

# Annual Corporate Governance Report

## A. Ownership Structure

### A.1 Complete the following tables on the company's share capital:

Last modified	Share capital (€)	Number of shares	Number of voting rights
14/06/2006	270,078,252.34	83,615,558	83,615,558

Indicate if there are different types of shares with different rights associated to them:

Yes  No

### A.2 List the direct and indirect holders of significant holdings in your company at the end of the year, excluding members of its Board of Directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
BANCO BILBAO VIZCAYA ARGENTARIA, S.A	4.596.803	0	5.498
BANCO DE ESPAÑA	4.460.913	0	5.335
BANCO SANTANDER, S.A.	2.253.754	1,966,269	5.047
BNP PARIBAS, SOCIÉTÉ ANONYME	0	2,534,080	3.031
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	3,990,837	4.773
CAJA DE AHORROS Y PENSIONES DE BARCELONA	0	4,189,512	5.010

At 31 December 2008 Chase Nominees Limited and State Street Bank appeared in the Shareholder's Register Book with stakes in BME's share capital of 4.807% and 3.031%, respectively. However, the company believes that these shares are being custodied for third parties and that, as far as BME is aware, none of these hold over 3% of the company's share capital or voting rights.

BNP Paribas' indirect holding does not include details of the group companies acting as custodians for third parties. None of these third parties, as far as BME is aware, hold a stake higher than 3%.

(\*) Through:

Name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
CRITERIA CAIXACORP, S.A.	4,189,139	5.010

Corporación Financiera Caja de Madrid, S.A., holder of 2,955,318 shares, representing 3.534% of BME's share capital, is one of the direct holders of the indirect stake which Caja de Ahorros y Monte de Piedad de Madrid holds in BME.

Indicate the most significant movements in the ownership structure during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
CRITERIA CAIXACORP, S.A.	02/05/08	Acquisition of voting rights which, added to those it already held, exceeded the 5% threshold.
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	19/09/08	In the report submitted to the CNMV dated 25 September 2008, Caja de Ahorros y Monte de Piedad de Madrid stated that "Caja de Ahorros y Monte de Piedad de Madrid has sold shares to Corporación Financiera Caja de Madrid, S.A. This transfer of share ownership corresponds to an organisational restructuring within the Caja de Madrid group".

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## A.3 Complete the following tables with the directors with voting rights on company shares:

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. Antonio J. Zoido Martínez	704	-	0.001
Mr. Javier Alonso Ruiz-Ojeda	1	-	0.000
Mr. José Antonio Álvarez Álvarez	100	-	0.000
Mr. Joan Hortalá i Arau	704	-	0.001
Mr. Ricardo Laiseca Asla	10	-	0.000
Mr. Mariano Pérez Claver	10	-	0.000
Ms. Julia Sanz López	10	-	0.000
<b>% of total voting rights held by the Board of Directors</b>			<b>0.002(*)</b>

(\*) This figure does not include the share capital held by shareholders represented on the Board of Directors, eight of whose members are classified as non-independent external Board members. At 31 December 2008, the stake held by these shareholders was 29.668%.

Based on the above, the total share capital represented by the Board of Directors at 31 December 2008 stood at 29.670%.

## Complete the following tables on company share options held by directors:

Executive Directors are beneficiaries of a medium-term remuneration scheme, to be implemented for members of the management team and which was approved as Item 8 of the agenda at the Ordinary General Shareholders' Meeting of the Company held on 30 April 2008 and notified to the CNMV as a significant event that same day.

This scheme, which will remain in force throughout 2008, 2009 and 2010 and will be payable during the first quarter of 2011, will provide beneficiaries with a variable cash remuneration or, if the Company so decides, delivery of BME shares.

Obtainment of the incentive will depend on achieving a 30% increase in the Total Shareholder Return (TSR) for the complete period of three years that the Scheme will be in force.

In this case, the amount of the remuneration payable to each of the beneficiaries will depend on a reference incentive equal to the average annual variable remuneration received by each of the beneficiary for years 2008, 2009 and 2010, multiplied by 2.5.

In accordance with the powers delegated by the General Shareholders' Meeting, at its meeting held on 2 July 2008 the Appointments and Remuneration Committee agreed that the Remuneration Scheme would be made effective in the form of delivery of BME shares. Therefore the maximum number of BME shares to be delivered to the beneficiaries of the Remuneration Scheme will be the result of dividing the amount of the incentive payable to the beneficiaries by the final value of BME shares. Therefore, taking as a reference the share price at close of market on 20 March 2008, the maximum number of BME shares that could be delivered to the Executive Directors beneficiaries of the Scheme will be 60,246 shares, representing 0.07% of the share capital.

In order to make this medium term scheme effective should all the conditions of the same be met, the Board of Directors has decided to acquire the maximum number of shares that could be delivered to all beneficiaries of the scheme, members of the management team and Executive Directors. Therefore, at its meeting of 31 July 2008 the Board agreed to acquire 337,333 BME shares, equivalent to 0.40% of the share capital, which appear in the company's balance sheet as indicated in section A.8. of this report.

**A.4 Where applicable indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

**A.5 Where applicable indicate any commercial, contractual or corporate relationships between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

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**A.6** Indicate any shareholders' agreements that have been reported to the company according to article 112 of the Securities' Market Law. Briefly indicate these agreements and the shareholders involved:

Yes

No

Indicate any concerted actions among shareholders of which the company is aware. If so, list briefly:

Yes

No

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year.

**A.7** Indicate whether any person or company exercises control or may exercise control over the company under the terms set forth in article 4 of the Securities' Market Law: If so, identify:

Yes

No

**A.8** Complete the following tables about the company's treasury stock:  
At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
337,333	0	0,40

The 337,333 BME shares, equivalent to 0.40% of the share capital, correspond to the maximum number of shares which, should the conditions established in the medium-term remuneration scheme for members of the management team, including Executive Directors, be met, would be delivered to beneficiaries of the scheme as described in section A.3 above.

(\*) Through:

<b>Total</b>	<b>0</b>
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List any significant changes occurring during the year, pursuant to Royal Decree 1362/2007:

<b>Income / (losses) from treasury stock transactions obtained during the year</b>	<b>0</b>
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**A.9** Detail the terms and conditions of any authorisation(s) conferred on the Board of Directors by the General Shareholders' Meeting to purchase and/or transfer the treasury stock.

On the date of the approval of this Corporate Governance Report, BME's Board of Directors is authorised to purchase and/or transfer treasury stock as per the following conditions which were authorised at the company's Ordinary General Shareholders' Meeting on 30 April 2008:

*"Tenth.- Authorisation for the Board of Directors of the Company, to effect if applicable the derivative acquisition of treasury shares, directly or via Group companies, pursuant to article 75 of the Companies Act, establishing the limits and requirements for these acquisitions and delegating to the Board of Directors the necessary powers to execute the resolutions passed at the Shareholders' Meeting in this respect.*

*To authorise the Board of Directors to proceed with the derivative acquisition of treasury shares subject to the following terms:*

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a) The acquisition may be carried out either directly by the Company itself or indirectly through its subsidiaries.

b) The acquisition may be in the form of a trade, swap or *dación en pago* ("giving in payment"), in one or more instalments, provided that the shares acquired do not amount to more than 5% of the share capital when added to those already owned by the Company and its subsidiaries.

c) The shares acquired must be fully paid up and free of any liens or encumbrances, and not subject to the fulfilment of any kind of obligation.

d) The Company must have the funds to allocate to the non-distributable reserve required under paragraph 3 of article 79 of the Companies' Act without reducing share capital or any legal or non-distributable, under the Articles of Association, reserves.

e) The acquisition price must not be lower than the nominal value or 20% higher than the price at which the stock is trading on the Spanish electronic trading platform (*Sistema de Interconexión Bursátil*) at the time of the acquisition.

