

Spain



GLASS LEWIS

2026 Benchmark Policy Guidelines

www.glasslewis.com

Table of Contents

About Glass Lewis	4
Purpose	5
Guidelines Introduction	5
Corporate Governance Background	5
Market and Regulatory Updates.....	6
Summary of Changes for 2026	6
A Board of Directors that Serves the Interests of Shareholders	8
Election of Directors.....	8
Independence.....	8
Other Considerations for Individual Directors.....	11
External Commitments	11
Board Responsiveness	12
Board Structure and Composition	12
Separation of the Roles of Board Chair and CEO	12
Size of the Board of Directors	13
Board Diversity.....	13
Diversity of Skills and Experience at Board Level	14
Board-Level Oversight of Environmental & Social Risk.....	14
Board Committees	15
Committee Composition and Performance	15
Election Procedures.....	16
Term Length	16
Ratification of the Co-option of Board Members	16
Transparency and Integrity in Financial Reporting.....	18
Accounts and Reports	18
Vote on Non-Financial Reporting.....	18

Allocation of Profits/Dividends	19
Appointment/Ratification of Auditor	19
The Link Between Pay and Performance	20
Vote on Executive Remuneration	20
Remuneration Policy	20
Structure and Content of Remuneration Reports.....	21
Short- and Long-Term Incentives.....	21
Severance Payments.....	22
Pension Provisions.....	22
Executive Remuneration for Financial Institutions	23
Remuneration Policy Relative to Ownership Structure	23
Governance Structure and the Shareholder Franchise	24
Ratification of Board Acts.....	24
Shareholders’ Rights	24
Shortened Notice Period	25
Double Voting Rights.....	25
Virtual Shareholder Meetings	26
Capital Management	27
Authority to Repurchase Shares	27
Issuance of Shares and/or Convertible Securities.....	27
Issuance of Debt Instruments.....	28
Connect with Glass Lewis	29

About Glass Lewis

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

Investors around the world depend on Glass Lewis' [Viewpoint](#) platform to manage their proxy voting, policy implementation, recordkeeping, and reporting. Our industry leading [Proxy Paper](#) product provides comprehensive research and voting recommendations weeks ahead of voting deadlines. Public companies can also use our innovative [Report Feedback Statement](#) to deliver their opinion on our proxy research directly to the voting decision makers at every investor client in time for voting decisions to be made or changed.

The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

Join the Conversation

Glass Lewis is committed to ongoing engagement with all market participants.

info@glasslewis.com | www.glasslewis.com

Purpose

The purpose of the Benchmark Policy proxy research and advice is to serve as a framework that facilitates shareholder voting in favour of governance structures that will drive performance and promote and maintain long-term shareholder value.

Guidelines Introduction

These guidelines are intended to supplement the *Continental Europe Benchmark Policy Guidelines* by highlighting the key policies that are applied specifically to companies listed in Spain and the relevant regulatory background to which Spanish companies are subject, where they differ from Europe as a whole. Given the growing convergence of governance regulations and practices across companies subject to European Union rules and directives, the general approach to Continental European companies is combined in a single set of guidelines, the *Continental Europe Benchmark Policy Guidelines*, which set forth the underlying principles, definitions and global policies used when analysing Continental European companies.

While the approach to issues addressed in the *Continental Europe Benchmark Policy Guidelines* is not repeated here, it will be clearly indicated in these guidelines when the Benchmark Policy for Spanish companies deviates from the *Continental Europe Benchmark Policy Guidelines*.

Corporate Governance Background

The National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or “CNMV”) is the Spanish government agency responsible for regulating national financial securities markets and ensuring their compliance with applicable regulations. The CNMV is an independent agency that falls under the Spanish government’s Ministry of Economy and Finance.

The Spanish Companies Law (*Ley de Sociedades de Capital* or “LSC”), Securities Market Law (*Ley del Mercado de Valores* or “LMV”), the Sustainable Economy Law (*Ley de Economía Sostenible* or “LES”), and the Commercial Code (*Código de Comercio*) provide the legislative framework for regulation and basic principles of corporate governance in Spain. In 2014, Law 31/2014 of December 3, 2014 was introduced to update the LSC implementing further key provisions affecting corporate governance in line with developing European standards, among which include, binding votes on remuneration policy, stricter regulations on director classification and committee independence, and the implementation of new ownership thresholds for shareholders’ rights. The law also requires companies to disclose an annual corporate governance report. Its content and structure is determined by the CNMV and will, at a minimum, include details on (i) the ownership structure of the company; (ii) any voting restrictions or restrictions on the transfer of securities; (iii) the management structure of the company; (iv) related party transactions; (v) risk control systems in place; (vi) the functioning of the general meeting; (vi) the degree of compliance, or explanations behind failure to comply, with corporate governance recommendations; and (vii) the main characteristics of the internal control and risk

management systems in place.¹ Further, in February 2015 the Spanish Good Governance Code of Listed Companies (the Good Governance Code or the Code), which sets out principles and provisions of best practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders, replaced the previous best practice recommendations (the Unified Code), largely in order to harmonise with the amended Companies Law. The format of the Code identifies certain good governance principles, which in turn provide for a set of specific recommendations. It operates on a “comply or explain” premise, whereby companies are required by Spanish law to specify their degree of compliance with corporate governance recommendations, justifying any failure to comply.²

The Code was most recently revised in June 2020 and there are plans for a future revision in 2027.

Market and Regulatory Updates

Royal Decree 214/2025 of March 18, is the most recent legal development approved relating to sustainability whereby a new register is created of carbon footprints, offsetting and carbon dioxide absorption projects. This decree sets the obligation for public companies with more than 500 employees to calculate carbon footprint and to draw up and publish plans for reducing greenhouse gas emissions.

Earlier, organic Law/2024, also known as the Parity Law (Ley de Paridad) was approved on August 1, 2024, with the purpose to achieve real and effective equality between men and women³ The law, implemented on August 22nd and which applies to several different areas amends article 529 bis of the Spanish Companies Law by requiring 40% representation for the least represented gender on the boards of listed companies. Moreover, this requirement extends to management although on a comply-or-explain rather than on a mandatory basis.

Further, the above article establishes the timeframe for companies to achieve the required representation. As such, companies trading in the IBEX 35 listing segment at the time the law was approved⁴ will have to comply by June 30, 2026, whereas all other companies have June 30, 2027 as their set deadline.

In addition, the draft law transposing the European Corporate Sustainability Reporting Directive (CSRD) into Spanish law was introduced in May 2023. The CSRD is intended to increase the quality, completeness, and comparability of non-financial reporting in Europe. The Spanish cabinet has not yet initiated any further legislation in this regard.

Summary of Changes for 2026

For 2026, the language in this document has been updated to clarify that these guidelines contain the views of the Benchmark Policy. The Benchmark Policy reflects broad investor opinion and widely accepted governance principles and is intended to provide clients with nuanced analysis informed by market best practice, regulation, and prevailing investor sentiment. This change better conveys Glass Lewis’ role as a service provider to a diverse,

¹ Article 540 of Spanish Companies Law.

