

PROXY SEASON REVIEW

SPAIN



I am delighted to provide you, for the third year in a row, the CMI2i Proxy Season Review, a corporate governance analysis of the main European markets. The purpose of this analysis is to allow you to better understand the latest corporate governance developments and to highlight the latest trends that are predominant in the market.

2023 marks a very important year for CMI2i, with it being our 10 year anniversary. During this time, CMI2i's Capital Markets Intelligence and insights consistently made the difference to the success of deals, AGMs, Activist Defences, IR strategies and proxy battles. We have invariably identified investors where others have not. We continue to provide unrivalled expertise and put our intelligence into context. And ultimately, giving you the edge you need to win.

When we started in 2013, the capital market environment was a very different picture than today. In particular, we have observed the rise of ESG considerations that just a few years ago were not considered as essential for issuers and investors. Today, partly driven by new responsibilities and accountability imposed by the Stewardship Codes, investors have become increasingly vocal and want to play a more active role in the companies they are investing into. Moreover, proxy advisors' influence is stronger than ever. Most resolutions that received an Against recommendation from proxy advisors often also received high shareholders dissent. Finally, more and more investors have taken the opportunity to onboard "pass-through voting initiatives" where funds

and retail investors are being given more of a voice in voting the proxies. This has made the identification of shareholders at the Fund level even more of an imperative when establishing who will support a company – as it is based on who controls the vote. As a result an AGM average quorum increase has been observed among almost all the countries analysed.

With increased scrutiny, more stringent regulations and new corporate governance requirements approved every year, CMI2i is best placed to help your next general meeting preparation in order to gather optimal AGM representation and to maximise shareholders support.

A special thanks goes to the CMI2i Proxy team that contributed to the production of this latest series of reports and to all our clients that trusted our global market intelligence services once again.



Mark Simms, CEO





METHODOLOGY

This review is a chapter of the “2023 CMi2i European Season Review”.

As every year, CMi2i gathered the Annual General Meeting data for the main European markets in order to analyse and present the predominant trends related to Governance, Sustainability and Shareholder Activism.

Continental Europe has been divided into ten main regions: Italy, Spain, Switzerland, France, Netherlands, BeLux (Belgium + Luxembourg), Germany, Nordics (Sweden + Norway + Finland), Ireland and UK. The following stock indices have been investigated: FTSE MIB 40 (Italy), IBEX 35 (Spain), SMI 20 (Switzerland), CAC 40 (France), AEX (Netherlands), BEL 20 + LUXX 10 (Belgium + Luxembourg), DAX 40 (Germany), STOXX NORDIC 30 (Nordics), ISEQ (Ireland) and FTSE 100 (UK). In the case that a company is a member of more than one index, we will consider it only as part of the market where it is headquartered.

Moreover, a brief analysis of the Secondary index will be present where relevant, especially for the bigger markets.

For editorial reasons, this review will focus only on the meetings that took place between 1 August 2022 and 31 July 2023. Only Annual General Meeting are considered, with the limit of one meeting per company, in case a issuer had multiple meetings during the period under review. Only management proposed resolutions are being counted, while shareholder proposed resolutions will be analysed separately when relevant.

Every meeting has been analysed according to whether a company provided disclosure and public available information. The quorum gathered is the figure published by the companies; in the case a company did not disclose the meeting quorum the highest number amongst each resolution has been considered.

In order to compare markets, all the proposed resolutions have been split into 10 different main categories: Auditor, Board Related, Bylaws Amendment, Capital Related, Dividend, Financial Statement, Remuneration, E&S, M&A, Other.

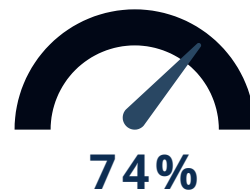
Two level of shareholder dissent will be considered relevant in this review: above 10% and above 20%. Therefore, all the resolutions that gathered at least 90.1% support will not be marked as contested. Resolutions that received between 80.1% and 90% will be considered contested while resolutions receiving less than 80% support will be considered highly contested. When it comes to failed resolutions, resolutions that received below 50% support are generally considered failed. However, in some markets and cases, the threshold might be higher at 75% or 2/3 of the vote cast, in these eventuality, we will clarify the market specificity case-by-case.