This authorisation, which is granted for the maximum legal timeframe, shall be without prejudice to events of open acquisition under the Act.

Additionally, for the purposes of sub-paragraph 2, paragraph 1, article 75 of the Companies Act, authorisation to acquire the Company's own shares is hereby expressly granted to any subsidiary on the same terms under this resolution.

It is hereby expressly stated that the shares acquired pursuant to this authorisation may be sold, redeemed or used as remuneration as described in sub-paragraph 3, paragraph 1, article 75 of the Companies Act.

This authorisation shall replace and render null and void, in the amount not used, the authorisation given at the General Shareholders' Meeting held on 26 April 2007".

**A.10 Indicate any restrictions under law or the company's articles of association on exercising voting rights and any legal restrictions on the acquisition and/or transfer in the share capital.**

Indicate whether there are any legal restrictions on voting rights:

Yes

No

**Maximum percentage of legal restrictions on voting rights a shareholder can exercise**

0

Even though there are no legal restrictions on voting rights, article 69.8 of the Securities' Market Law restricts the exercise of this right in the event of the irregular acquisition of significant holdings, i.e. shares acquired without the mandatory authorisation of the CNMV, under the terms described in the section related to the legal restriction on the acquisition or transfer of stakes in the share capital.

Indicate whether there are any restrictions included in company's articles of association on the exercise of voting rights:

Yes

No

**Maximum percentage of restrictions on voting rights a shareholder can exercise under the company's articles of association**

0

Indicate if there are any legal restrictions on the acquisition or transfer of shares in the company's capital:

Yes

No

There are no legal restrictions on the acquisition or transfer of BME's stock.

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Notwithstanding the above, Spanish Securities Market Law grants the Spanish regulator, the Comisión Nacional del Mercado de Valores (CNMV) the power to oppose the acquisition of significant stakes in the share capital of BME and group companies, pursuant to Royal Decree 361/2007 of 16 March, which developed Securities Market Law 24/1988 of 28 July, in matters related to the capital stock of companies which manage secondary markets or securities registration, clearing and settlement systems.

In accordance with the afore-mentioned Royal Decree, the CNMV should be previously informed, of any acquisition of BME shares which would imply any of the following percentages of its capital or voting rights: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%.

The CNMV shall have two months - from the date the information is relayed – to oppose the acquisition. If, during this time, the CNMV issues no statement, the transaction will be understood to have been approved.

This period is reduced for acquisitions of a significant stake equal to or higher than 1% but lower than 5% of the Company's capital. If the CNMV does not issue a statement within ten working days after the date the information is relayed or from the date any additional information required by the entity is delivered, the acquisition will be understood to have been approved.

Furthermore, the Ministry of Economy and Finance, may, following the proposal of the CNMV, oppose the acquisition of a significant stake in BME's capital if it deems this to be necessary to ensure the smooth operation of the markets and to avoid distortions, or if Spanish companies are not provided equivalent treatment in the acquirer's country of origin, or that of the entity which directly or indirectly controls the acquirer.

**A.11 Indicate if neutralisation measures in the event of a takeover bid were agreed upon at the General Shareholders' Meeting pursuant to Law 6/2007:**

Yes

No

**If so, explain the measures approved and the terms under which the inefficiency of restrictions would occur:**



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## B. Structure of Corporate Administration

### B.1 The Board of Directors

#### B.1.1 List the maximum and minimum number of directorships provided in the articles of association:

<b>Maximum number of Directors</b>	20
<b>Minimum number of Directors</b>	12

Name or corporate name of director	Representative	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Mr. Antonio J. Zoido Martínez	-	Chairman	15/02/02	24/11/05	Shareholders' Meeting
Mr. José A. Barreiro Hernández	-	First Vice-Chairman	28/04/04	30/04/08	Shareholders' Meeting
Mr. Tomás Muniesa Arantegui	-	Third Vice-Chairman	27/04/05	27/04/05	Shareholders' Meeting
Ms. Margarita Prat Rodrigo	-	Fourth Vice-Chairman	05/06/06 (*)	05/06/06 (*)	Shareholders' Meeting
Mr. Javier Alonso Ruiz-Ojeda	-	Director	21/09/06	26/04/07	Shareholders' Meeting
Mr. José Antonio Álvarez Álvarez	-	Director	21/09/06	26/04/07	Shareholders' Meeting
Mr. Ignacio Benjumea Cabeza de Vaca	-	Director	15/09/03	26/04/07	Shareholders' Meeting
Mr. Álvaro Cuervo García	-	Director	05/06/06 (*)	05/06/06 (*)	Shareholders' Meeting
Mr. Joan Hortalá i Arau	-	Director	15/02/02	24/11/05	Shareholders' Meeting
Mr. Ricardo Laiseca Asla	-	Director	25/07/07	30/04/08	Shareholders' Meeting
Mr. Karel Lannoo	-	Director	05/06/06 (*)	05/06/06 (*)	Shareholders' Meeting
Mr. Ramiro Mato García-Ansorena	-	Director	15/02/02	24/11/05	Shareholders' Meeting
Mr. Manuel Olivencia Ruiz	-	Director	05/06/06 (*)	05/06/06 (*)	Shareholders' Meeting
Mr. Mariano Pérez Claver	-	Director	25/07/07	30/04/08	Shareholders' Meeting
Ms. Julia Sanz López	-	Director	30/10/08	30/10/08	Co-option
<b>Total number of Directors</b>					<b>15</b>

(\*) These appointments were conditioned to BME's shares being admitted for trading on the Stock Exchanges.

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## B.1.2 Complete the following table with Board members' details: Indicate any directors leaving the Board during this period:

Name or corporate name of director	Status of the director at the time	Leaving date
Mr. Manuel Pizarro Moreno	Other external Director	24/01/08

Mr. Manuel Pizarro Moreno was Second Vice-Chairman of the Board of Directors of BME at the time of his resignation.

## B.1.3 Complete the following tables on Board members and their directorships:

### Executive Directors

Name or corporate name of director	Committee proposing the appointment	Post held in the company
Mr. Antonio J. Zoido Martínez	(1)	Chairman
Mr. Joan Hortalá i Arau	(1)	Director
<b>Total number of Executive Directors</b>		<b>2</b>
<b>% of the Board</b>		<b>13.333</b>

### Non-independent External Directors

Name or corporate name of director	Committee proposing the appointment	Name or corporate name of significant shareholder represented or proposing the appointment
Mr. Javier Alonso Ruiz-Ojeda	(2)	BANCO DE ESPAÑA
Mr. José Antonio Álvarez Álvarez	(2)	BANCO SANTANDER, S.A.
Mr. José A. Barreiro Hernández	(2)	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
Mr. Ignacio Benjumea Cabeza de Vaca	(2)	BANCO SANTANDER, S.A.
Mr. Ricardo Laiseca Asla	(2)	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
Mr. Ramiro Mato García-Ansorena	(1)	BNP PARIBAS, SOCIÉTÉ ANONYME
Mr. Tomás Muniesa Arantegui	(1)	CAJA DE AHORROS Y DE PENSIONES DE BARCELONA
Mr. Mariano Pérez Claver	(2)	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID
<b>Total number of non-independent external directors</b>		<b>8</b>
<b>% of the Board</b>		<b>53.333</b>

(1) The Appointments and Remuneration Committee was created pursuant to article 36 of the Company's Articles of Association and article 18 of the Board of Directors' Regulations which came into force on 14 July 2006. Therefore, all appointments made prior to this date were neither communicated nor proposed by this committee.

(2) As, under article 18.2.b) of the Board of Directors' Regulations, these directors are classified as non-independent external, their appointment has been announced by the Appointments and Remuneration Committee.