² Article 61-bis of Sustainable Economy Law.

³ Foreword Ley Orgánica 2/2024 of August 1.

⁴ First Transitional Provision (4), Ley Orgánica 2/2024 of August 1

global client base with a wide spectrum of viewpoints and objectives. The Benchmark Policy represents just one of Glass Lewis' policy offerings.

In addition, the following clarifying revisions have been made to the Benchmark Policy, which are summarised below and discussed in greater detail in the relevant sections of this document.

Board Responsiveness

The Benchmark Policy's discussion on board responsiveness has been amended to clarify that, when assessing the level of unaffiliated shareholder dissent expressed at a previous shareholder meeting, a company's ownership structure and the meeting quorum are taken into account.

Please refer to the "Board Responsiveness" section of these guidelines for further information.

Housekeeping Changes

Further changes of a housekeeping nature have been made in order to enhance the clarity and readability of the document.

A Board of Directors that Serves the Interests of Shareholders

Election of Directors

The Benchmark Policy looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. It takes the view that a board can best protect and enhance the interests of shareholders if it is sufficiently independent, has a record of positive performance, and consists of individuals with diverse backgrounds and a breadth and depth of relevant experience.

Spanish companies are usually governed by a unitary board consisting of executive directors (*consejeros ejecutivos*) and non-executive directors, the latter subdivided into proprietary directors or shareholder representatives (*consejeros dominicales*), independent directors (*consejeros independientes*) and other external directors (*otros consejeros externos*).⁵ However, the board chair, with the approval of the board of directors, may delegate some of the board's management functions to an executive committee.⁶

Independence

In Spain, the Benchmark Policy puts directors into four categories based on an examination of the type of relationship they have with the company:

⁵ Defined in Article 529-duodecies of Spanish Companies Law.

⁶ Article 249 of Spanish Companies Law.

Independent Director — An independent director has no material financial,⁷ familial⁸ or other current relationships with the company,⁹ its independent auditor, executives, or other directors, except for board service and standard fees paid for that service.

Affiliated Director — An affiliated director has a material financial, familial or other relationship with the company or its executives, but is not an employee of the company.¹⁰ This may include directors whose employers have a material relationship with the company or its subsidiaries or major shareholders. Directors are typically considered affiliated if they:

- Have served on the board for 12 consecutive years or more;¹¹
- Have been employed by the company within the past five years;¹²
- Have — or have had within the past three years — a material relationship with the company, either directly or as a partner, shareholder, director or senior employee of any entity that has such a relationship with the company;¹³

⁷ “Material” as used herein means a relationship in which the value exceeds: (i) €50,000, or the equivalent (or 50% of the total compensation paid to a board member, or where no amount is disclosed) for board members who personally receive compensation for a professional or other service they have agreed to perform for the company, outside of their service as board members. This limit would also apply to cases in which a consulting firm that is owned by or appears to be owned by a board member receives fees directly; (ii) €100,000, or where no amount is disclosed, for those board members employed by a professional services firm such as a law firm, investment bank or large consulting firm where the firm is paid for services but the individual is not directly compensated. This limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the director or the director’s firm; (iii) 1% of the company’s consolidated gross revenue for other business relationships (e.g., where the director is an executive officer of a company that provides services or products to or receives services or products from the company); (iv) 10% of shareholders’ equity and 5% of total assets for financing transactions; or (v) the total annual fees paid to a director for a personal loan not granted on normal market terms, or where no information regarding the terms of a loan have been provided.

⁸ Familial relationships include a person’s spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person’s home. A director is classified as an affiliate if the director has a family member who is employed by the company.

⁹ A company includes any parent or subsidiary in a group with the company or any entity that merged with, was acquired by, or acquired the company.

¹⁰ Article 529-duodecies of Spanish Companies Law. If a company classifies a director as non-independent, the Benchmark Policy classifies that director as an affiliate, unless there is a more suitable classification.

¹¹ Paragraph 4 of Article 529-duodecies of Spanish Companies Law. The Benchmark Policy does not recommend shareholders vote against directors who are not considered independent due to lengthy board tenure on that basis alone in order to meet recommended independence thresholds.

¹² Paragraph 4 of Article 529-duodecies of the Spanish Companies Law, sets a three-year look-back for employees and a five-year look-back for executive directors. Market best practice indicates that a five-year period is appropriate for measuring the potential conflict of interest for any former employee or executive. However, the Benchmark Policy does not apply the five-year lookback period to directors who have previously served as executives of the company on an interim basis for less than one year. In contrast, a director may continue to be classified as affiliated after the look back period has elapsed where a former executive has other significant ties to the company, such as being a member of the founding family of the firm or continuing to receive variable remuneration.

¹³ Spanish Companies Law applies a three-year lookback for directors who have served as a partner of the company’s or group’s independent auditor. Further, a director is considered non-independent if he/she has served as an executive or shareholder of a company which received donations from the company or group in the past three fiscal years. This provision does not apply to trustees. Paragraph 4 of Article 529-duodecies.

- Have close family ties with any of the company's senior employees;¹⁴
- Hold cross-directorships or have significant links with other directors through their involvement in other companies or entities;¹⁵ and/or
- Have not been nominated by the nominating committee¹⁶

Inside Director — An inside director simultaneously serves as a director and as an employee of the company.¹⁷ This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Shareholder Representative¹⁸ — A director who is either the beneficial owner of 3% or more of the company's share capital, or represents the owner of 3% or more of the company's share capital.

Voting Recommendations on the Basis of Board Independence

Market best practice indicates that a board will be most effective in protecting shareholders' interests when the majority of the board members are non-executive directors¹⁹ and at least one-third of all directors are independent.²⁰ However, at least half of all board members of companies included in the IBEX 35 index should be independent directors, unless the company has shareholders individually or concertedly controlling over 30% of the issued share capital.²¹ Where 50% or more of the members are executive directors and/or the board does not include a sufficient number of independent members, the Benchmark Policy typically recommends voting against some of the inside and/ or affiliated directors in order to satisfy the above-mentioned non-executive and independence thresholds.

Further, market best practice indicates that shareholder representation on the board can be beneficial to all shareholders but should be proportional to economic interest. As a result, the composition of the board should mirror the company's share capital structure.²² Where the relation between shareholder representatives and independent board members does not match the proportion between the economic interest represented by

¹⁴ Article 529-duodecies of Spanish Companies Law defines "close family ties" as spouses or persons related up to the second-degree. The Benchmark Policy defines second-degree relatives as anyone including and up to parents, children, siblings, cousins, aunts/uncles, nieces/nephews and grandparents.

¹⁵ Paragraph 4 of Article 529-duodecies of Spanish Companies Law. In accordance with the law, a director will be considered non-independent when serving as an executive in another company where an executive of the company in question serves as a director.

¹⁶ Paragraph 4 of Article 529-duodecies of Spanish Companies Law.

