Investment Stewardship Group

Voting Bulletin: Aena S.M.E. SA

As part of our fiduciary duty, BlackRock's Investment Stewardship team (BIS) advocates for sound corporate governance and business practices that are aligned with long-term sustainable financial performance. This objective underpins all our engagements and votes at company meetings.

We engage company leadership on key topics emphasizing governance practices including management of environmental and social factors that potentially have material economic, operational or reputational ramifications for the company.

We determine our engagement priorities based on our observation of market developments and emerging governance themes and evolve them year over year as necessary. The BIS team's key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management

Our approach to investment stewardship is grounded in an expectation that the board will oversee and advise management, influencing management's approach to key business issues. When effective corporate governance is lacking, we believe that voting against the responsible director(s) is often the most impactful action a shareholder can take.

We are committed to enhancing the transparency of our stewardship practices. Where we believe it will help to understand our voting decisions on key votes at shareholder meetings, we will publish a Voting Bulletin explaining the rationale for how we have voted, and (where relevant) provide information around our engagement with the issuer

Company	**Aena S.M.E. SA**
Market	Spain
Meeting Date	29th October 2020
Key Resolutions[1]	**Item 10:** Approval, where appropriate, of the principles for climate change action and environmental governance **Item 11:** Instructions to the Board of Directors to present the Climate Action Plan at the Ordinary General Shareholders' Meeting to be held in 2021 and updated Climate Action Reports at the Ordinary General Shareholders' Meetings that may be held as from 2022

[1] Meeting information can be accessed at: http://www.aena.es/csee/Satellite/Accionistas/en/Page/1237573069075/1237568522634/General-Shareholders-Meeting.html

	(inclusive), and to submit them to a consultative vote by shareholders as a separate item on the agenda **Item 12:** Amendment of the Bylaws to add a new Article 50 bis
Board Recommendation	The board recommended voting FOR these proposals.
BlackRock Vote	Based on our assessment of the company's public disclosures as well as the impact of climate risk to its business lines, BlackRock voted in favor of these proposals.

Overview

Aena S.M.E. SA (Aena) is a Spanish airport operator which manages airports primarily in Spain and the Canary Islands, as well as in various international locations including the United Kingdom, Mexico, Colombia and Cuba. The Government of Spain has a 51% stake in the company and holds six out of thirteen non-executive board seats. Sir Christopher Hohn, Founder and Portfolio Manager of TCI Fund Management (TCI), also has a seat on the board. TCI is a value oriented, fundamental investor which "drives outcomes by using activism when appropriate."[2]

Given the company's business lines, climate risk is likely to have a material impact on the company's long-term strategy and ability to deliver sustainable shareholder returns.

Aena has reconvened its 2020 annual general meeting (AGM) after it was postponed in March in response to the COVID-19 pandemic. TCI, a shareholder of Aena, is actively focused on the company's plans to transition its business strategy to be consistent with a low carbon economy aligned with the goals of the Paris Agreement. TCI had submitted four shareholder proposals to the company for consideration at the March general meeting.

The first asked for a report on the principles underpinning the company's climate change action plan to be presented for information as a non-voting item at the company's AGM. Aena has since provided shareholders with an outline of its climate change action plan, including targets, as a prelude to the company's next strategic plan to be unveiled in 2021. Consequently, TCI withdrew its original proposal, and Aena is inviting shareholders to vote on this outline as a management proposal (item 10).

TCI has combined two of the other proposals submitted in March to become Item 11. This proposal asks that the company publish the detailed climate action plan to be submitted to an advisory shareholder vote in 2021 and publish related progress reports annually thereafter also to be submitted to an advisory shareholder vote. The final TCI proposal from March asks Aena to amend its bylaws to reflect these requirements. This proposal is now Item 12. Aena's board ultimately recommended that shareholders support Items 11 and 12.[3]

In the Consolidated Management Report 2019,[4] the company provides robust disclosures on its governance framework around key risks including climate, the incorporation of these risks into its strategy and its risk management processes, as well as medium and long-term climate targets. These are all components of the recommendations of the Task Force of Climate-related Financial Disclosures (TCFD). In addition, Aena's

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[2] See https://www.tcifund.com/

[3] Aena's voting recommendations on the resolutions through the addition to the notice of call available at http://www.aena.es/csee/Satellite/Accionistas/en/Page/1237573069075/1237568522634/