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## Independent External Directors

Name or corporate name of director	Background
Ms. Margarita Prat Rodrigo	<p>Graduate in Law from Madrid's Universidad Complutense in 1971 and in Economics and Business from Madrid's Universidad Pontificia Comillas in 1982, receiving an extraordinary prize. She obtained a PhD in Economics and Business in 1989. Ms. Prat has also published several works and articles since 1989. She was Director of the Financial Management Department in the Economics and Business faculty of Madrid's Universidad Pontificia Comillas from 1984 to 2000, Vice Dean at the same university from 1990 to 1993 and Dean from 1993 to 2002. She was also previously visiting lecturer at Universidad de Deusto in San Sebastian, Instituto Tecnológico de Monterrey in Mexico and Universidad Católica Argentina in Buenos Aires. She is currently a member of the Institute of Internal Auditors in Spain, a member of the Institute of Financial Analysts, Director of Internal Audit and Professor at Madrid's Universidad Pontificia Comillas and is a member of various doctoral thesis tribunals and academic committees.</p>
Mr. Álvaro Cuervo García	<p>Professor of Business Economics at Madrid's Universidad Complutense, Director of The Colegio Universitario de Estudios Financieros winner of the Rey Jaime I Economics Prize (1992), the Castilla-León "Infanta Cristina" Economics Prize (1999) and recipient of honorary doctorates from the universities of Oviedo, León, Castilla-La Mancha, Las Palmas de Gran Canaria and Salamanca. He is member of the Board of Directors of ACS (Actividades de Construcción y Servicios, S.A.) and of the SONAE SGPS, S.A. group in Portugal and member of the Spanish government's Consultative Committee on Privatisations. He is also a member of the boards of trustees of the Banco Herrero Foundation, the Endesa Foundation and the advisory board of the Rafael del Pino Foundation.</p>
Mr. Karel Lannoo	<p>Mr. Karel Lannoo is the first executive of the Centre for European Policy Studies since January 2000 and director of both Lannoo Publishing, S.A. and Distrimedia, S.A.. He previously worked at Ferruzzi.</p> <p>A graduate in History and International Relations from Leuven University (Belgium), he also has a Master in European Studies from Nancy University (France).</p> <p>He is an expert in the integration and regulation of the financial markets, tax policies and corporate governance and has published books and numerous articles in international journals and newspapers. He has attended hearings at the European Parliament and European Commission and has taken part in several studies and working groups for Spanish and European organisations (the OECD, the Asian Development Bank and the World Bank).</p>



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## Name or corporate name of director

## Background

Mr. Manuel Olivencia Ruiz

Graduate in Law, winning the Extraordinary Graduation Prize, from Seville University (1951), with a doctorate in law from Bologna University (1953); and author of numerous scientific works. He has been decorated with the Isabel la Católica, Alfonso X el Sabio, San Raimundo de Peñafort and Military Merit Great Crosses.

Dean of the Law Faculty (1968-1971) and Economics and Business Faculty (1971-1975) at Seville University, Undersecretary for Education (1975-1976), Director of the Bank of Spain (1982-1991) and Chairman of the Special Committee for Drafting the Code of Good Governance (1998).

Since 1960, professor of Commercial Law at Seville University, where he is currently professor emeritus, a permanent member of the General Codification Committee and of the Royal Academy of Jurisprudence and Legislation and the Royal Seville Academies of Fine Arts and Legislation and Jurisprudence. He is also an Extraordinary Ambassador for Spain, a Delegate on the United Nations International Law Commission and a specialised arbitration lawyer.

Ms. Julia Sanz López

Graduate in Law and Economics from the Pedralbes Faculty of the University of Barcelona, Winning the Extraordinary Prize in Law.

In 1978, she qualified (with the highest mark) by competitive public examination for the Body of Licensed Commercial Brokers and worked in Valdepeñas, Talavera de la Reina and Toledo.

In 1985, she qualified by competitive public examination for the Official Public Stockbrokers' Association and worked in this field in Barcelona and Madrid.

In 1994, she rejoined the Body of Licensed Commercial Brokers and provided services in Alcázar de San Juan, Navalcarnero and Madrid, where since 2000 she has worked as a Notary Public after the Notaries and Licensed Commercial Brokers were merged into a single body. Until 2006, she was a member of the Executive Committee of the Madrid Association of Notaries.

She was a co-founder of the brokerage firm Beta Capital Bolsa (1989), where she was General Manager until 1994; member of the Board of Directors of Sociedad de Valores y Bolsa, S.A. (1992-1999), and President of the Spanish Stock Market Association (1997-1998).

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<b>Total number of independent directors</b>	5
<b>% of the Board</b>	33.333

## Other External Directors

<b>Total number of other external directors</b>	0
<b>% of the Board</b>	0

List the reasons why they may not be considered non-independent external or independent directors and their relationship to either the company, its executives or its shareholders:

List, if any, the changes in the classification of each director which have occurred during the period:

**B.1.4 Explain, if appropriate, the reasons why non-independent external directors have been appointed at the behest of shareholders whose holdings are less than 5% of the share capital:**

### Name or corporate name of shareholder

BNP Paribas, Soci  t   Anonyme

### Reason

This company, even though it does not hold 5% of the share capital, holds a significant share of voting rights in BME, pursuant to R.D. 1362/2007. This shareholder also holds a greater percentage of voting rights than the other shareholders which are not represented on the Board of Directors and who hold greater stakes, apart from the custodian entities.

### Name or corporate name of shareholder

Caja de Ahorros y Monte de Piedad de Madrid

### Reason

This company, even though it does not hold 5% of the share capital, holds a significant share of voting rights in BME, pursuant to R.D. 1362/2007. This shareholder also holds a greater percentage of voting rights than the other shareholders which are not represented on the Board of Directors and who hold greater stakes, apart from the custodian entities.

### Name or corporate name of shareholder

Caja de Ahorros y Pensiones de Barcelona (La Caixa)

### Reason

Since 2 May 2008, La Caixa holds an indirect stake of over 5% of the share capital. Previously, Tom  s Muniesa Arantegui's status as a non-independent external director was based on La Caixa's stake being higher than that of the other shareholders which are not represented on the Board of Directors and who hold greater stakes, apart from the custodian entities.

**Indicate any rejection of a formal request for a board place from shareholders whose holdings are equal to or greater than that of others applying successfully for a non-independent external directorship. If so, explain why these requests have been rejected:**

Yes

No

**B.1.5 Indicate if any director has given up their office before their tenure expires, if the director has explained his/her reasons, and through which means and, in case he/she has made it in writing to all members of the Board, explain below, at least, the reasons that she/he gave:**

Yes

No

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Name of director	Reason for resignation
Mr. Manuel Pizarro Moreno	Submitted his resignation at the Board meeting on 24 January 2008 in order to pursue a new career.

## B.1.6 Indicate, where applicable, any powers delegated to managing directors:

The Company has no Managing Director.

Article 12 of BME's Board of Directors Regulations states that the Chairman, as the Company's most senior institutional representative, has the highest power to represent it, on an institutional and on an individual basis and be the guiding force behind the Governance of the Company and the Group Companies.

He shall also promote the Board's functions of driving, directing and supervising the Company's ordinary business, and watching over the Board's responsibilities with regard to relations with shareholders and the markets.

Additionally, BME's chairman holds the power required to ensure the day-to-day running of the company. These powers include the commercial and legal representation of the Company, representation of the Company at Shareholders' meetings and meetings of the Board of Directors and similar boards of companies in which it holds a stake; the power to incorporate companies, associations, foundations and all types of legal entities; the power to hire and lay off employees, establish their duties and compensation; draw up all types of contract in the name of the company; delegate power to whoever they see fit and other powers necessary to ensure the day-to-day running of the business.