¹⁷ Paragraph 1 of Article 529-duodecies of Spanish Companies Law classifies an executive director as one who performs a lead management position in the company or group. Directors who are senior officers or managers of companies belonging to the group may be considered shareholder representatives under the law.

¹⁸ Under Article 529-duodecies of Spanish Companies Law, a shareholder representative who no longer represents a shareholder due to a sale of shares in the company, may not be appointed as an independent director until the shareholder has sold all of its shares in the company. An independent director may hold shares in the company provided it is not of significance. Generally, significant shareholders nominate candidates for shareholder approval to serve as shareholder representatives on the board, however, article 243 of the Spanish Companies Law allows a shareholder to exercise its right to proportional representation on the board without a shareholder vote. In the event that the shareholder exercises this right, it will not be allowed to vote on the election of other board members in the meeting.

¹⁹ Recommendation 15 of the Good Governance Code.

²⁰ Recommendation 17 of the Good Governance Code.

²¹ Recommendation 17 of the Good Governance Code.

²² Recommendation 16 of the Good Governance Code.

shareholder representatives and the free float, the Benchmark Policy may recommend a vote against some of the shareholder representatives to achieve proportional board composition.

Voting Recommendations on the Basis of Committee Independence

Spanish law requires the audit, remuneration and nominating committees to be exclusively composed of non-executive directors, with the audit committee comprising of a majority of independent members, while remuneration and nominating committees must include at least two independent members.²³ The Code recommends that these committees should be composed of a majority of independent directors.²⁴ Further, in accordance with Spanish law, all committees should be chaired by an independent director.²⁵

Other Considerations for Individual Directors

The Spanish Benchmark Policy regarding performance, experience and conflict of interest issues is not materially different from the *Continental Europe Benchmark Policy*.

External Commitments

Directors should have the necessary time to fulfil their duties to shareholders. An overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. The Benchmark Policy will generally recommend that shareholders oppose the election of a director who:

- Serves as an executive officer of any public company while serving on more than one additional external public company board; or
- Serves as a 'full-time' or executive member of the board²⁶ of any public company while serving on more than two additional external public company boards; or
- Serves as a non-executive director on more than five public company boards in total.

Non-executive board chair positions at European companies will be counted as two board seats given the increased time commitment generally associated with these roles.

Further, as executive directors will presumably devote their attention to the company where they serve as an executive, the Benchmark Policy generally does not recommend that shareholders vote against the election of a potentially overcommitted director at the company where they serve in an executive function. Similarly, the

²³ Articles 529-quaterdecies and 529-quindecies of Spanish Companies Law.

²⁴ Recommendation 47 of the Good Governance Code. While the Code recommends that a majority of the members of the remuneration committee should be independent of shareholders owning 3% or more of the company's share capital or voting rights, the Benchmark Policy will take into account the company's ownership structure when evaluating the composition of this committee. However, a majority of the members of the remuneration committee should be independent of controlling shareholders (i.e., those owning or controlling 50% or more of a company's total share capital) in accordance with the CNMV Technical Guide 1/2019: On nomination and remuneration committees.

²⁵ Articles 529-quaterdecies and 529-quindecies of Spanish Companies Law.

²⁶ This policy applies to directors that serve on a board in a 'full-time' or executive capacity without further defined responsibilities within the executive team (e.g., executive chair that is not a member of the executive committee, or a non-executive chair that serves in the role in a full-time capacity).

policy will generally not recommend that shareholders vote against the election of a potentially overcommitted director at a company where they hold the board chair position, except where the director:

- Serves as an executive officer of another public company; or
- Holds board chair positions at three or more public companies; or
- Is being proposed for initial election as board chair at the company.

Nevertheless, exceptions to this policy may be provided, as described in the *Continental Europe Benchmark Policy Guidelines*.

Board Responsiveness

Many investors expect that when a significant proportion of votes cast on a proposal (e.g. 20% or more) are contrary to the board's recommendation, the board should, depending on the issue, demonstrate some level of responsiveness to address shareholder concerns.²⁷ These include instances when 20% or more of unaffiliated shareholders: (i) abstain from or vote against a director nominee; (ii) abstain from or vote against a management-sponsored proposal; or (iii) vote for a shareholder proposal when the board has not recommended doing so. In assessing the level of dissent, the company's ownership structure and the meeting quorum are taken into account. While the 20% threshold alone will not automatically generate a negative recommendation under the Benchmark Policy on a future proposal on the same topic, it may be a contributing factor to a recommendation to vote against such a proposal in the event it is assessed that the board did not acknowledge and/or address shareholders' dissent appropriately.

Depending on the nature and severity of the issue, and the items up for a vote at the subsequent shareholder meeting, the Benchmark Policy may recommend that certain directors are held accountable for an insufficient response to dissent, for example through a recommendation to vote against a board ratification proposal and/or board election proposals. In the absence of an option to escalate concerns to specific directors, the Benchmark Policy may instead recommend a vote against the receipt of the annual report and accounts.

The Spanish Benchmark Policy regarding board responsiveness is not materially different from the *Continental Europe Benchmark Policy*.

Board Structure and Composition

The Spanish Benchmark Policy regarding other aspects of the board structure and composition is not materially different from those of the *Continental Europe Benchmark Policy*. However, the Spanish Benchmark Policy regarding the size of the board of directors takes into account the local best practice. The following are clarifications regarding best practice recommendations.

Separation of the Roles of Board Chair and CEO

Under Spanish Law, the role of board chair may be held by an executive director, however, their appointment must be approved by two-thirds of the board of directors. In such cases, the non-executive directors must

²⁷ ICGN Global Principles, 10.10.

appoint a lead independent director (*consejero coordinador*).²⁸ Likewise, the Good Governance Code states that when the roles of board chair and CEO are combined, an independent lead director with additional powers, such as maintaining contacts with the company's shareholders, organising regular evaluations of the board and coordinating the chair's succession plan, should be appointed. The Good Governance Code states that the independent lead director should be granted additional powers such as maintaining contacts with the company's shareholders and coordinating the chair's succession plan.²⁹

When the roles are combined and the board has failed to implement adequate measures to prevent and manage the potential conflict of interests deriving from the combination of the two positions such as appointing a demonstrably independent lead director, the Benchmark Policy may recommend a vote against the chair of the nominating committee.

Size of the Board of Directors

In contrast to the *Continental Europe Benchmark Policy Guidelines*, which specify a maximum board size of 20 members, the Good Governance Code recommends that boards should be composed of no more than 15 members.³⁰ If a board has fewer than five directors or more than 15 directors, in the absence of a convincing rationale for the size of the board, the Spanish Benchmark Policy generally recommends a vote against the chair of the nominating committee.