2023
SPAIN
IBEX 35

HIGHLIGHTS

**AVERAGE
QUORUM**



**COMPANIES
WITH
SIGNIFICANT
DISSENT***



**HIGHLY
CONTESTED
RESOLUTIONS
(>20% DISSENT)**



E&S PROPOSALS



**FAILED
PROPOSALS**



*At least one resolution with 20% or more against votes.



The following 34 issuers have been analysed as part of the IBEX 35: Acciona, Acciona Energia, Acerinox, ACS, Aena, Amadeus, Banco Bilbao, Banco Sabadell, Banco Santander, Bankinter, Caixabank, Cellnex Telecom, Enagas, Endesa, Ferrovial, Fluidra, Grifols, Iberdrola, Inmobiliaria Colonial, Inditex, Indra, Rovi, Mapfre, Melia, Merlin, Naturgy, Pharma Mar, Red Electrica, Repsol, Sacyr, Siemens Gam, Solaria, Telefonica, Unicaja.

The following issuer has been excluded for the analysis given it is headquartered outside of Spain and component of other indices too: International Airlines Group.

Compared to 2022, Almirall, ArcelorMittal and CIE Automotive have left the index and been replaced by Naturgy, Sacyr and Unicaja.

During the 2023 Spanish Season Review 590 management resolutions were put forward across 34 companies, with an average support rate of 97%. Moreover, 2 resolutions failed to be approved, 66 were contested (with at least 10% dissent) and 28 were highly contested (with at least 20% dissent). 13 companies received significant dissent (20% or more) on at least one resolution and therefore will be required to address shareholder dissent ahead of next season's AGM. These companies include: Cellnex Telecom, Ferrovial, Grifols, Indra, Inmobiliaria Colonial, Melia, Merlin, Naturgy, Pharma Mar, Red Electrica, Sacyr, Solaria and Unicaja.

In the last few years, the Spanish corporate governance landscape has seen various changes to align itself with the best practices across the world. Particularly relevant was the approval of the Spanish Climate Change and Energy Transition Law in 2021 that aims to decarbonise the Spanish economy and to meet the Paris Agreement objectives. This resulted in many Spanish companies calculating the emissions generated by their activity and to disclose their plans to reduce greenhouse gas emissions, usually through a shareholder "say-on-climate" vote. This season, 4 E&S (Environmental and Social) related resolutions have been put forward with none of them contested.

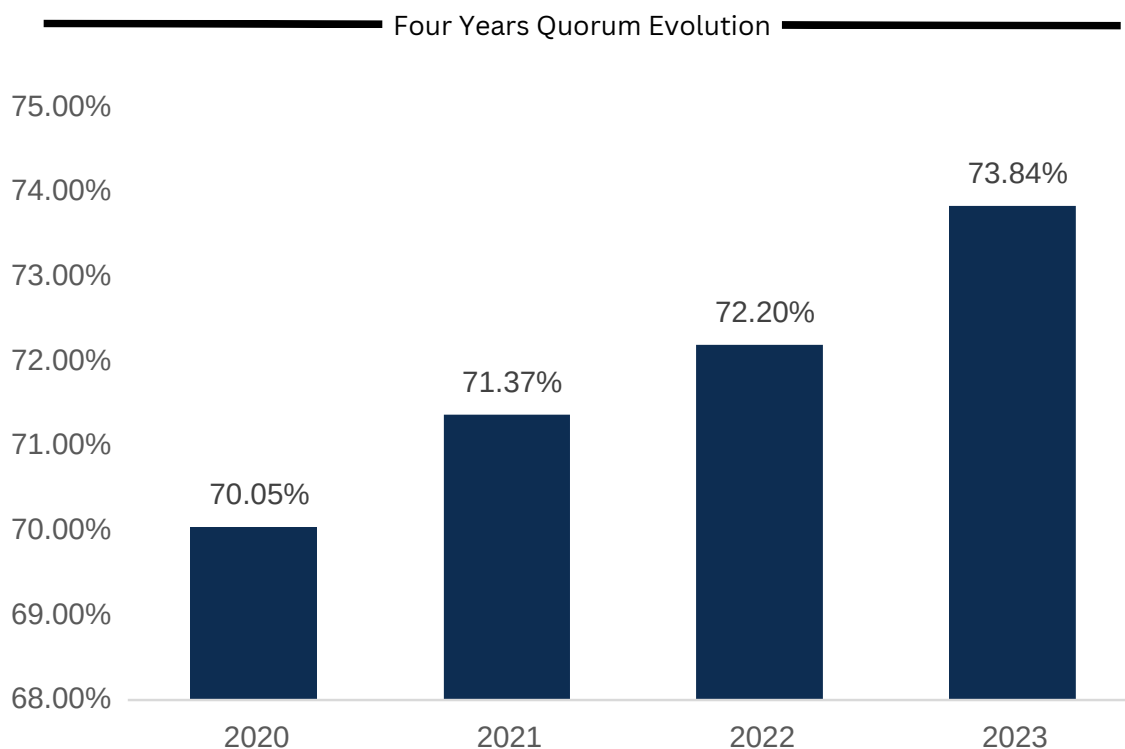
Moreover, in March 2023, the draft of the "*Organic Law on Equal Representation of Women and Men in Decision-Making Bodies*" was approved with the aim to achieve better equality between men and women. In particular, the minimum quota of women in Board has been increased to 40% and companies will be required to provide shareholders information of the measures taken to ensure gender balance at Board level. Finally, a 40% female representation quota for senior management will be mandatory from 1 July 2024.



