on the topic of the "Marca España" policy, with three main aims: to pinpoint what exactly "Marca España" is supposed to mean; to provide a verified professional methodology for creating an effective national branding code (vision, value proposal and brand positioning), and finally, to build a discourse that is consistent with the foregoing; one that clearly explains what "Marca España" means, promotes an efficient strategy for implementation in Spain itself and more importantly, in the other countries that are of priority importance for the country.

**About the Annual Report on Corporate Communication and Managing Intangibles in Spain and Latin America**

The Department of Audiovisual Communication and Advertising I at the Complutense University of Madrid has been drawing up a Report on Corporate Communication and Managing Intangibles in Spain and Latin America on an annual basis since 1999. The 2013 edition of the report was sponsored by “La Caixa”, MAPFRE, Repsol, Telefónica and Iberdrola.

**Caption 1** (Galan_Villafane 2 (400 x 295).jpg): Ignacio Galán during the launch of the Annual Report "La Comunicación Empresarial y la Gestión de los Intangibles en España y Latinoamérica” (Corporate Communication and Managing Intangibles in Spain and Latin America)
**Caption 2** (RankingReputacionEmpresas (400 x 308).jpg): Synthetic IRBG.

**Caption 3** (Galan_Villafane 1 (400 x 266).jpg): Ignacio Galán and Justo Villafañe, Director of the report