Board Diversity

In accordance with Spanish law, the company's board must ensure that the procedures for appointing its members promote gender diversity, experience and knowledge with no implied bias entailing any kind of discrimination in regard to the appointment of female directors.³¹ The Good Governance Code recommends that boards should have adequate diversity of knowledge, experience, age and gender to perform their tasks efficiently. It is also recommended that companies have a policy to promote diversity that includes measures to ensure there are a significant number of female members in top management.³² The Code already recommended that the least represented gender occupies 40% of board positions by the end of 2022.³³ In addition, companies must disclose the number of female directors sitting on the board and its committees as well as indicate the development of this number over the last four years. Further, the Corporate Governance Report should include a description of the board's diversity policy, including its objectives, the measures adopted and how they were applied, and the results achieved in the reporting period. The diversity policy should include information such as professional experience, age, and gender diversity. An explanation should be offered where such a policy has not been applied. Small and medium-sized entities are only obliged to provide information on the measures that have been adopted in terms of gender diversity.

²⁸ Article 529-septies of Spanish Companies Law.

²⁹ Recommendation 34 of the Good Governance Code.

³⁰ Recommendation 13 of the Good Governance Code.

³¹ Article 529-bis of Spanish Companies Law.

³² Principle 10 of the Good Governance Code.

³³ Recommendation 15 of the Good Governance Code.

In line with the *Continental Europe Benchmark Policy Guidelines*, the Spanish Benchmark Policy recommends shareholder action when the boards of main market companies will not contain at least one gender diverse director. Further, the Code recommends that the boards of IBEX-35 and IBEX Medium Cap companies should be composed of at least 40% of gender diverse directors.³⁴

Where a proposed election does not align with the aforementioned, the Benchmark Policy will generally recommend that shareholders vote against the re-election of the chair of the nominating committee (or equivalent) or a new nominee to the board.

Limited exceptions to these policies may be provided where a company discloses a credible plan to address the lack of gender diversity on the board within a near-term and defined timeframe (typically by the time of the next annual meeting or scheduled board election). Recent progress made to improve board diversity while maintaining the required balance of board skills and refreshment will also be taken into account, particularly when a company provides compelling disclosure in this regard. Further, exceptions to these policies will generally be made for boards consisting of four or fewer members where a company provides compelling disclosure as to why it has failed to ensure board-level gender diversity.

Diversity of Skills and Experience at Board Level

Many investors expect companies to disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. The Code recommends that analysis of competencies required by the board should be disclosed in the nomination committee's explanatory report, to be published when the general meeting that will ratify the appointment and re-election of each director is convened.³⁵ The Benchmark Policy analysis of director elections at IBEX-35 and IBEX Medium Cap index companies includes an explicit assessment of skills disclosure.

If a board has failed to address material concerns regarding the mix of skills and experience of the non-executive element of the board, the Benchmark Policy may recommend a vote against the chair of the nominating committee. In the case of a by-election, where it is unclear how the election of the candidate will address a substantial skills gap, the Benchmark Policy may recommend a vote against the new nominee to the board.

In egregious cases, where the disclosure of a large company does not allow for a meaningful assessment of the key skills and experience of incumbent directors and nominees to a board, the Benchmark Policy may recommend a vote against the chair of the nominating committee.

Board-Level Oversight of Environmental & Social Risk

The Benchmark Policy looks to companies to ensure that boards maintain clear oversight of material risks to their operations, including those that are environmental and social in nature. These risks could include, but are not limited to, matters related to climate change, human capital management, diversity, stakeholder relations, and health, safety & environment. Given the importance of the board's role in overseeing environmental and

³⁴ Women, and directors that identify with a gender other than male or female.

³⁵ Recommendation 14 of the Good Governance Code.

social risks, this responsibility should be formally designated and codified in the appropriate committee charters or other governing documents.

The Benchmark Policy will generally recommend voting against the governance committee chair (or equivalent) of IBEX-35 companies that fail to provide explicit disclosure concerning the board's role in overseeing material environmental and social issues.

The Spanish Benchmark Policy regarding board-level oversight of environmental and social risk is not materially different from the *Continental Europe Benchmark Policy*.

Board Committees

In accordance with Spanish law, the board must establish an audit committee, individual nominating and remuneration committees or a joint nominating and remuneration committee. The committees must be composed entirely of non-executive directors, with the audit committee comprising of a majority of independent members, while remuneration and nominating committees must include at least two independent members. The chair of each committee must be independent. At least one member of the audit committee must possess expertise in accounting or auditing.³⁶

The Good Governance Code recommends that companies establish individual nominating and remuneration committees or a joint nominating and remuneration committee composed of a majority of independent directors.³⁷ Large cap companies should operate separately constituted nomination and remuneration committees.³⁸

Further, the Spanish Central Bank (*Banco de España*) determines that credit institutions which, on the basis of their size, internal organisation and the nature, scale and complexity of their activities, should establish a risk committee. This committee shall be made up of non-executive directors who have the appropriate knowledge, capacity and experience to fully understand and oversee the risk strategy and the institution's propensity to risk. At least one-third of the members, and in any event the chair, should be independent directors.³⁹

The Spanish Benchmark Policy regarding committee performance and standards for assessing committees is not materially different from the *Continental Europe Benchmark Policy*.

Committee Composition and Performance

The Role of a Committee Chair

Given their assigned leadership role and additional powers and responsibilities, a designated committee chair is generally considered to maintain primary responsibility for the actions of their respective committee. As such, many of the committee-specific Benchmark Policy voting recommendations are against the applicable

³⁶ Articles 529-terdecies, 529-quaterdecies and 529-quindecies of Spanish Companies Law.

³⁷ Recommendation 47 of the Good Governance Code.

³⁸ Recommendation 48 of the Good Governance Code.

³⁹ Article 38 of Law 10/2014 on the regulation, supervision and solvency of credit institutions. Per Rule 27 of Circular 2/2016 of Spanish Central Bank, entities whose total volume of assets at individual level is greater than or equal to €10 billion at the closing date of any of the two preceding financial years must establish a risk committee.

committee chair rather than the entire committee (depending on the seriousness of the issue). In cases where the committee chair is not up for election due to a staggered board, and where substantial or multiple concerns have been identified, the Benchmark Policy will generally recommend voting against a long-serving committee member that is up for election, on a case-by-case basis.

In cases where the Benchmark Policy would ordinarily recommend voting against a committee chair but the chair is not specified, the following general rules are applied:

- If there is no committee chair, the Benchmark Policy will recommend voting against the longest-serving committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e., in either case, the “senior director”); and
- If there is no committee chair, but multiple senior directors serving on the committee, the Benchmark Policy will recommend voting against both (or all) such senior directors.

Expertise of Audit Committee Members

For an audit committee to function effectively on investors’ behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities.⁴⁰ The companies should clearly outline the skills and experience of the members of the audit committee, and shareholders should be wary of audit committees that include members who lack the requisite expertise.

In Spain, it is required that at least one member of the audit committee must possess expertise in accounting or auditing.⁴¹ The Benchmark Policy may recommend that shareholders vote against the re-election of the audit committee chair and/or other committee members standing for re-election when the director biographies and disclosure provided by a company do not allow for the determination of such expertise.