## B.1.7 Identify, where appropriate, any Board members holding senior management or directive positions in other companies belonging to the listed company's group:

Name or corporate name of director	Name of group company	Post
Mr. Antonio J. Zoido Martínez	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Chairman
	Sociedad de Bolsas, S.A.	Director
Mr. Ignacio Benjumea Cabeza de Vaca	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Director
Mr. Joan Hortalá i Arau	Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.	Chairman
	Sociedad de Bolsas, S.A.	Chairman
Mr. Tomás Muniesa Arantegui	MEFF AIAF SENAF Holding de Mercados Financieros, S.A.U.	Chairman
	MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A.U.	Chairman
	MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A.U.	Chairman
	MEFF Euroservices, S.A.U., S.V.	Chairman

## B.1.8 List, where appropriate, all board members who are also members of the board of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:

Name or corporate name of director	Name of listed company	Post
Mr. Álvaro Cuervo García	Actividades de Construcción y Servicios, S.A. (ACS)	Director

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Mr. Mariano Pérez Claver represents Mediación y Diagnósticos, S.A. on the Boards of Directors of Realia Business, S.A. and Indra Sistemas, S.A. and in the company Mediación y Diagnósticos, S.A. holds the post of Vice-Chairman.

He also represents Sociedad de Promoción y Participación Empresarial Caja de Madrid, S.A. and Corporación Financiera Caja de Madrid, S.A. on the Boards of Directors of NH Hoteles, S.A. and Mecalux, S.A., respectively.

**B.1.9 Indicate and, where appropriate, explain if the company has established rules about the number of directorships their board members can hold:**

Yes  No

Explanation

Article 21, section b) of the Board of Directors' Regulations states that external Independent Directors may not hold directorships at more than four companies whose shares are listed on Spanish or foreign stock markets.

The same article states that Executive Directors may not hold directorships at any other listed company.

**B.1.10 Regarding Recommendation 8 of the Unified Code, indicate the company's general policies and strategies that the Board reserves for plenary approval:**

	Yes	No
Investment and financing policy.	x	
Design of the structure of the corporate group.	x	
Corporate governance policy.	x	
Corporate social responsibility policy.	x	
The strategic or business plan, management targets and annual budgets.	x	
Remuneration and evaluation of senior officers.	x	
Risk control and management, and the periodic monitoring of internal information and control systems.	x	
Pay-out policy, as well as the treasury stock-policy and specially, its limits.	x	

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## B.1.1.1 Complete the following tables indicating the aggregate remuneration paid to directors during the year.

Information on individual directors' emoluments is included in BME's consolidated Annual Accounts for fiscal year 2008.

### a.) For directors of the company subject to this report:

Concept	Amount in thousands of euros
Fixed remuneration	716
Variable remuneration	243
Per diems	372 (1)
Statutory compensation	330 (2)
Options on shares and/or other financial instruments	0 (3)
Other	0
<b>TOTAL:</b>	<b>1,661</b>

Other benefits	Amount in thousands of euros
Advances	0
Loans	0
Funds and pension plans: contributions	716
Funds and pension plans: obligations	0 (4)
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0

### b.) For directors belonging to other boards of directors and/or holding senior management posts in group companies:

Concept	Amount in thousands of euros
Fixed remuneration	224
Variable remuneration	0
Per diems	167 (1)
Statutory compensation	0
Options on shares and/or other financial instruments	0
Other	0
<b>TOTAL:</b>	<b>391</b>

Other benefits	Amount in thousands of euros
Advances	0
Loans	0
Funds and pension plans: contributions	0
Funds and pension plans: obligations	0
Life insurance premiums	0
Guarantees issued by the company in favour of directors	0

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## c.) Total remuneration by type of directorship:

Type of directorship	Company	Group
Executive	1,082	333
Non-independent external directors	324	56
Independent external directors	253	0
Other external directors	2	2
<b>Total</b>	<b>1,661</b>	<b>391</b>

## d.) Remuneration as a percentage of parent company attributable profit:

<b>Total remuneration received by directors (in thousands of euros)</b>	2,052
<b>Total remuneration received by directors/parent company attributable profit (%)</b>	1.1

(1) In the remuneration received by Directors in per diems are included the per diem paid to Manuel Pizarro Moreno who resigned from the Board of Directors of BME and Sociedad Rectora de la Bolsa de Valores de Madrid in January 2008.

(2) This amount is the fixed sum paid to Directors as per Article 40 of the Articles of Association.

(3) The medium-term remuneration scheme for the management team, including Executive Directors, is described in sections A.3. and B.1.14 of this report.

(4) According to the resolution of the Ordinary General Shareholders' Meeting held on 30 April 2008 in relation to the pension commitment for the Chairman, the relevant will consist of a defined contribution insurance policy has been subscribed, in which it is established that during year 2009 and 2010 two premiums will be paid which shall be equal to the initial premium (715,854 euros) plus the retail price index (RPI) increases for each of those years.

## B.1.12 List senior management members who are not executive directors and indicate the total remuneration accruing to them during the year:

The total remuneration received by senior management includes remuneration received from both BME and other group companies.

Name or corporate name	Post
Mr. Ramón Adarraga Morales	Director of International Co-ordination and Head of Information, IT & Consulting
Mr. Jaime Aguilar Fernández-Hontoria	Director of Legal Council
Mr. Luis María Cazorla Prieto	General Secretary and Secretary to the Board
Mr. Gabriel Domínguez de la Rosa	Director of Human Resources
Mr. Antonio Giralta Serra	Chairman of MAB and Head of Listing
Mr. Javier Hernani Burzako	Finance Director
Mr. José Massa Gutiérrez del Álamo	Chairman of IBERCLEAR and Head of Clearing and Settlement
Mr. Francisco Nicolás Tahoces	Technology Director
Mr. Vicente Olmos Ibáñez	Director of the Internal Audit Department
Mr. Francisco Oña Navarro	Chairman of AIAF and SENAF, Executive vice-chairman of MEFF and Head of Fixed Income and Derivatives
Mr. Jaime Sanz Sanz	Director of Corporate Communication
Mr. Jorge Yzaguirre Scharfhausen	Head of Equities
<b>Total remuneration received by senior directors (in thousands of euros)</b>	<b>4,956</b>

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## B.1.13 Identify in aggregate terms any guarantee or protective clauses benefiting senior management (including executive directors) of the company or its group. Indicate whether these clauses have to be reported to and/or authorised by the governing bodies of the company or its group:

Number of beneficiaries		0
	Board of Directors	Shareholders' Meeting
Body authorising clauses	No	No
	Yes	No
Is the General Shareholders' Meeting informed of these clauses?		x

1.- Executive directors.

There are no agreements which include benefits for executive directors in the event of dismissal or change of control, except for the Chairman.

With regard to the Chairman, classified as Executive Director BME's Extraordinary General Shareholders' Meeting held on 5 June 2006 the following resolution was adopted under item 10 of the Agenda:

*"It is agreed at the Shareholders' Meeting that in the event of the Chairman of the Board of Directors being removed from his post, he will have the right to receive an amount equivalent to three times his annual fixed compensation established by the Shareholders' Meeting at the time of this event. This payment will have a non-competition condition and the Chairman shall not be permitted to work for a period of three years in any other company with a similar or identical corporate purpose or activity as BME. If this obligation is not met, the Chairman shall return the amount received."*

*The Chairman shall not be paid the amount mentioned above if he voluntarily leaves his post, breaches his contract or if, due to a combination of circumstances, Bolsas y Mercados Españoles is unable to effect said payment.*

*This agreement is subject to the Company making the share offer operation mentioned in the second resolution and its shares being admitted to trading on the stock markets in accordance with the terms specified in the third resolution.*

*This agreement shall automatically be rendered null and void if on 31 December 2006 the Company's shares have not been admitted for trading on the afore-mentioned stock markets via the electronic trading system."*

The terms of this General Shareholders' Meeting agreement have been included in the services agreement entered into between BME and Mr. Antonio J. Zoido Martínez, subsequent to a report by the Appointments and Remuneration Committee and approval by the Company's Board of Directors.

