

Remuneration, Independence Of Directors, Capital Increases And Dividends Of The IBEX 35, Under The Magnifying Glass Of Proxies In Spain

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Fernando Rodriguez – “The aspects of the information distributed at the IBEX 35 shareholders’ meetings that received the most negative voting recommendations from us are similar to those from other companies in Europe,” summarises Juan Prieto, CEO of Corporance, the proxy advisor that belongs to the European ECGS network. So far this year, Corporance has made recommendations to investors at 36 shareholders’ meetings, in total, 614 concrete proposals on different items on the agenda, 18 for each annual shareholders’ meeting.

The Remunerations of Board Members and/or Chairmen or CEOs was the item that received the highest percentage of negative recommendations, 62.7% of “noes”, either due to the very formulation of the remuneration policy or due to the volume or composition of salaries. “Although it is obvious that it is not possible to generalise and that companies – above all, large companies – are being more and more careful in this respect, the practices we are most opposed to are: the excessive amount of remuneration compared to the European average and compared to companies in the same sector with similar capitalization, the little transparency in terms of the composition of remuneration packages and the absence of metrics to analyse bonuses, - sometimes linked to short-term goals-,” explains Prieto.

Board members and board composition was the item that received the second highest percentage of our negative recommendations. This is an item on which Corporance has opposed a third of the proposals – 33.1%. Among the reasons for our negative recommendations are, above all, the dubious independence of the candidates, either because of their proximity to the chairman or to a proprietary director, and their excessive remuneration, although “these aspects are already highly regulated by codes and rules”, according to Prieto, who considers that “in relation to other European countries, in Spain there are more reference shareholders – who always tend to vote – and fewer ‘free-float’. There are even countries where the figure of the proprietary director does not exist”.

The third item this proxy advisor is very critical of is the one dealing with authorisations given by shareholders’ meetings to Boards of Directors to issue shares. 45.5% of the proposals analysed

have received a negative vote recommendation from Corporance, which, in line with other proxy firms -including those on the issuer's side- disapproves of any authorisation to the board to increase capital above 10%.

Finally, Corporance opposed 34.9% of the 43 profit distribution proposals presented at the meetings of the IBEX 35 companies, especially when the intention was to distribute dividends, "a practice which the ECB has advised against as a result of the uncertainty generated by Covid-19". In this area, the report by Proxy Solicitor Georgeson, highlights in its 2020 AGM Season Review report that Spain has been the second country in Europe after France in which more large-cap quoted companies have modified or cancelled their shareholder remuneration as a result of the pandemic: 60% of IBEX 35 companies, a total of 21 firms.

Georgeson's report in its chapter on Spain is very much in line with Corporance's conclusions. Thus, its main conclusions are as follows:

- Proposals relating to director elections are the most contested agenda item within the IBEX 35, where 28 resolutions received more than 10% against votes during the 2020 AGM season, 2 more proposals than in 2019 AGM season (representing 22% of the total resolutions in this category compared to 17% in 2019).
- Contested resolutions relating to share issuance had the highest ratio again this year, but, with a decrease of 34% compared to 2019. Namely, 14 out of 36 resolutions regarding share issuance matters received more than 10% negative votes, representing 39% of the total resolutions in that category, while during the 2019 AGM season there were 10 resolutions, representing 59% of the total.
- 22 proposals related to remuneration received more than 10% negative votes, representing 30% of the total resolutions, with an increase of 11% with respect to last year (27%).

Georgeson also carries out an analysis on the recommendations of other Proxies, the following ones stand out:

- The category that received the highest proportion of negative recommendations from ISS was related to share issuance requests (39% of the total). It is noteworthy that this percentage has decreased by 17% compared to 2019 (47%), where there was the effect of the update of their Europe Voting Guidelines.
- Proposals relating to remuneration continue to be the resolutions most penalized by Glass Lewis, receiving 16 negative recommendations out of the total (22%), with an increase of 38% with respect to 2019.
- The category that received the highest proportion of negative recommendations from ECGS was the one related to remuneration as well, where 47% of the category received an against or abstain recommendation.