Election Procedures

The Spanish Benchmark Policy regarding election procedures is not materially different from the *Continental Europe Benchmark Policy*. The following are clarifications regarding best practice recommendations in Spain.

Term Length

Although many investors favour the annual election of directors, under Spanish company law directors may be elected for a term of up to four years and are eligible for re-election.⁴² The Benchmark Policy does not recommend voting against any directors based on this issue.

Ratification of the Co-option of Board Members

In certain instances, board members are appointed directly by the board to serve as directors. Spanish company law allows the board to fill vacancies through co-option by appointing another individual until the next general

⁴⁰ ICGN Global Principles, 8.3.

⁴¹ Article 529-quaterdecies of Spanish Companies Law and Principle 15 of Technical Guide 3/2017 on audit committees at public-interest entities.

⁴² Article 529-undecies of Spanish Companies Law.

meeting of shareholders.⁴³ The same standards are applied to such proposals as the ones applied to a standard election of directors proposals.

⁴³ Article 244 of Spanish Companies Law.

Transparency and Integrity in Financial Reporting

In Spain, companies are required to submit their financial statements and the allocation of profits and dividends for shareholder approval.⁴⁴ Shareholders are also required to approve a company's choice of independent auditor, who may be appointed for terms of between three to nine years.⁴⁵ The Spanish Benchmark Policy is not materially different from the *Continental Europe Benchmark Policy*.

Accounts and Reports

As a routine matter, Spanish company law requires that shareholders approve a company's annual accounts and management report, and where applicable the consolidated accounts and management report, within six months of the end of fiscal year in order for them to be valid.

Vote on Non-Financial Reporting

Spanish law requires that large companies disclose additional non-financial information on environmental, social and diversity issues. This information must be incorporated into the management report or presented in a separate report. The report on non-financial information must be put to shareholder vote as a separate point in the annual general meeting.⁴⁶

The Benchmark Policy will generally recommend that shareholders vote for proposals to approve a company's non-financial reporting, unless any of the following apply: (i) the company has failed to make the report publicly-available with sufficient time for shareholder review prior to the general meeting;⁴⁷ (ii) the company has failed to provide a sufficient response to material controversies in its reporting; (iii) there are material concerns regarding the completeness and/or quality of the reporting;⁴⁸ or (iv) the company is listed on a blue-chip or mid-cap index and has failed to disclose its Scope 1 and 2 emissions.⁴⁹

In addition, for large-cap companies and in instances where material ESG oversight concerns have been identified, an additional review will be conducted of the manner in which the board oversees ESG issues. In

⁴⁴ Articles 164 and 253 of Spanish Companies Law.

⁴⁵ Article 264 of Spanish Companies Law.

⁴⁶ Articles 49 of Spanish Commercial Code.

⁴⁷ Many investors believe that relevant disclosures should be made publicly available at least 21 days prior to a general meeting. Where the report has not been made available with sufficient time for shareholder review, the Benchmark Policy will generally result in a recommendation for shareholders to abstain from voting on the report.

⁴⁸ E.g. in cases where the independent auditor refuses to provide an opinion, or provides a qualified or adverse opinion, on the non-financial reporting.

⁴⁹ Article 49.6 of the Spanish Commercial Code requires companies to report on a number of non-financial issues, including CO₂ emissions. Article 47, and the new Article 29b to be inserted into Directive 2013/34, of Directive 2022/2464 (CSRD) requires that the European Sustainability Reporting Standards shall specify that companies will be required to report on "Scope 1, Scope 2 and, where relevant, Scope 3 greenhouse gas emissions" and notes the usefulness to users in having access to this information. This policy applies to companies listed on the Spanish IBEX 35 or IBEX Medium Cap indices.

instances where the board has failed to provide explicit disclosure concerning its role in overseeing material ESG issues, the Benchmark Policy may recommend that shareholders vote against the approval of the company's non-financial reporting in addition to, or instead of, a recommendation to vote against accountable directors.

In cases where shareholders are requested to approve a company's climate reporting in a proposal that is not required by applicable law, such proposals will generally be assessed in accordance with Glass Lewis' "Say on Climate" policy. For more information, please refer to *the Benchmark Policy Guidelines for Shareholder Proposals & ESG-Related Issues*, available at www.glasslewis.com/voting-policies-current/.

Allocation of Profits/Dividends

In accordance with Spanish company law, prior to the distribution of dividends, companies are required to allocate at least 10% of their after-tax profits to a legal reserve.⁵⁰ Additional allocations for legal reserves are no longer required when the legal reserve reaches 20% of a company's share capital (i.e., the nominal value of all company issued shares) as of the last day of the year.⁵¹ After the statutory requirement for allocation to the legal reserve has been met, shareholders may decide to declare a dividend payable to shareholders (in cash or shares), to allocate a portion to a specific reserve and/or to carry the profits forward in retained earnings.⁵²

Appointment/Ratification of Auditor

The Spanish law allows companies to elect an auditor for an initial period of three to nine years. As entrenchment can erode the independence and effectiveness of the auditor, the auditor must be rotated every ten years, with an additional term of up to ten years when the audit is tendered, or 14 years when a joint audit is adopted.⁵³ Further, the principal individual auditor must be rotated after the initial five years.⁵⁴

The Spanish Benchmark Policy regarding appointment of auditor is not materially different from the *Continental Europe Benchmark Policy*.

⁵⁰ Article 274 of Spanish Companies Law.

⁵¹ *Ibid.*

⁵² Articles 273, 275 and 276 of Spanish Companies Law.

⁵³ Article 40.1 Spanish Auditing Act 22/2015.

⁵⁴ Article 40.2 Spanish Auditing Act 22/2015.

The Link Between Pay and Performance

In Spain, the Good Governance Code provides best practice remuneration recommendations and the LMV and the LES provide the legislative framework for the structure and content of the remuneration policies of publicly listed companies. Further, regulation regarding remuneration policies of financial institutions is included in Law 10/2014 on the regulation, supervision and solvency of credit institutions.

Other than aspects of remuneration disclosure and policies specific to Spain mandated by the Good Governance Code or required by the aforementioned laws and regulations, the Spanish Benchmark Policy regarding the remuneration policy and report is not materially different from the *Continental Europe Benchmark Policy*.

Vote on Executive Remuneration

In accordance with the Good Governance Code and Spanish Law, companies must prepare and submit an annual remuneration report for advisory shareholder approval and submit their remuneration policy to a binding vote at least once every three years.⁵⁵

Any material change to the remuneration policy must be submitted to a vote at a shareholders meeting in order to take effect. Should a company fail to gain shareholder approval for its remuneration report, it must submit its remuneration policy to shareholders for approval at the next annual general meeting, unless its remuneration policy has been approved at the same meeting.⁵⁶

Remuneration Policy

Spanish companies' remuneration policy will determine the parameters within which executive directors may be remunerated. It must include the maximum annual remuneration amount for all directors and the parameters for setting variable pay. Further, any remuneration paid to directors on termination of their term in office must remain within the limits stipulated by the remuneration policy.⁵⁷

Investors generally expect that remuneration policies should provide clear disclosure of an appropriate framework for managing executive remuneration.⁵⁸ While this framework will vary by company, it should generally provide an explicit link to the company's strategy, set appropriate quantum limits⁵⁹ along with structural safeguards to prevent excessive or inappropriate payments and reward for failure. Remuneration policies should also provide sufficient flexibility to allow boards to manage matters of recruitment and professional development as they arise.