2.- Senior management.

Two senior directors have the right to receive compensation equivalent to 24 months of their salary and another has the right to receive compensation equivalent to 36 months of his salary.

## B.1.14 Indicate the procedures for establishing board members' remuneration and any relevant clauses in the Articles of Association regarding this payment:

### Procedures for establishing board members' remuneration and relevant clauses in the Articles of Association

Article 40 of the Company's Articles of Association and article 29 of the Board of Directors' Regulations establish that the post of director shall be remunerated, and that this remuneration shall comprise a fixed amount and per diems for attending meetings and be set on an annual basis at the General Shareholders' Meeting.

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Article 18.2 c) of the Board of Directors' Regulations states that the Appointments and Remuneration Committee is responsible for reporting on proposals for directors' remuneration submitted by the Board at the Shareholders' Meeting or those approved by the Board itself.

In this regard, article 29 of the Board of Directors' Regulations stipulates that any resolution taken by the Board of Directors and any proposal submitted to the General Shareholders' Meeting for approval relating to Directors' remuneration shall be implemented on the basis of a previous report made by the Appointments and Remuneration Committee. This previous report shall have regard to corporate governance standards and market conditions, bearing in mind the Company's nature and activity and the Director's commitment. In any event, in order to be submitted at the General Shareholders' Meeting, the Board of Directors must express an opinion on the amount of the fixed remuneration and the per diems for attendance at Board and Committee meetings, the items of any type of variable remuneration, the terms and conditions that must be laid down in the contracts entered into by the Company and Directors performing senior management functions and, where applicable, benefit schemes.

The Board's proposals to the General Shareholders' Meeting for setting the appropriate fixed annual sum payable to each Board member must take into account the type of Director and the offices, functions and commitment of each of the Directors on the Board and the Board Committees.

If the Board's proposal is for a fixed annual amount to be set for the whole Board, the sum set should be distributed among the Board members on the basis of same criteria as those set forth above.

Article 29 also states that it shall be the responsibility of the Board of Directors to submit to the General Shareholders' Meeting for approval any remuneration additional to that relating to their status as Directors payable to Directors with executive functions in the Company, based on service provision, senior management or similar contracts entered into by the Company and said Directors.

In compliance with the abovementioned articles of the Articles of Association and Board of Directors' Regulations, the remuneration paid to directors and the Chairman in 2008 was approved at BME's Ordinary General Shareholders' Meeting held on 30 April 2008, following the proposal by the Board of Directors subsequent to a favourable report by the Appointments and Remuneration Committee.

In this regard, following the proposal by the Board of Directors subsequent to a favourable report from the Appointments and Remuneration Committee, the BME Ordinary General Shareholders' Meeting agreed on the fixed and variable remuneration for the Chairman of the Board of Directors and senior executive of the Company and established that receipt by the Chairman of the benefits arising out of this commitment shall be conditional upon the event giving rise to the benefit (death, disability or retirement) occurring while the Chairman renders his services for the Company.

At the same meeting, and following the proposal by the Board of Directors subsequent to a favourable report from the Appointments and Remuneration Committee, a medium-term remuneration scheme was approved for the Company and its subsidiaries, to be implemented for members of the management team, including Executive Directors.

## Indicate whether the Board has reserved for plenary approval the following decisions.

	Yes	No
At the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.		x
Directors' remuneration and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.	X(*)	

(\*) As set out in the Articles of Association and the Board of Directors' Regulations and as explained in the previous section, directors' remuneration, including any other remuneration paid to directors in the pursuit of their executive functions, shall be proposed for approval at the General Shareholders' Meeting by the Board of Directors prior report by the Appointments and Remuneration Committee.



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**B.1.15** Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:

Yes  No

	Yes	No
The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	x	
Variable components	x	
The main characteristics of pension systems, with an estimate of their amount of annual equivalent cost.	x	
The conditions that the contracts of executive directors exercising executive functions shall respect.	x	

**B.1.16** Indicate whether the Board submits, as a separate point of the agenda, a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting. Explain the relevant aspects regarding the remuneration policy approved by the Board for forthcoming years, the most significant changes in remuneration policy made this year and a global summary of how the policy was applied during the year. Provide details of the role of the Remunerations Committee and, if external advisors have been engaged, their identity:

Yes  No

	Yes	No
Has an external advisor been engaged?	x	

#### Identity of external advisors

J&A Garrigues, S.L.P (Garrigues)

#### Issues covered in the remuneration policy report.

Article 29.3 of the Board of Directors' Regulations stipulates that *"at the General Shareholders' Meeting the Company shall make available to its shareholders a report on its policy for Directors' remuneration"*.

In compliance with the above-mentioned article, at its meeting on 25 March 2008 the Board of Directors approved the *"Directors' remuneration report in compliance with Article 29.3 of the Board of Directors' Regulations for BME"* regarding remuneration for 2007. This report was made available to shareholders along with the notice for General Shareholders' Meeting held on 30 April 2008 and on the Company's website, [www.bolsasymercados.es](http://www.bolsasymercados.es).

This report was not submitted to the advisory vote of the General Shareholders' Meeting as the Board of Directors considers that the directors' remuneration policy is fully transparent.

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Therefore, as indicated in sections B.1.14. and F of this Corporate Governance Report, as per BME's Articles of Association and the Board of Directors' Regulations, the General Shareholders' Meeting is empowered with setting Directors' remuneration.

## Contents of the Directors' remuneration report.

This report contains proposals concerning Directors' remuneration for fiscal year 2008 regarding per diems and fixed remuneration and which shall be submitted for approval at the Ordinary General Shareholders' Meeting subsequent to a report by the Appointments and Remuneration Committee, together with an analysis of Directors' remuneration between 2003 and 2007, inclusive.

In this regard, the Report mentions the proposal submitted by the Board of Directors to the Ordinary General Shareholders' Meeting held on 30 April 2008, subsequent to a report by the Appointments and Remuneration Committee, establishing a medium-term remuneration scheme which was approved for the Company and its subsidiaries, to be implemented for members of the management team, including Executive Directors.

Regarding remuneration for the Chairman of the Board of Directors for the executive duties rendered, the Report refers to the proposals submitted by the Board, subsequent to a report by the Appointments and Remuneration Committee, for approval at the General Shareholders' Meeting, regarding the following emoluments:

- Fixed and variable remuneration for the Chairman of the Board of Directors for 2008.
- An additional pension payment in the event of death, disability or retirement of the Chairman of the Board of Directors.
- A medium-term remuneration scheme to benefit, among others, the Chairman in his capacity as Executive Director, which has been mentioned above.

Likewise, the report refers to the fixed and variable remuneration received by the Chairman of the Board of Directors in 2007 and, as per the conditions of his provision of services contract, the agreement adopted by the Extraordinary General Shareholders' Meeting of 5 June 2006 regarding the compensation to be paid to the Chairman in the event of his dismissal which is referred to in section B.1.13.

The most significant changes made to the Directors' remuneration policy in 2008 concern the remuneration established for Directors for carrying out their management duties.

Therefore, at the Ordinary General Shareholders' Meeting held on 30 April 2008 a medium-term remuneration scheme was approved for the Company and its subsidiaries, to be implemented for members of the management team, including Executive Directors.

It was also agreed at the abovementioned Ordinary General Shareholders' Meeting, having regard to the functions he performs as Chairman of the Board of Directors and Chief Executive of the Company, to set up a pension commitment payable in the event of the death, disability or retirement of the Chairman.

The Directors' remuneration policy for 2008 is broken down by director and amount in BME's consolidated financial statements for fiscal year 2008.

## **Role of the Remuneration Committee.**

BME's Appointments and Remuneration Committee, in compliance with Recommendation 40 of the Unified Good Governance Code, was informed of the Directors' remuneration report for 2008 at its meeting held on 26 February 2008, prior to approval by the Company's Board of Directors.

