

MEETING DATE	Thu, 09 Apr 2015 12:00 pm	TYPE	AGM	ISSUE DATE	Fri, 27 Mar 2015
MEETING LOCATION	Madrid, at LASEDE / COAM, Calle Hortaleza, 63				
CURRENT INDICES	PIRC Global				
SECTOR	Alternative Electricity				

PROPOSALS		ADVICE
<b>1</b>	<b>Receive the Annual Report</b> The Annual report has been made available with sufficient time prior to the meeting. The auditors have not qualified their opinion. No serious governance concerns have been identified. Acceptable proposal.	<b>For</b>
<b>2</b>	<b>Approve the dividend</b> The Board proposes a dividend payment of EUR 0.04 per share. The dividend is covered by earnings. Acceptable proposal.	<b>For</b>
<b>3</b>	<b>Receive Consolidated Management Reports, and Corporate Governance Report</b> The Reports has been made available with sufficient time prior to the meeting. The auditors have not qualified their opinion. No serious governance concerns have been identified. Acceptable proposal.	<b>For</b>
<b>4</b>	<b>Discharge the Board</b> Standard proposal. No serious governance concerns have been identified.	<b>For</b>
<b>5.A</b>	<b>Reelect Antonio Luis Guerra Nunes Mexia</b> Non-Executive Chairman. Not considered to be independent as he is CEO of Energias de Portugal, which owns the majority of the company's issued share capital. There is sufficient independent representation on the Board.	<b>For</b>
<b>5.B</b>	<b>Re-elect Joao Manuel Manso Neto</b> Vice Chairman and CEO.	<b>For</b>
<b>5.C</b>	<b>Re-elect Nuno Maria Pestana de Almeida Alves</b> Executive Director.	<b>For</b>
<b>5.D</b>	<b>Reelect Rui Manuel Lopes Teixeira</b> CFO	<b>For</b>
<b>5.E</b>	<b>Re-elect Joao Paulo Nogueira da Sousa Costeira</b> Chief Operating Officer.	<b>For</b>
<b>5.F</b>	<b>Re-elect Gabriel Alonso Imaz</b> Executive Officer.	<b>For</b>
<b>5.G</b>	<b>Re-elect Joao Manuel de Mello Franco</b> Independent Non-Executive Director. We notice Mr. De Mello Franco is Chairman of the nomination committee and less than 20% of the Board is female, which would normally lead to Triodos opposing his election. However, as at this AGM Ms. Guedes de Oliveira is proposed as the first female member of the Board, which is an improvement. We approve of his election.	<b>For</b>
<b>5.H</b>	<b>Re-elect Jorge Manuel Azevedo Henriques dos Santos</b> Independent Non-Executive Director.	<b>For</b>
<b>5.I</b>	<b>Reelect Joao Jose Belard da Fonseca Lopes Raimundo</b> Independent Non-Executive Director.	<b>For</b>
<b>5.J</b>	<b>Re-elect Antonio do Pranto Nogueira Leite</b> Independent Non-Executive Director.	<b>For</b>

<b>5.K</b>	<b>Re-elect Manuel Menendez Menendez</b> Non-Executive Director. Not considered to be independent as he is a director of Hidrocantabrico, which holds a significant percentage of the issued share capital. There is sufficient independent representation on the Board. However, there are concerns over his potential aggregate time commitments.	<b>Abstain</b>
<b>5.L</b>	<b>Re-elect Gilles August</b> Independent Non-Executive Director.	<b>For</b>
<b>5.M</b>	<b>Re-elect Jose Antonio Ferreira Machado</b> Independent Non-Executive Director.	<b>For</b>
<b>5.N</b>	<b>Re-elect Acacio Liberado Mota Piloto</b> Independent Non-Executive Director.	<b>For</b>
<b>5.O</b>	<b>Elect Francisca Guedes de Oliveira</b> Independent Non-Executive Director candidate.	<b>For</b>
<b>5.P</b>	<b>Elect Allan J. Katz</b> Independent Non-Executive Director candidate. As a result of our new proxy voting guidelines, we do not support the election of Mr. Katz as he is a newly elected male director and less than 20% of the Board is female post AGM, which means his election does not improve the gender balance of the Board to a minimum level of 20% female.	<b>Oppose</b>
<b>6.A*</b>	<b>Amend Articles: Article 12.3 Re: Right to Request a Call for General Meeting</b> It is proposed to amend Article 12.3 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates Shareholder representation. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.B*</b>	<b>Amend Articles: Article 14.1 Re: Right to Information</b> It is proposed to amend Article 14.1 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the days prior to the AGM until which the shareholders are entitled to request to the Board of Directors information in relation with items included in the Agenda of the Meeting. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.C*</b>	<b>Amend Articles: Article 14.4 Re: Right to Information</b> It is proposed to amend Article 14.4 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the cases on which Directors are entitled not to disclose the information. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.D*</b>	<b>Amend Articles: Article 17.2 Re: Quorum of General Meetings</b> It is proposed to amend Article 17.2 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the Quorum of General Meetings. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.E*</b>	<b>Amend Articles: Article 17.4 Re: Adoption of Resolutions</b> It is proposed to amend Article 17.4 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the Adoptions of the resolutions for the annual meeting. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>