The Benchmark Policy closely reviews changes to companies' remuneration policies in order to determine whether such changes will benefit shareholders and therefore whether shareholders should support the proposals. Where a proposed policy represents a significant improvement over the existing policy, the

⁵⁵ Article 529-novodecies of Spanish Companies Law.

⁵⁶ *Ibid.*

⁵⁷ Article 529-octodecies of Spanish Companies Law.

⁵⁸ CII Policies on Corporate Governance, 5.3; ICGN Global Principles, 5.5.

⁵⁹ EU Commission Recommendation of 30 April 2009, Article 3.1.

Benchmark Policy may recommend voting for the proposal, even when the proposed policy contains some deficiencies.

Structure and Content of Remuneration Reports

Spanish companies' remuneration reports should be clear, complete and comprehensible. A remuneration report should include a description of a company's remuneration practices during the year, as well as a breakdown of individual remuneration and a description of the remuneration policies planned for future years.⁶⁰

The Spanish Companies Law states that the Ministry of Economy and Finance and the CNMV will determine the structure and content of remuneration reports. Spanish companies are expected to revise their remuneration reports in accordance with a standardised format in clear, uniform tables. Remuneration reports must provide an explanation on how the total remuneration complies with the remuneration policy, and in particular how it contributes to the sustainable and long-term performance of the company. Companies must disclose a robust breakdown of individual remuneration to include fixed salary, board fees, bonuses, long-term incentives, committee fees, severance payments, pension contributions and equity awards received by individual executives including the number of awards, their value, exercise price and exercise period. In addition, the report must disclose the total annual amount of remuneration of each director, the performance of the company, and the average remuneration of the company's full-time employees other than directors during the five most recent financial years.⁶¹ Further, a summary of changes from the previous year, as well as the policy regarding the upcoming year and prior year must also be included.

Companies that do not wish to use the standardised electronic document are allowed to file remuneration reports in a free format, the content of which must comply with the minimum requirements established by legislation. These free format reports must be accompanied by statistical appendices in order to continue to provide a minimum amount of information in a standardised format.⁶²

Short- and Long-Term Incentives

In accordance with the Good Governance Code and Order 461/2013, companies should, at a minimum, disclose the performance criteria used to calculate the entitlement of any performance-related remuneration, the main parameters and grounds for annual bonus schemes (STIs), an estimate of the total of variable payments as a function of the degree of compliance with pre-set targets or benchmarks, as well as explain the relative weight of variable to fixed remuneration,⁶³ how the total remuneration contributes to the long-term and sustainable performance of the company, and how the performance criteria have been applied.⁶⁴ In practice, however, it is uncommon for Spanish companies, particularly small companies, to fully disclose the performance targets for STIs.

With respect to long-term incentives (LTIs), the Good Governance Code recommends that share options or other share-based incentives be linked to a company's performance and safeguards should be in place to ensure that

⁶⁰ Article 541 of Spanish Companies Law.

⁶¹ Article 10 of Order 461/2013.

⁶² Circular 2/2018, of 12 June, of the CNMV.

⁶³ Recommendation 58 of the Good Governance Code and Article 10 of Order 461/2013.

⁶⁴ Article 541 of Spanish Companies Law.

they reflect professional performance, rather than simply changes in the market or a company's sector that are outside of an executive's control.⁶⁵

Equity awards should be subject to a minimum holding period of three years, unless the executive director already holds shares worth two times their base salary.⁶⁶

Further, executives' contracts should include malus and clawback provisions that permit the company to reduce or reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be inaccurate.⁶⁷

Lastly, the Good Governance Code urges that non-executive directors be excluded from participating in any variable incentive program that is linked to a company's financial indicators or share price.⁶⁸

Severance Payments

In accordance with EU recommendations and the expectations of many investors, severance payments should be limited to two years fixed salary⁶⁹ and should not be paid in the event of inadequate performance or voluntary departure.⁷⁰ However, executive severance agreements in Spain often exceed this cap. In line with the Code, the Spanish Benchmark Policy establishes that payments should be capped at two years' total pay subject to meeting performance conditions and that all companies should disclose their policy on such payments. This maximum severance payout should include all indemnities resulting from the end of the contractual relationship, such as amounts deriving from non-consolidated long-term post-employment benefits and post-contractual non-competition agreements.⁷¹

In addition to the allocation of a severance, some companies allow for the full vesting of outstanding long-term awards after an executive's termination. In line with international best practice, the size of long-term awards granted prior to termination and not yet vested should be reduced proportionately to the time served until termination. Post-vesting or post-termination holding periods imposed on the remaining portion of a grant may serve to ensure the executive's interests remain aligned with those of the company's shareholders for a time following their termination.

Pension Provisions

While the Code does not include recommendations regarding the level of annual pension contributions, the Benchmark Policy reviews a company's remuneration structure, including the pension provisions, in relation to its peers when assessing a company's overall remuneration policy.

⁶⁵ Recommendation 58 of the Good Governance Code.

⁶⁶ Recommendation 62 of the Good Governance Code.

⁶⁷ Recommendations 58 and 63 of the Good Governance Code.

⁶⁸ Recommendation 57 of the Good Governance Code

⁶⁹ EU Commission Recommendation 2009/385/EC, Section III, Art. 3.5., where the definition of severance payments includes payments related to notice periods and non-competition clauses.

⁷⁰ CII Policies on Corporate Governance, 5.8b. ICGN Guidance on Executive Director Remuneration 2016, 3.1.

⁷¹ Recommendation 64 of the Good Governance Code.

Further, in the assessment of the appropriateness of the level of the 'at risk' portion of executive incentive plans, pension contributions are generally considered as a fixed element of executive pay.

Executive Remuneration for Financial Institutions

In accordance with Spanish law, the remuneration policies of financial institutions must not encourage excessive employee and executive risk taking and they must be in line with a company's business strategy, goals, values and long-term interests.⁷² Please see the *Continental Europe Benchmark Policy Guidelines* for further details regarding the additional measures that apply to financial institutions in Europe.

Remuneration Policy Relative to Ownership Structure

Differences in the ownership structure of listed firms can affect the incentive structure for executives. Boards should account for the natural alignment between shareholders' and an executive's interests whenever the executive directly or indirectly owns a significant portion of the company's shares. Conversely, investors may reasonably expect companies with a more dispersed ownership structure to demonstrate a more precise and linear pay-performance link.