The Appointments and Remuneration Committee did not hire an external advisor to prepare this Report. In 2008, the Committee analysed, assisted by Garrigues, the terms of the proposed medium-term remuneration scheme to be applied by the Company and its subsidiaries, to be implemented for members of the management including Executive Directors, which was subsequently approved at the Ordinary General Shareholders' Meeting held on 30 April 2008.

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**B.1.17** Indicate, where appropriate, the identity of any board members who sit on board(s) of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:

<b>Name or corporate name of director</b>	<b>Name or corporate name of significant shareholder</b>	<b>Post</b>
Mr. Javier Alonso Ruiz-Ojeda.	Banco de España	Managing Director of Operations, Markets and Payment Systems
Mr. José Antonio Álvarez Álvarez	Banco Santander, S.A.	Managing Director (Financial Management and Investor Relations)
Mr. José A. Barreiro Hernández	Banco Bilbao Vizcaya Argentaria, S.A.	Member of the Management Committee for the Wholesale Banking and Asset Management business area
Mr. Ignacio Benjumea Cabeza de Vaca	Banco Santander, S.A.	Managing Director and General Secretary and Secretary to the Board
Mr. Ricardo Laiseca Asla	Banco Bilbao Vizcaya Argentaria, S.A.	Manager of the Global Markets unit of the Wholesale Businesses and Asset Management business area
Mr. Ramiro Mato García-Ansorena	BNP Paribas, Société Anonyme	Head of the BNP Group in Spain, Director of Business Banking and member of the Investment Banking Management Committee
Mr. Tomás Muniesa Arantegui	Caja de Ahorros y Pensiones de Barcelona	Assistant Executive General Manger (Financial, Insurance and International business areas)
Mr. Mariano Pérez Claver	Caja de Ahorros y Monte de Piedad de Madrid	General Manager

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List, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:

Name or corporate name of director	Name or corporate name of linked significant shareholder	Relationship
Mr. José Antonio Álvarez Álvarez	Banco Santander, S.A.	Director of "Santander Consumer Finance, S.A."
		Director of "Santander de Titulación, S.G.F.T, S.A."
Mr. José A. Barreiro Hernández	Banco Bilbao Vizcaya Argentaria, S.A.	Chairman of "Próxima Alfa Investments, S.A.:"
Mr. Ricardo Laiseca Asla	Banco Bilbao Vizcaya Argentaria, S.A.	Director of "Próxima Alfa Investments, S.A.:"
Mr. Tomás Muniesa Arantegui	Caja de Ahorros y Pensiones de Barcelona	CEO of CAIFOR Group
		Chairman of "Segurcaixa, S.A. de Seguros y Reaseguros"
		Physical representative of "Criteria CaixaCorp, SA" on the "ADESLAS, S.A. Seguros de Salud" Board of Directors
Mr. Mariano Pérez Claver	Caja de Ahorros y Monte de Piedad de Madrid	Chairman of "Avanza Inversiones Empresariales S.G.E.C.R., S.A."
		Chairman of "Estrategia Inversiones Empresariales, S.C.R., de régimen simplificado S.A."
		Chairman of "Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A."
		Chairman of "Caja Madrid Bolsa, Sociedad de Valores, S.A."
		Chairman of "Tasaciones Madrid, S.A."
		Chairman of "Gesmadrid, S.G.I.I.C., S.A."
		Managing Director of "Corporación Financiera Caja Madrid, S.A."
		Representative of the director of "Mediación y Diagnóstico, S.A." in "Realia Business, S.A."
		Joint Director of "CM Invest 1702 Corporación Internacional ETVE, S.L."
		Joint Director of "Inmogestión y Patrimonios, S.A."
		Joint Director of "Valoración y Control, S.A."
		Board Member of "Corporación Financiera Habana, S.A."
		Board Member of "Grupo su Casita, S.A. de Capital Variable"
		Representative of the director of "Corporación Financiera Caja Madrid, S.A." in "Mapfre América, S.A."
Representative of the director of "Mediación y Diagnóstico, S.A." in "RB Holding, S.A."		
Representative of the director of "Participaciones y Cartera de Inversión, S.L." in "Global Via Infraestructuras, S.A."		
Representative of the director of "Participaciones y Cartera de Inversión, S.L." in "Mapfre Vida, S.A. Seguros y Reaseguros Sobre La Vida Humana."		

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## B.1.18 Indicate any changes made to board regulations during the year:

Yes

No

## B.1.19 Indicate the procedures for the appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be applied in each procedure.

Procedures for the appointment, re-election, assessment and removal of Directors are described in articles 26, 36 and 38 of the Company's Articles of Association and articles 6, 18, 20 and 21 of its Board of Directors' Regulations.

### 1.- Appointment.

#### 1. A.- Responsibility.

The number of Company Directors shall be established at the General Shareholders' Meeting, and shall be within the maximum (20) and minimum (12) set by the Articles of Association.

In accordance with the resolution passed at the Extraordinary General Shareholders' Meeting held on 5 June 2006, the Board of Directors comprises 15 members.

However, should any vacancies arise, the Board of Directors may, given its legal powers of co-option, select from among the Company's shareholders persons to fill these vacancies. Such appointments must then be ratified at the next General Shareholders' Meeting.

#### 1. B.- Appointment requirements.

Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of high standing, integrity and reputability, who also have the necessary expertise for the performance of their functions.

The proposed candidates must not be affected by any incompatibility or prohibition pursuant to the Company's Articles of Association and Board of Directors' Regulations.

To be a shareholder is not a requirement to be appointed director except in the event of appointment by co-option when it does become a requirement.

According to article 21 b) of the Board of Directors' Regulations independent directors may not hold directorships at more than four companies whose shares are listed on Spanish or foreign stock markets, nor may they serve as Directors for more than 12 consecutive years without a break.

The same article stipulates that Executive Directors may not hold directorships at any other listed company.

#### 1. C.- Term of office.

Directors shall hold office for four-year terms and may be re-elected one or more times for terms of equal duration, except for independent directors who may not be re-elected for more than two consecutive terms.

#### 1. D.- Procedures.

Appointment proposals that the Board of Directors submits to the General Shareholders' Meeting, and any resolutions on appointments by co-option adopted by the Board, must be preceded by a report from the Appointments and Remuneration Committee which must assign new Directors to one of the categories envisaged in article 6 of the Board of Directors' Regulations and also assess their impact on the structure and composition of the Board.

In any event, the Appointments and Remuneration Committee shall be responsible for submitting to the Board all proposals for the appointment or re-election of independent Directors for subsequent discussion at the General Shareholders' Meeting, and for their provisional appointment by

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co-option.

## 1. E.- Breakdown of Directorships by type.

The Board of Directors shall seek to distribute its members among the different types of director in the manner most fitting to the Company's ownership structure and its corporate purpose and the purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and the appointments by co-option in such a way that external or non-executive Directors are a majority over executive Directors and that there is a significant presence of independent Directors.

## 2.- Re-election

Proposals for the re-election of Directors shall be subject to the same rules as for their appointment, taking into particular account the quality of services rendered by Directors and their commitment during the previous term of office. Directors standing for re-election shall not take part in any discussions or decisions concerning their re-election.

## 3.- Evaluation.

As per Article 10.3 of the Board of Directors' Regulations, the Board of Directors in full must annually assess the efficiency of its operation and the quality of its work on matters within its remit, as well as the performance of the Chairman of the Board and the Company's chief executive. The Board must also assess the operation of its Committees based on the reports they prepare on the performance of their tasks.

## 4.- Resignations and removal.

Directors shall vacate office at the end of the term for which they were appointed, unless they are re-elected, or when it is so decided at the General Shareholders' Meeting.