<b>6.F*</b>	<b>Amend Articles: Article 24.1 Re: Board Meetings</b> It is proposed to amend Article 24.1 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the Board of Directors Meeting which shall, after approval, be held at least once a quarter. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.G*</b>	<b>Amend Articles: Article 24.7 Re: Non-executive Directors</b> It is proposed to amend Article 24.7 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates that define that the representation of Non-Executive Directors can only be delegated to other Non-Executive Directors. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>6.H*</b>	<b>Amend Articles: Article 27.2 Re: Board Powers</b> It is proposed to amend Article 27.2 of the Bylaws, pursuant to compliance with Law 31/2014. The amended article regulates the Board powers. The Company has submitted different amendments in separate resolutions. This gives shareholders the possibility to approve or reject each amendment individually, which is welcomed. This amendment is pursuing compliance with applicable law, which introduces positive changes into corporate governance in Spain. Acceptable proposal.	<b>For</b>
<b>7</b>	<b>Authorise Share Repurchase</b> Authority allow the Board to repurchase and use capital stock within legal boundaries. The repurchase is limited to 10% of share capital and will be in force for five years. Though the duration of the authority is in line with the European Shareholder Rights Directive, it is considered best practice that such authorities should have a maximum duration of 18 months. Triodos opposes this resolution.	<b>Oppose</b>
<b>8</b>	<b>Authorize Issuance of Non-Convertible and Convertible Bonds, Debentures, Warrants, and Other Debt Securities</b> The Board seeks shareholder approval for the issue convertible bonds, debentures and other fixed-income securities up to a maximum amount of EUR 300 million over a period of five years. The issue of convertible bonds will be limited to 6% of the issued share capital, which meets guidelines. Acceptable proposal.	<b>For</b>
<b>9</b>	<b>Approve Remuneration Policy</b> It is proposed to approve the remuneration policy with a binding vote. In compliance with Law 31/2014, the approved Remuneration Policy is valid for three years. In case the Company amended the approved Policy, it must be submitted to shareholders for approval and will be valid for three more years starting from the date of latest approval. There is lack of disclosure with respect of measurable criteria for variable remuneration, which prevents shareholders from making an informed assessment. The CEO's total variable remuneration during the year under review has not been disclosed as Antonio Mexia, Joao Manso, Nuno Alves and Joao Marques do not receive any remuneration from EDPR. EDPR pays EDP a fee for the services rendered. For the year under review the invoice corresponds to EUR 1,107,341 of which EUR 1,017,341 refers to the executive services and EUR 90,000 refers to Non-Executive services. This is not considered best practice as it may be overpaying for underperformance. The board can award discretionary payments to executives, which raises concerns. There are no claw back clauses in place which is against best practice. Based on the lack of disclosure and the ability to make discretionary payments, Triodos opposes this resolution.	<b>Oppose</b>
<b>10</b>	<b>Appoint the auditors</b> KPMG Auditores S.L. proposed. Non-audit fees were approximately 8.9% of audit fees during the year under review. Non-audit fees over a three year basis were approximately 9.3% of audit fees. The level of non-audit fees does not raise concerns.	<b>For</b>
<b>11</b>	<b>Authorize Board to Ratify and Execute Approved Resolutions</b> Standard proposal.	<b>For</b>

## SUPPORTING INFORMATION FOR RESOLUTIONS

### **Proposal 6.A - Amend Articles: Article 12.3 Re: Right to Request a Call for General Meeting**

#### **6.h**

#### **New corporate governance framework in Spain: Law 31/2014**

Law 31/2014 of 3 December 2014, effective 24 December 2014, requires companies in Spain to introduce a number of changes to their bylaws and their corporate governance. The areas that are most impacted by the Law are remuneration policy, board and committees structure and shareholders rights.