In particular, where an executive owns or directly controls more than 10%-20%⁷³ of a company's shares or voting rights, the Benchmark Policy would not expect an individual to participate in equity incentive schemes unless a cogent rationale is provided by the company. Investors may also reasonably be sceptical of any large grant, either in equity instruments or cash, that would allow the executive to further consolidate their ownership level; in such cases, the board should to implement anti-dilutive safeguards and disclose the terms thereof.

Similarly, where a company is controlled and managed by a family, the use of equity incentives for representatives of the could lead to further entrenchment of the controlling shareholders' stake. When such grants are made or proposed, the Benchmark Policy will analyse the individual stake of the family representative that is awarded equity incentives and the overall size of the grant.

Where a significant award is granted to a shareholder executive, the appropriateness of the vesting terms and conditions of such award will also be closely scrutinised. Elements that may mitigate concerns when assessing such grants (or remuneration policies allowing for such grants) include: challenging targets attached to an adequately diverse performance metric set; disclosure of feedback by free-float shareholders on this specific topic; a policy specifying that the major shareholder will not vote, or will abstain from voting,⁷⁴ on the relevant proposal; or a commitment that dissent expressed on the proposal by free-float shareholders will be taken into account.

⁷² Article 33 of Law 10/2014 on the regulation, supervision and solvency of credit institutions.

⁷³ Depending on overall ownership structure, growth stage, and available liquidity of the company.

⁷⁴ As applicable, depending on rules on the validity of abstain votes and quorum in the market or for a specific company.

Governance Structure and the Shareholder Franchise

Shareholders of companies listed in Spain are asked to approve amendments to articles and ratify the acts of the board. While the principal characteristics of these types of proposals encountered in Spain have been outlined below, the Spanish Benchmark Policy regarding these issues is not materially different from the *Continental Europe Benchmark Policy*.

Ratification of Board Acts

In Spain, companies must submit the actions of the board of directors during the year for shareholder approval. Ratifying the acts of the board of directors is primarily a vote of confidence and will not release its members from liability for their actions. In no case will the fact that a harmful act or agreement has been adopted, authorised or ratified by the general meeting, exonerate directors from liability.⁷⁵

Absent evidence that the board has failed to satisfactorily perform its duty to shareholders in the past fiscal year, the Benchmark Policy generally recommends that shareholders approve ratification proposals. There are cases where ongoing investigations or proceedings may cast significant doubt on the performance of a corporate body in the past fiscal year. When the potential outcome of such investigations or proceedings is unclear at the time of convocation of the general meeting, there is a reasonable expectation that companies propose that a decision on ratification be postponed until a future general meeting. If companies do not postpone the ratification vote in such situations, the Benchmark Policy will generally recommend that shareholders abstain from voting on such ratification proposals

Shareholders' Rights

Under Spanish law, shareholders holding at least 3% of a company's share capital may submit additional items to the agenda of the general meeting already convened.⁷⁶

Further, a shareholder (or group of shareholders) holding at least 3% of a company's share capital, and shareholder associations who hold at least 1% of a company's share capital, are entitled to request beneficial ownership information for any shareholder.⁷⁷

In reviewing proposals to set or amend the ownership threshold to call a special meeting and/or submit additional items on the agenda, the Benchmark Policy will take into account local market practice and the recommendation of a company's management.

⁷⁵ Article 236 of Spanish Companies Law.

⁷⁶ Paragraph 2 of Article 495 of Spanish Companies Law.

⁷⁷ Paragraph 2 of Article 497 of Spanish Companies Law.

Shortened Notice Period

The Spanish Companies Law allows for the shortening of a company's extraordinary general meeting notice period from 30 days to 15, subject to annual shareholder approval of shareholders representing two thirds of the issued capital.⁷⁸ This authority, which is often sought at Spanish AGMs, is contingent upon a company having adequate electronic voting and communication provisions in place.

Many investors believe that the current notice period for an extraordinary general meeting of 30 days in Spain may not always be practicable and a 21 day notice period would be more reasonable. Despite assurances that shareholders will be able to vote electronically at an extraordinary general meeting, many investors believe 15 days is simply insufficient time for shareholders to receive a ballot, weigh the issues and submit voting decisions. In practice, such a short notice period may leave some shareholders with no time to review a proposal before submitting voting decisions in order to meet a voting deadline. Further, issues raised at extraordinary general meetings are by nature often more complex than routine annual general meeting proposals, thereby requiring a more in-depth review.

Electronic disclosure and voting provisions for shareholder meetings required by Spanish law mitigate to some extent the negative aspects of a shortened notice period. However, many investors believe that a notice period below 21 days does not provide shareholders with sufficient time to adequately review proposals being presented at an extraordinary general meeting.

Double Voting Rights

Spanish Companies Law includes the possibility for shares to carry double voting rights, as an incentive for shareholders to become long-term investors in listed companies. Once provided for in a company's articles of association, the double voting rights will apply to shares held in a listed company by the same registered shareholder for at least two years. The articles may extend, but not reduce, the minimum period of uninterrupted ownership requirement.⁷⁹

Many investors are opposed to measures that create different classes of shareholders or treat shareholders unequally. While loyalty incentives for shareholders may accomplish the intended effect of maintaining a stable shareholder structure and decreasing volatility, the benefit to shareholders of such measures has not been sufficiently proven by academic literature nor have the consequences been fully studied. As a result, the Benchmark Policy will generally recommend that shareholders oppose proposals to implement loyalty programmes, such as double voting rights, for certain shareholders, since they unnecessarily create different classes of shareholders with disparate treatment.⁸⁰

⁷⁸ Article 515 of Spanish Companies Law.

⁷⁹ Article 527 ter of Spanish Companies Law.

⁸⁰ The Benchmark Policy on multi-class share structures described in the *Continental Europe Benchmark Policy Guidelines* does not apply to loyalty initiatives such as double voting rights.

Virtual Shareholder Meetings

Many investors believe that companies that elect to hold virtual shareholder meetings should aim to replicate in-person shareholder meetings to the best extent possible and ensure shareholder rights are appropriately safeguarded.⁸¹ Accordingly, at a minimum, the Benchmark Policy expects companies to set and disclose clear procedures at the time of convocation regarding:

- When, where, and how shareholders will have an opportunity to ask questions during the meeting, including a timeline for submitting questions, types of admissible questions, and rules for how questions and comments will be recognised and disclosed to shareholders;
- The manner in which appropriate questions received during the meeting will be addressed by the board; this should include a commitment that questions which meet the board's guidelines are answered in a format that is accessible by all shareholders, such as on the company's AGM or investor relations website;
- The procedure and requirements to participate in the meeting and access the meeting platform; and
- Technical support that is available to shareholders prior to and during the meeting.

In egregious cases where inadequate disclosure of the aforementioned provisions has been provided to shareholders at the time of convocation, the Benchmark Policy will generally recommend that shareholders vote against members of the governance committee (or equivalent) or the chair of the board. In instances where appropriate directors are not standing for election, it may instead recommend that shareholders vote against other matters that are up for a vote, such as the ratification of board acts, or the accounts and reports proposal.