The Board of Directors may not propose the removal of any independent Director before the end of the term for which they were appointed unless they have valid grounds for doing so on the basis of a proposal from the Appointments and Remuneration Committee. Valid grounds shall be deemed to exist when Directors have failed to perform the functions inherent to their office or they are affected by any of the circumstances that are incompatible with their status as independent

Directors.

Any Directors vacating office before the end of their term, and for whatever reason, must explain these reasons in a letter sent to all Board Members.

### **B.1.20 Indicate the circumstances under which directors would be obliged to resign.**

Under article 38.3 of the Company's Articles of Association and paragraphs 3 and 4 of article 20 of the Board of Directors' Regulations members of BME's Board of Directors must tender their resignation in the following circumstances:

- In cases of incompatibility or prohibition stipulated by the Company's Articles of Association and Board of Directors' Regulations.
- In the case of non-independent Directors, when the shareholder whom they represent sells their entire shareholding, or in the appropriate numerical proportion to any reduction in that shareholder's stake.
- In general, when their continuation as Board members could jeopardise the Company's interests.

When the aforementioned circumstances affect an individual representing a legal entity that is a Director, the latter must proceed immediately to replace that representative.

In addition to the above, and as stated in the previous section, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall propose the removal of independent Directors when they have failed to perform the functions inherent to their office or they are affected by any of the circumstances that are incompatible with their status as independent Directors.

### **B.1.21 Explain whether the duties of chief executive officer fall upon the Chairman of the Board. If so, indicate the measures taken to limit the risk of powers accumulating in a single person:**

Yes

No

Risk-limitation measures

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Article 25 of the Company's Articles of Association and article 12 of the Board of Directors' Regulations state that the Chairman of the Board of Directors shall represent the Company and be the guiding force behind it and group companies, also promoting the Board's functions of driving, directing and supervising the Company's ordinary business activity and watching over the Board's responsibilities with regard to relations with shareholders and the markets. The Chairman shall also direct the Company's management team, in accordance with the decisions and criteria established at the General Shareholders' Meeting and by the Board of Directors within the scope of their respective powers.

Pursuant to articles 25 and 7 of the Articles of Association and the Board of Directors' Regulations, respectively, the Board of Directors is empowered with the general function of driving, directing and supervising matters that are of particular importance for the Company.

The Board of Directors shall therefore be in charge of the general function of driving, directing and supervising matters that are of particular importance to the company, undertaking in this respect as general tasks, among others, those of defining the general strategy and management guidelines of the Company, giving impetus to and overseeing the senior management, establishing the basis of the corporate organisation in order to ensure its maximum efficiency, monitoring the transparency and veracity of the information released by the Company in its relations with investors and with the markets in general, identifying the Company's main risks and supervising the internal control systems, as well as organising its own operation. The Board of Directors shall also establish adequate coordination between group companies for their own benefit and mutual interest and those of the Company.

As stipulated in the above-mentioned articles, the Board of Directors, which is the Company's highest decision-making body, except for issues falling within the remit of the Shareholders' Meeting, shall entrust the running of the Company's ordinary business to the Board Committees, executive members and senior management team.

In addition to limiting the risk of accumulating powers in a single person as a result of the powers attributed to the Board of Directors and entrusting the ordinary management of the Company to its senior management team, the following specific measures have been adopted:

- The appointment of a vice-chairman of the Board of Directors who shall be an independent director, as established by article 13.2 of the Articles of Association.
  - The reduce number of Directors considered Executive Directors, which is currently 13.333% of the total Board.
  - The significant presence and proportional representation of non-executive directors on Board Committees. Therefore, the Audit Committee and the Appointments and Remuneration Committee shall be made up exclusively of non-executive Directors and presided over by an independent director (articles 35 and 36 of the Articles of Association and articles 17 and 18 of the Board of Directors' Regulations).
  - Additional to the competencies assigned to the Chairman relating to the convening of meetings and establishing the Agenda for these meetings, article 10 of the Board of Directors' Regulations stipulates that the Board of Directors shall ordinarily meet every month and in any event shall hold at least nine meetings per year; furthermore the schedule for ordinary meetings shall be established by the Board of Directors itself at the commencement of each financial year.
- Also, under article 27 of the Company's Articles of Association members of the Board of Directors may request the Chairman to call a Board meeting and a Board meeting must necessarily be called when at least four members of the Board of Directors request one. Also the Agenda must include the items requested by them. If the Chairman fails to call a meeting in the fifteen calendar days following receipt of the request, the meeting must then be called by any of the Vice-Chairmen.
- Regarding the Agenda of the meeting, Directors may request the Chairman to include items on the Agenda and the Chairman is obliged to do so when they are requested by at least four Directors at least 10 days in advance of the scheduled date of the meeting, as established by article 10.2 of the Board of Directors' Regulations.
- And, without prejudice of the possibility that directors may raise relevant issues during the board meetings.
- The Appointments and Remuneration Committee, comprised by a majority of independent Directors, including its Chairman, must annually assess the performance of the Chairman of the Board and the Company's chief executive. This assessment shall be submitted for approval by the Board of Directors as stipulated by article 10.3 of the Board of Directors' Regulations.

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Indicate, and where appropriate, explain if an independent director is empowered to request the calling of board meetings or the inclusion of new items on the agenda; and coordinate and give voice to the concerns of external directors; and lead the board's evaluation of the Chairman.

Yes  No

**B.1.22** Are qualified majorities, other than those established by law, required for certain decisions?

Yes  No

Indicate how the Board of Directors adopts resolutions, including at least the minimum quorum of attendees and the types of majorities required to pass resolutions:

**B.1.23** Explain if there are any requirements, other than those for Directors, for being appointed Chairman.

Yes  No

**B.1.24** Indicate whether the chairman has the casting vote:

Yes  No

Subjects for which a casting vote is required

Under article 30 of the Company's Articles of Association and article 12 of the Board of Directors' Regulations, the Chairman of the Board of Directors shall hold the casting vote in the event of a tie.

Likewise, as stipulated in articles 34 of the Articles of Association and articles 12 and 16 of the Board of Directors' Regulations, the Chairman of the Executive Committee shall hold the casting vote in all votes put to them.

**B.1.25** Indicate whether the Articles of Association or the Board of Directors' Regulations establish an age limit for Directors:

Yes  No

Age limit for CEO 0

Age limit for Chairman 0

Age limit for Director 0

**B.1.26** Indicate whether the Articles of Association or the Board of Directors' Regulations establish a limit on the term of office held by independent Directors:

Yes  No

Maximum number of years in office

8

**B.1.27** If there are few or no female directors, explain the reasons and the measures taken to correct it.

Explanation of the reasons and measures taken

There are currently two female directors on BME's Board of Directors, which is more than the previous year.

Article 18.2.a) of the Board of Directors' Regulations states that the Appointments and Remuneration Committee "shall be responsible for submitting to the Board all proposals for the appointment or re-election of independent Directors for submission to the General Shareholders' Meeting, and for their provisional appointment by co-option, and must prepare a prior report on the other Directors. The abovementioned article also states that "when presenting these proposals, the Appointments and Remuneration Committee must also ensure "that the process for the selection of Directors does not discriminate on the basis of gender."



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In this regard, at its meeting on 29 November 2007, the Appointments and Remuneration Committee explored the suitability of defining the selection procedure for candidates to be named independent directors and, more specifically, to assessing and determining the criteria which these candidates must offer. In this regard, it was stressed that in any case *“the selection processes must not discriminate against women candidates”*.

Subsequently, the Committee, at its meeting on 29 May 2008, opened the selection process to appoint a new Director following Manuel Pizarro’s resignation and established the criteria which the suitable candidate must have. Among the criteria set it was specified that the Recommendations of the Unified Good Governance Code should be borne in mind, in particular, Recommendation 15, which states that the Appointments Committee must establish “a procedure for filling board vacancies which has no implicit bias against female candidates and that company makes a conscious effort to include women with the target profile among the candidates for board places”.