[4] Aena's Consolidated Management Report 2019 available at http://www.aena.es/csee/Satellite/Accionistas/en/Page/1237572838468/1237568522644/Results-2019.html

principles for climate change action and environmental governance, as presented for a shareholder vote in item 10, outline the following acceleration of some of the company's key targets: [5]

- Generate 100% (from 70%) of its energy supply through own renewable photovoltaic facilities by 2026
- Achieve level 3+ carbon neutrality or ACI Europe airport carbon accreditation for Aena's main airports by 2026 (from 2030) and more airports in scope
- Achieve ACI Europe's net zero carbon emissions in all of Aena's airports by 2040 (from 2050)

In addition to these revised targets, the principles outline Aena's explicit commitment to meeting the recommendations of the TCFD.

Rationale for BlackRock's Vote

In BIS' commentary on how we engage on climate risk, we make clear that "…our engagements focus on a company's strategic plan for addressing climate risk in its business and how management and the board are planning for, and devoting the necessary resources to manage those risks and take advantage of opportunities presented by, the energy transition." We expect companies to "…conduct scenario analysis in line with the International Energy Agency's Sustainable Development Scenario which targets a rise in global temperatures to "well below 2° and pursuing efforts to limit [it] to 1.5°C," consistent with the Paris Agreement."

Based on our assessment of the company's public disclosures and the business practices underlying them, as well as the impact of climate risk to its business lines, BlackRock voted in favor of the following agenda items.

In making our voting decisions, BIS also considered the company's ownership structure and the board's recommendations on the shareholder proposals.

Item 10: Approval, where appropriate, of the principles for climate change action and environmental governance (FOR)

As previously discussed, Aena's disclosures and commitments meet BIS' expectations for the 2019 reporting year and we welcome the accelerated targets presented under the company's principles for climate change action and environmental governance.

Item 11: Instructions to the Board of Directors to present the Climate Action Plan at the Ordinary General Shareholders' Meeting to be held in 2021 and updated Climate Action Reports at the Ordinary General Shareholders' Meetings that may be held as from 2022 (inclusive), and to submit them to a consultative vote by shareholders as a separate item on the agenda (FOR)

BIS determined to support the request for an annual report on progress towards the climate action plan goals because this is inherently consistent with our expectations that companies have a plan to transition their business models and to explain and justify progress against the plan in their annual reporting. We believe such a report would be beneficial at Aena given the material risk to its business model and its need to accelerate its efforts. An annual advisory shareholder vote on the company's plans and progress would give management and the board a clear sense of the level of shareholder support for the steps necessary in the transition. We welcome the fact that the board has endorsed the proposal and recommended shareholders support it as that indicates they are taking this material business risk seriously and have acknowledged the need for action.

As a more general point, we are mindful of a concern that this kind of 'say on climate' could shift accountability from boards to investors. Although advisory votes are non-binding in nature and have no legal impact on the company should a proposal be rejected by shareholders, this approach has the potential to weaken board accountability if used in isolation. BIS believes it is the board's responsibility to oversee all risks to the company,

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[5] Aena's principles of action against climate change and environmental governance available at http://www.aena.es/csee/Satellite/Accionistas/en/Page/1237573069075/1237568522634/

including climate, and ensure appropriate reporting to shareholders. Accordingly, we will continue to hold directors accountable by voting against their re-election where business practices or disclosures fall short of expectations.

Item 12: Amendment of the Bylaws to add a new Article 50 bis (FOR)

This item seeks to embed into the company's bylaws the requirements outlined in item 11 that the company maintain a current climate action plan and provide shareholders with an annual update report on progress towards the objectives laid out in the plan, as well as provide shareholders with an annual advisory vote on the plan or progress report.

In our view, a proposal to amend a company's bylaws, which set forth the rules and framework for governing the management and operations of the company, should not be taken lightly. In this case, we determined to support the proposal, as the company's controlled ownership structure dilutes the influence of minority investors and gives merit to formalizing a means to record investor support for the company's plans and progress. We further note that the board has committed to amend Aena's bylaws and recommended shareholders support the proposal.

Nonetheless, we believe that such proposals need to be considered in the context of a company's structure, market of domicile and business model. We will continue to assess shareholder proposals to amend company bylaws on a case by case basis. Where there is a clear market need or demand for changes to corporate bylaws, we believe a legislative amendment that creates a consistent approach across all companies is preferable to individual cases of private ordering.

BIS voted in favor of all other management proposals.