The Spanish Benchmark Policy regarding virtual shareholder meetings is not materially different from the *Continental Europe Benchmark Policy*.

⁸¹ CII Policies on Corporate Governance, 4.1; ICGN Global Principles, 10.2.

Capital Management

Adequate share capital is important to a company's operation. In Spain, the Companies Law provides the legal framework for authorities involving share capital increases and decreases, share repurchases and the issuance of shares or convertible/non-convertible debt instruments.

With the exception of country-specific regulations regarding capital proposals described below, the Spanish Benchmark Policy on these issues is not materially different from the *Continental Europe Benchmark Policy*.

Authority to Repurchase Shares

Spanish law limits the number of shares which may be repurchased to no more than 10% of a company's capital. Furthermore, the authority to repurchase shares cannot be granted for a period exceeding five years.⁸² Given these limits, the Benchmark Policy will generally recommend voting for buyback programs in Spain.

Issuance of Shares and/or Convertible Securities

In Spain, shareholders are required to approve all proposals related to the issuance of shares and/or convertible securities. According to Spanish law, shareholders may delegate the power to set the terms and conditions of an issuance to the board or management. Notwithstanding the aforementioned, if shareholders approve the amount of the increase and allow the board to determine the date and conditions of the issuance, the board's authority will be for one year.⁸³

If, however, shareholders grant the board full discretion over the increase as well as the issuance, the board's authority will be for five years and will be capped at 50% of the company's total share capital.⁸⁴ In addition, issuances without pre-emptive rights must be limited to 20% of a company's share capital.⁸⁵

The Benchmark Policy will generally recommend voting for proposals to authorise the board to increase share capital within the aforementioned limits. These limits are applied in cases where there is a single proposal to increase a company's share capital or, in the aggregate, when there are separate/multiple proposals for the issuance of shares and convertible securities.

In cases where a company seeks shareholder approval for the issuance of shares related to a specific purpose or transaction, the Benchmark Policy evaluates these proposals on a case-by-case basis. Shareholders can reasonably expect companies to provide a specific and detailed rationale for such proposals.

⁸² Articles 146 and 509 of Spanish Companies Law.

⁸³ Article 297 of Spanish Companies Law.

⁸⁴ *Ibid.*

⁸⁵ Article 506 of Spanish Companies Law.

Issuance of Debt Instruments

According to Spanish law, unless otherwise provided in the Company's articles of association, the board is authorised to agree on the issuance of non-convertible debt securities. Authorities to issue debt instruments that are convertible to shares must always be approved by the general meeting.⁸⁶ In case a proposal to authorise the board to issue debt securities is presented to a general meeting, shareholder approval is generally sought to set an overall cap on the total amount of debt to be issued over the course of five years, while the board is granted the authority to establish a fixed or variable interest rate, and more globally, to establish all other aspects of the debt instruments.

When companies seek shareholder approval to issue debt, the terms of the issuance, the requested amount and any convertible features, among other aspects, are taken into account. If the requested authority to issue debt is reasonable and there are no credible indications that the increase in debt will weaken the company's financial position, the Benchmark Policy will usually recommend in favour of such proposals.

⁸⁶ Article 406 of Spanish Companies Law.

Connect with Glass Lewis

Corporate Website | www.glasslewis.com

Email | info@glasslewis.com

Social |  [@glasslewis](https://twitter.com/glasslewis)  [Glass, Lewis & Co.](https://www.linkedin.com/company/glass-lewis-co)

Global Locations

North America

United States

Headquarters

100 Pine Street, Suite 1250
San Francisco, CA 94111
+1 415 678 4110

New York, NY
+1 646 606 2345

2323 Grand Boulevard, Suite 1125
Kansas City, MO 64108
+1 816 945 4525

Canada

65 Front Street East, Suite 201
Toronto, ON M5E 1B5

Asia Pacific

Australia

CGI Glass Lewis
Suite 5.03, Level 5
255 George Street
Sydney NSW 2000
+61 2 9299 9266

Japan

Shinjuku Mitsui Building, 11th floor
2-1-1, Nishi-Shinjuku, Shinjuku-ku,
Tokyo 163-0411, Japan

Philippines

One Ayala East Tower, 1 Ayala Ave
Makati, Metro Manila

Europe

Ireland

15 Henry Street
Limerick V94 V9T4
+353 61 534 343

United Kingdom

80 Coleman Street
Suite 4.02
London EC2R 5BJ
+44 20 7653 8800

France

Proxinvest
6 Rue d'Uzès
75002 Paris
+33 (0)1 45 51 50 43

Germany

IVOX Glass Lewis
Kaiserallee 23a
76133 Karlsruhe
+49 721 35 49622

Romania

Calea Aradului 11
Timișoara 300254

Sweden

Norrskan House
Birger Jarlsgatan 57C
113 56 Stockholm

DISCLAIMER

© 2025 Glass, Lewis & Co., and/or its affiliates. All Rights Reserved.

This document is intended to provide an overview of Glass Lewis' Benchmark Policy proxy voting guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Glass Lewis' proxy voting guidelines, as they apply to certain issues or types of proposals, are further explained in supplemental guidelines and reports that are made available on Glass Lewis' website – <http://www.glasslewis.com>. These guidelines have not been set or approved by the U.S. Securities and Exchange Commission or any other regulatory body. Additionally, none of the information contained herein is or should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers, and review of relevant studies and surveys, and has not been tailored to any specific person or entity.

Glass Lewis' proxy voting guidelines are grounded in corporate governance best practices, which often exceed minimum legal requirements. Accordingly, unless specifically noted otherwise, a failure to meet these guidelines should not be understood to mean that the company or individual involved has failed to meet applicable legal requirements.

No representations or warranties express or implied, are made as to the accuracy or completeness of any information included herein. In addition, Glass Lewis shall not be liable for any losses or damages arising from or in connection with the information contained herein or the use, reliance on, or inability to use any such information. Glass Lewis expects its subscribers possess sufficient experience and knowledge to make their own decisions entirely independent of any information contained in this document and subscribers are ultimately and solely responsible for making their own decisions, including, but not limited to, ensuring that such decisions comply with all agreements, codes, duties, laws, ordinances, regulations, and other obligations applicable to such subscriber.

All information contained in this report is protected by law, including, but not limited to, copyright law, and none of such information may be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or manner, or by any means whatsoever, by any person without Glass Lewis' prior written consent. The foregoing includes, but is not limited to, using these guidelines, in any manner and in whole or in part, in connection with any training, self-improving, or machine learning software, algorithms, hardware, or other artificial intelligence tools or aids of any kind, including, without limitation, large language models or other generative artificial intelligence platforms or services, whether proprietary to you or a third party, or generally available (collectively, "AI") as well as any services, products, data, writings, works of authorship, graphics, pictures, recordings, any electronic or other information, text or numerals, audio or visual content, or materials of any nature or description generated or derived by or using, in whole or in part, AI.