



M O R R O W  
S O D A L I

# Spain 2024 Proxy advisors' updates

February 2024

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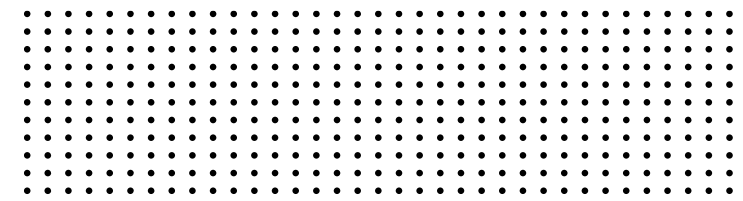
# Introduction

The two main global proxy advisors, ISS and Glass Lewis have recently updated their voting policies, while the Spanish proxy advisor, Corporance, has created its own policy. These situations impact the Spanish proxy season.

The following corporate governance matters have been affected by the proxy advisors:

- Board elections
- Remuneration-related matters
- Non-financial information statements
- ESG & shareholder proposals
- Amendment of bylaws and
- Unequal voting rights

For further reading, these are the full voting policies applicable to Spanish issuers in 2024



Continental Europe



Continental Europe


Shareholder Proposals & ESG-Related Issues

Spain






*Voting policies are not made public at the time this report was issued*

# Corporate reporting, ESG & Shareholder Proposals, Bylaws, and Capital Structure

		ISS 	 GLASS LEWIS	
Corporate Reporting	Non-financial reporting	<i>Similar provisions in place</i>	The reasons to recommend AGAINST are clarified: <ul style="list-style-type: none"> <li>• Late release of the report.</li> <li>• Failure to provide compelling information on material controversies.</li> <li>• Concerns on reporting completeness and quality.</li> <li>• Failure to disclose GHG emissions for Scope 1 and 2 in blue-chip and mid-cap indexes.</li> </ul>	Ambitious long-term objectives with short- and medium-term targets (roadmap). Measurement and reduction of emissions, focus on worker and human rights, supply chain, workforce (diversity, health & safety, pay gap), ethics, social and community contributions, and country-by-country tax disclosure. In absence of a formal Say on Climate resolution, non-financial statements will be looked at.
ESG & Shareholder Proposals	Stakeholder engagement	<i>No similar guidelines</i>	GL will look to publicly available disclosures made by both the company and shareholder proponents concerning engagement between the two parties. Also, companies are expected to make a concerted effort to provide disclosure in their proxy statements on their engagements with their broader shareholder bases on issues raised by shareholder proposals	<i>No similar guidelines</i>
Bylaws and Regulations	Applicable jurisdiction	<i>No similar guidelines</i>	For issuers requesting shareholder the approval of bylaws' amendments to specify the exclusive place of jurisdiction is at the registered office of the company, GL may oppose to such resolution since it may discourage shareholder claims by making them more difficult to pursue.	<i>No similar guidelines</i>
Capital Structure	Unequal voting rights	At widely-held companies with unequal voting rights, oppose the (re)election of directors who are primarily responsible for, benefiting from, or affiliated with a shareholder benefiting from the unequal vote structure. Exceptions include: <ul style="list-style-type: none"> <li>• Newly-public companies.</li> <li>• The distortion amongst political and economic power does not exceed 10 percentage points calculated to the entire share capital for multiple share classes and on individual shareholder.</li> <li>• Sufficient bylaw protection for minority shareholders.</li> </ul>	<i>No similar guidelines</i>	<i>No similar guidelines</i>

# Board and Committees

		ISS 	 GLASS LEWIS	
<b>Board &amp; Committees</b>	Directors' ESG accountability	<i>No similar guidelines</i>	<p>Applicability: Directors of large and mid-cap issuers with material ESG oversight concerns and material exposure to climate risks. Also, directors of issuers in industries where SASB determined that companies' GHG emissions represent a financially material risk. GL will look for:</p> <ul style="list-style-type: none"> <li>• Explicit and clear definition of the board's oversight responsibilities for climate-related issues.</li> <li>• Should provide thorough climate-related disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</li> </ul>	<i>No similar guidelines</i>
	Directors' skills	<i>No similar guidelines</i>	If an issuer has been impacted by a cyber-attack, GL will look for insufficient oversight, response or disclosures on cybersecurity-related issues.	Special focus on industrial, digital, sustainability, and cybersecurity capabilities at the board.
	Directors' attendance	<i>Similar provisions in place</i>	Poor attendance issues (below 75% of board meetings or aggregate board and committee meetings) can be eased upon the release of the reasons behind such low attendance ratio.	<i>Similar provisions in place</i>
	Directors' interlocking	<i>Similar provisions in place</i>	Both public and private boards are considered for spotting interlocking concerns (identifying poor board oversight patterns).	<i>Similar provisions in place</i>
	Scalation to committee members	<i>Similar provisions in place</i>	<i>Similar provisions in place</i>	Committee members on the ballot will be held accountable for any extended failure on committee duties and performance

# Remuneration

	ISS 	 GLASS LEWIS		
Remuneration	Benchmarking & peers	<i>Similar provisions in place</i>	Issuers should disclose their peer group utilized for pay benchmarking as well as the criteria used in the selection process –mainly for US-based peers.	Use of a peer group of realistic comparators for fixed compensation positioning.
	Vesting of variable pay	<i>Similar provisions in place</i>	The vesting of the maximum variable pay shall not occur if one or more performance targets' threshold hurdles was not met.	<i>Similar provisions in place</i>
	CEO pay ratio	<i>Similar provisions in place</i>	<i>Similar provisions in place</i>	Disclosure of CEO pay ratio as comparison metric.
	Share price & TSR metrics	<i>No similar guidelines</i>	<i>No similar guidelines</i>	Such targets shall be challenging and not influenced by capital changes.
	Capital authorities for equity plans	<i>Similar provisions in place</i>	Authorizations shall not exceed 10% of a company's issued share capital if the plan's beneficiaries extend over the company's personnel. If the beneficiaries sit at the executive committee, the cap is set at 5%.	<i>No similar guidelines</i>
	Executive's share-based pay	<i>No similar guidelines</i>	Mitigation of the concerns on equity awards granted to beneficiaries who are significant shareholders by: <ul style="list-style-type: none"> <li>• Setting challenging and diverse targets.</li> <li>• Disclosing the engagement efforts made on the matter with free-float shareholders.</li> <li>• Ensuring that the relevant beneficiary does not participate in voting on the award.</li> </ul>	<i>Similar provisions in place</i>
	Executive shareholding requirements	<i>Similar provisions in place</i>	<ul style="list-style-type: none"> <li>• Issuers should adopt requirements for minimum executive share ownership applicable for the duration of an executive's mandate.</li> <li>• Post-vesting and post-termination holding requirements shall be used to further align executive's interests with those of long-term free-float shareholders.</li> </ul>	<i>No similar guidelines</i>
	Executive severance	<i>Similar provisions in place</i>	Unvested awards should be proportionately reduced to the time served until an executive's termination.	<i>Similar provisions in place</i>

# European Governance Team:



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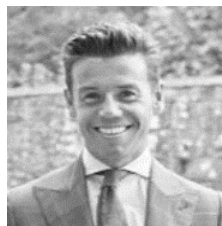
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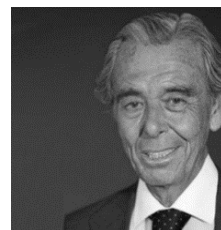
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