The overall AGM representation (quorum) for the 2023 proxy season was 73.84%, the highest shareholder participation in 4 years, continuing a trend started in 2021.

This sharp increase from the 2022 season is partially due to the new index composition, with the new members recording above average participation.. The companies that recorded the highest quorum were Siemens Gamesa, Acciona, Inditex, Aena and Naturgy, while the companies with the lowest quorum were Pharma Mar, Repsol, Enagas, Acerinox and ACS.

A high participation level is usually seen as a positive signal for issuers.

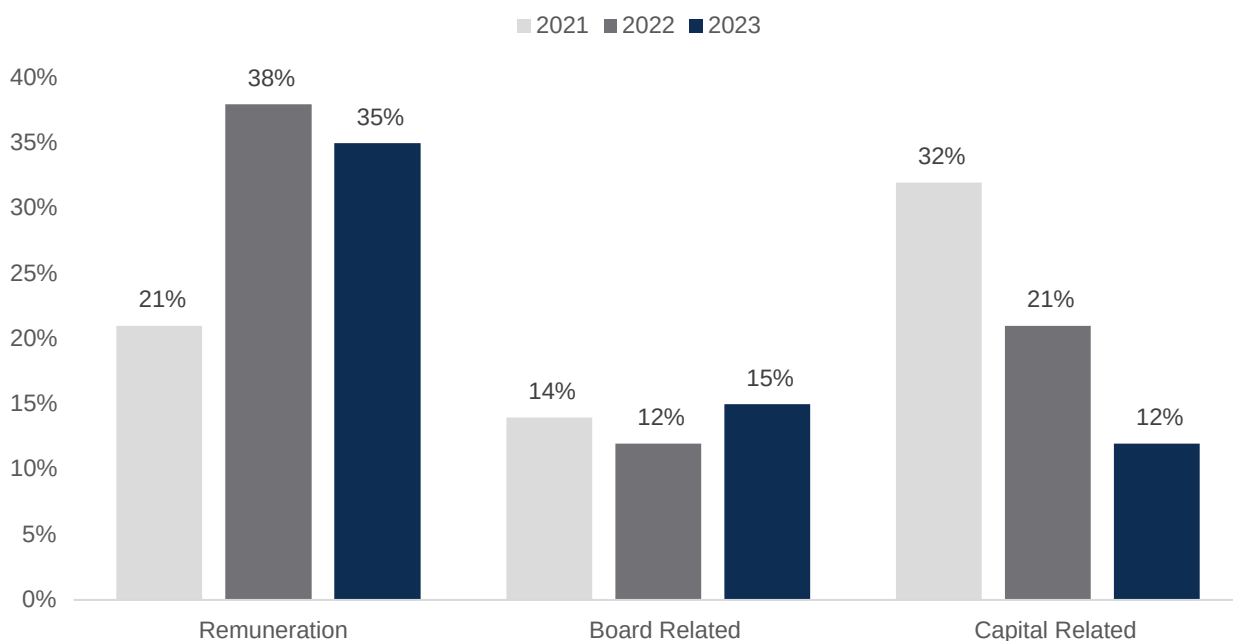




Despite an increase in the number of Board related resolutions that received shareholders' dissent, the 2023 Spanish proxy season was overall less contested than in 2022, with a reduction in the percentage of