#### **New rules for remuneration and contracts**

In compliance with Law 31/2014, companies in Spain will have to include their remuneration structure in their bylaws. Remuneration must consist of at least one voice (including fixed salary) and cannot be delegated to the board of directors; as a consequence executives and non-executive directors will not be entitled to receive pay components that are not specified in the bylaws.

Shareholders must approve the amount of annual aggregate board remuneration and it can be modified only by shareholders at a meeting. The board may be delegated the distribution of aggregate remuneration to directors concretely, in case shareholders have not decided on that at the previous meeting. In addition, in the Law there is a reference that the annual director pay must be proportional to the company's financial situation and size.

Executives contracts to be approved by a two-thirds majority by the board and specify the extension of executive tasks and compensation in detail. Directors should not receive remuneration for what not specified in the approved contract.

#### **Binding remuneration policy**

In addition, to the bylaws amendments described above, companies must prepare a remuneration policy and submit it to shareholders for approval with binding resolution at least every three years. Should the remuneration policy be amended during the three-year term, it will also require re-approval from shareholders and this will start a new three-year term. The policy must at least contain the aggregate amount payable to all directors and compensation system for executives. With respect to executive pay, the policy must describe all executive pay components, the aggregate amount of fixed pay payable to executives annually, criteria for variable remuneration and terms for termination of contracts (notice, severance and non-compete clauses).

#### **Regulation of board, committees and conflict of interest**

The Law 31/2014 increases the number of supervisory board powers that cannot be delegated, and regulates more closely board composition, functioning and committees. In particular, in case the chairman of the board is also executive, non-executive directors should elect a lead independent director. Audit, nomination and remuneration committees in Spain will need to have at least two independent directors, and will have to be separated into two different committees. In addition, companies are required to publish annual corporate governance report and audit committee report with established format. Lastly, directors in serious conflict of interest that cause breaching of their fiduciary duty may be liable to compensate the company for the damages caused as well as return the amount resulting from the conflict of interest.

#### **Enhanced powers for shareholders but reduced rights to disclosure**

Shareholders are in general given more voice and powers with respect to certain specific transactions (namely acquisitions or disposal of assets which correspond to more than 25% of the total assets), as well as in regard of the governance of the company. Shareholders are entitled to a closer supervision of the board of directors: the minimum holding required for exercising minority rights is brought down to 3% (from 5%) and shareholders can instruct directors on management issues.

In addition, a number of other provisions are included and regulate different aspects of the provisions resolutions can be challenged for three months, although this right is limited to shareholders who hold at least 0.1% of the share capital and to certain reasons for challenging. Lastly, shareholders in conflict of interest can be deprived of their right to vote in most serious cases.

On the other hand, companies can refuse to provide information requested; this provision is actually in line with European directives, which state that refusal to disclose information in any case cannot include remuneration issues. In addition, shareholders can be made liable in case there is misuse or abuse of received information.

### **Proposal 10 - Appoint the auditors**

#### **The New EU audit regulatory framework**

Starting 1 January 2015, audit within the EU is regulated by Directive 2014/56/EU (which amends Directive 2006/43/EC) and Regulation (EU) n. 537/2014. These provide for significant harmonization of the issue within the EU and for substantial changes in auditor's term and rotation, non-audit fees and conflict of interest. EU Member States have two years to implement the provisions contained in the Directive.

### **Major changes in EU audit framework**

#### *Auditors' term and rotation*

Auditors must undertake obligatory rotation at least every 10 years, however Member states can provide for shorter term. The term can be renewed once but the company must either call a public tendering or appoint another audit firm for joint auditing.

#### *Prohibited non-audit services*

The Directive 2014/56/EU provides a series of prohibited non-audit services, such as provision of tax advice and services linked to the client's financial and investment strategy, including tax compliance, tax advice, corporate finance and valuation services. Member States also have the option to allow certain tax and valuation services on condition that they do not have a direct effect on the financial statements or, if they do, that the effect is immaterial.

#### *Non-audit fees*

Non-audit fees are capped at 70% of audit fees in the Directive, at the level of both the company and the group. Member States can adopt a lower threshold at level of their national legislation. This provision applies only if the audit firm in question has audited a company for at least three consecutive financial years. That is, after the third year, non-audit fees should be capped at 70% of the average of the non-audit fees paid in the last three consecutive financial years.

Excessive non-audit fees and potentially creating conflict of interest and by that hindering an objective audit of the Company. Excessive non-audit fees may not be supported during the year under review or the three previous years. In addition, appointments of those auditors who did not disclose in detail the nature of their non-audit services may not be supported.

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