remuneration and capital related contested proposals. Overall, 66 resolutions received at least 10% shareholder opposition signalling that, despite the improvements, some companies are still facing shareholder scrutiny.

The most contested category was once again remuneration, where 35% of the resolutions received dissent, followed by Board related (15%) and capital related (12%).

Three Years Contested Resolutions

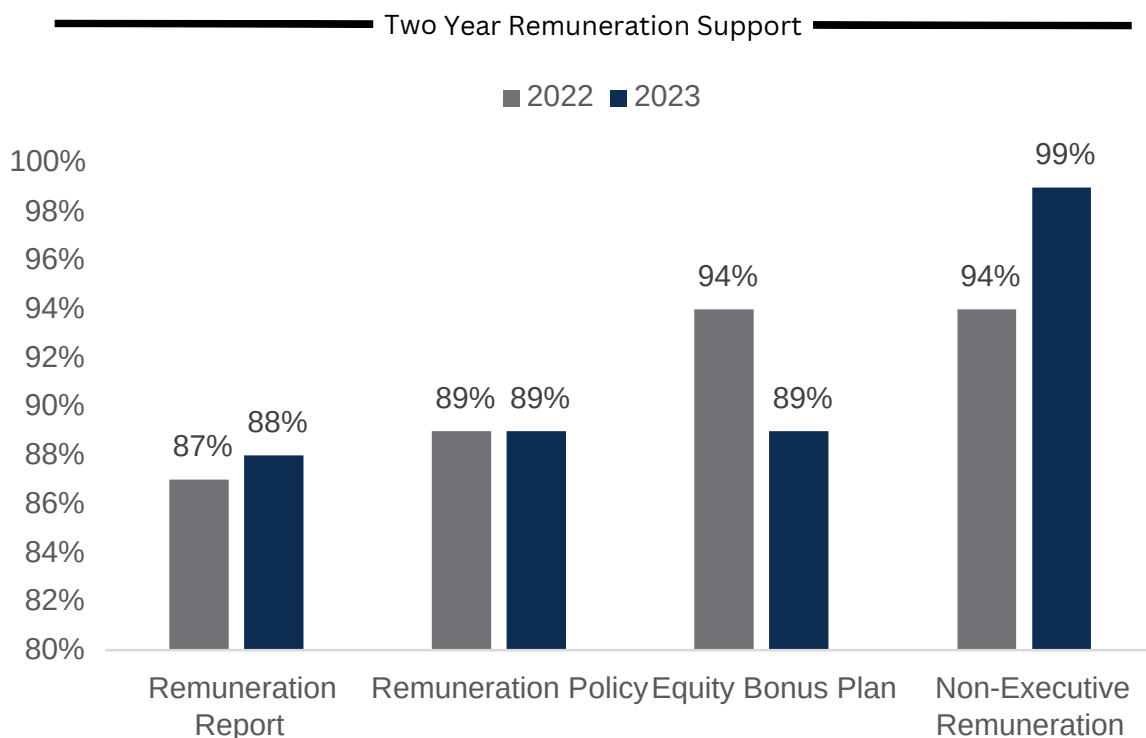


SPAIN IBEX 35 REMUNERATION

Despite a slight year-on-year improvement, compensation concerns have once again led institutional investors' agendas when voting at Spanish companies' AGMs. In fact, out of 81 remuneration related proposals, 28, equivalent to 35%, received 10% or more shareholder dissent. A total of 7 remuneration policies and 15 remuneration reports received dissent.

Common issues raised by investors and proxy advisors were, among others, the misalignment between pay and performance, lack of response to high level dissent votes at previous meetings, lack of disclosure around targets and performance metrics, excessive pay quantum and excessive severance packages.

The most contested remuneration category was the remuneration report, followed by remuneration policy and equity bonus plans.





SPAIN IBEX 35 FAILED RESOLUTIONS

Unicaja Banco



AGM: 30/03/2023

Quorum: 86%

Average Support: 89%

5.05 - Ratify Co-Option of Isidoro Unda Urzaiz



5.06 - Ratify Co-Option of María Teresa Costa Campi



During the 2023 Spanish Proxy Season two resolutions failed to gather the required majority needed and therefore failed to be approved, both at Unicaja Banco. On 30 March 2023, Unicaja shareholders voted against the re-election of directors Isidoro Unda Urzaiz and María Teresa Costa Campi. Particularly relevant was the position of the main company shareholder, Fundación Unicaja, holding approximately 30% of the issued share capital, who voted against both resolutions. On top of that, institutional shareholders with the likes of BlackRock, Legal & General and Norges also expressed their dissent towards the company's governance.

The main issue was the lack of independent representation on the board, that at the time of the Annual General Meeting was below the 50% minimum requirement. Moreover, after the merger between Unicaja and Liberbank finalised in 2021, Unicaja Board resulted in a split between the members of the two banks, with Liberbank members pushing to water down Unicaja's historic presence in Malaga.

Unicaja has been responsive to investor concerns and started the search for a new CEO to replace Manuel Menendez as part of the bank's plan to revamp its corporate governance structure. It has subsequently announced that Isidro Rubiales Gil will be the new company CEO and it is likely that a refresh of the board's composition will be proposed at next year's AGM.



SPAIN IBEX 35 CONCLUSIONS

This year's Spanish AGM season was slightly less contested than in 2022, with an overall increase in the quorum level. This is reflected in the numerous improvements that Spain has adopted relating to corporate governance. In fact, the Spanish government is pushing companies to adopt better disclosure and to align their corporate governance with the best-in-class international standards. Spain remains a leader when it comes to E&S proposals and this season 4 companies put forward resolutions related to sustainability and climate: Ferrovial and Aena submitted "say-on-climate" resolutions receiving an average support of 93%, while Acciona and Acciona Energia submitted their Sustainability report to their shareholders averaging 99% support.

Despite the improvements, a series of critical issues remain outstanding. In particular, 13 companies (38% of the sample analysed) received significant dissent (at least 20% votes against) at their AGMs and will have to address their shareholders ahead of next year. Moreover, dissent over the Board of Directors increased. Finally, proxy advisors' influence remained strong, with a negative recommendation from a mainstream proxy advisor almost always driving a high level of investor opposition.

POSITIVES

- 2023 Season was on average less contested than 2022.
- Quorum increased to highest level recorded in the last 5 years.
- Overall Spanish Corporate Governance is aligned with international best standards.

NEGATIVES

- 13 companies received significant dissent this season.
- 2 resolutions failed to be approved.
- Board related dissent increased by 3% year-on-year.



CMi2i is a capital markets intelligence firm headquartered in London that specialises in helping issuers and their advisers to identify debt and equity investors and to understand their behaviour. Our senior team brings decades of experience in market data analysis, investor identification, targeting, Corporate Governance advisory and proxy solicitation, drawn from detailed working knowledge of the key capital market participants, corporate governance, and regulation. Our bondholder and shareholder identification reports are used by issuers and their advisers to plan day-to-day IR activities as well as to successfully navigate corporate actions, including debt restructurings, consent solicitations, tender offers, refinancing, and M&As. CMi2i also provides bondholder and shareholder identification reports designed to meet regulatory and tax certification requirements, including withholding tax exemption rules and SEC Rule 802. Over the years we have provided support and advice to over 500 of the largest, most structurally complex companies in the world, and our team has worked on over 1000 transactions, analysing over \$200billion worth of bondholders in the secondary market.



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CMi2i

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