At its meeting on 29 May 2008 the Chairman of the Appointments and Remuneration Committee informed the Board of Directors of these criteria.

In accordance with the above-mentioned selection criteria for filling vacancies, at its meeting on 31 July 2008 the Board of Directors, subsequent to a report by the Appointments and Remuneration Committee, agreed to appoint, by co-option, Mercedes Vérguez Sánchez,

At its meeting on 25 September 2008, the Board of Directors was informed by Ms. Vérguez Sánchez that she was unable to accept the appointment due to the conflict of interest with her full-time position as Professor of Commercial Law.

In light of the above, at the same meeting, the Appointments and Remuneration Committee ratified the above-mentioned criteria approved by the Committee at its meeting on 29 May.

After a new search for candidates, at its meeting on 21 October 2008 the Appointments and Remuneration Committee proposed to the Board of Directors the appointments of Julia Sanz López.

At its meeting on 30 October 2008 the Board of Directors approved the appointment, by co-option, of Julia Sanz López.

**In particular, indicate whether the Appointments and Remuneration Committee has established a procedure of filling board vacancies which has no implicit bias against women candidates and deliberately seeks candidates meeting the required portfolio:**

Yes  No

**Indicate the main procedures**

As stated in the previous paragraph, article 18.2.a) of the Board of Directors’ Regulations charges the Appointments and Remuneration Committee with ensuring that the process for the selection of Directors does not discriminate on the basis of gender.

In its endeavour to comply with said article of the Board of Directors’ Regulations, the Appointments and Remuneration Committee, upon beginning its analysis of the criteria to be used in the selection process of independent directors, stipulated that “women candidates must not be discriminated against in this process”.

**B.1.28 Indicate whether there are any formal processes for proxy voting on the Board of Directors. If so, list briefly.**

Article 29.2 of the Company’s Articles of Association and article 11 of the Board of Directors’ Regulations stipulate that in the event of Directors being unable to attend a meeting in person they may appoint another Director to represent them.

Representatives must be appointed in writing specifically for each meeting and the appropriate instructions as to how to represent the Director appointing them must be given. Directors may be appointed and act as proxies for more than one other Director.

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**B.1.29** Indicate the number of sessions held by the Board of Directors during the year. Likewise, indicate the number of times, if any, the Board has met in the absence of its Chairman:

<b>Number of Board meetings</b>	<b>12</b>
<b>Number of Board meetings held at which the Chairman was absent</b>	<b>0</b>

Indicate the number of Board Committee meetings held during the year:

<b>Number of Executive committee meetings</b>	<b>11</b>
<b>Number of Audit committee meetings</b>	<b>9</b>
<b>Number of Appointments and Remuneration committee meetings</b>	<b>9</b>
<b>Number of Appointments committee meetings</b>	<b>-</b>
<b>Number of Remunerations committee meetings</b>	<b>-</b>

In addition to the abovementioned committees, the Markets and Systems Operating Committee met on 13 occasions.

**B.1.30** Indicate the number of sessions held by the Board of Directors during the year without all its members present. Non-attendance shall also include proxies without specific instructions given:

<b>Number of absences of directors during the year</b>	<b>26</b>
<b>% of absence in relation to total voting rights during the year</b>	<b>15,20</b>

**B.1.31** Indicate whether the individual and consolidated accounts are certified prior to their formulation by the Board of Directors:

Yes

No

Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their formulation by the Board:

**B.1.32** Explain the mechanisms, if any, established by the Board of Directors to ensure the individual and consolidated accounts are not presented at the General Shareholders' Meeting with qualifications in the auditor's report.

The mechanisms established by the Company to ensure the individual and consolidated accounts formulated by the Board of Directors are not presented at the General Shareholders' meeting with qualifications in the auditor's report are established in article 35 of the Company's Articles of Association and articles 8, 17 and 31 of the Board of Directors' Regulations.

Specifically, article 8 of the Board of Directors' Regulations states that the Board of Directors shall be responsible for ensuring that the Company's annual financial statements - both individual and consolidated - and management report give a true and fair view of its net worth, financial situation and results, according to legal requirements. Furthermore, each of the Directors should have access to all the necessary information before they put their signature to the financial statements.

In this regard, paragraph 2, section 3 of article 30 of the Board of Directors' Regulations stipulates that the Board of Directors shall adopt the necessary measures to ensure that the half-yearly, quarterly, and any other financial reporting that is made available to the markets is prepared in accordance with the same principles and practices as those used in the preparation of the Company's annual accounts, and is equally reliable.

The Board of Directors shall be assisted in this function by the Audit Committee which, at its meetings held on 28 February, 29 April, 31 July and 30 October 2008, submitted a favourable report on the Company's quarterly and half-yearly financial statements released in 2008, prior to review by the Board of Directors and communication to the markets and the supervisory bodies.

Likewise, as per article 35 of the Company's Articles of Association and articles 17 and 31 of the Board of Directors' Regulations, the Audit Committee shall be responsible for liaising with

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the external auditors in order to receive information on any issues connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit legislation and in the technical auditing regulations. The Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management.

In the exercise of its duties, the Audit Committee shall invite the external auditor to attend its meetings whenever it is deemed appropriate and, in any event, when the auditor's report on the Company's and Group's annual financial statements and management report are among the items on the agenda for discussion. The external auditor is also invited to attend meetings prior to the publication of periodic public information relating to the Company.

The Company's Financial Director shall also attend meetings of the Audit Committee so that the committee may rigorously monitor the preparation of the periodic public information.

Also, pursuant to article 8.1 of the Board of Directors' Regulations, in the event that the auditors' report on the financial statements contains reservations or qualifications, the Chairman of the Audit Committee and the auditors themselves shall explain to shareholders and the markets the content and scope of such reservations and qualifications.

## B.1.33 Is the Secretary of the Board also a Director?

Yes

No

## B.1.34 Explain the procedure for appointing and removing the Secretary of the Board and indicate whether his/her appointment and removal have been reported by the Appointments and Remuneration Committee and approved by the board in plenary meeting.

### Appointment/removal procedure

Pursuant to article 14 of the Board of Directors' Regulations and article 32.2 of the Articles of Association, the Board of Directors shall appoint a Secretary and, optionally, one or more Deputy Secretaries.

The procedure for appointing and removing the Secretary is not established in the Board of Directors' Regulations. However, and in accordance with Recommendation 18 of the Unified Good Governance Code and with the Company's standard practice, in future the Appointments and Remuneration Committee shall be notified prior to approval by the Board of Directors of any proposals to appoint and remove the Secretary and/or Deputy Secretaries of the Board of Directors.

	Yes	No
Is the appointment announced by the Appointments Committee?	X	
Is the removal announced by the Appointments Committee?	X	
Does the Board in full approve the appointment?	X	
Does the Board in full approve the removal?	X	

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## Is the Secretary of the Board especially responsible for overseeing good governance recommendations?

Yes  No

### B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

#### 1) Mechanisms established by the Company to preserve the independence of the auditor.

In accordance with articles 7.4 and 31 of the Board of Directors' Regulations the Board of Directors, acting in full and through its committees, is responsible for ensuring the external auditor is both independent and professionally acceptable.

In this regard, article 35 of the Company's Articles of Association and article 17 of the Board of Directors' Regulations establish that the Audit Committee shall liaise with external auditors in order to receive information in regard to matters which could jeopardise their independence, which it shall duly report to the Board of Directors during the course of the year.

One of the mechanisms established by the Company to preserve the independence of its auditor included in the scope of afore-mentioned article 31 of the Board of Directors' Regulations stipulates that the Board of Directors shall, in the manner laid down by law, publish the fees that the Company has paid to the audit firm both for audit and other services, including the companies in the group to which the auditors belong.

#### 2) Mechanisms established by the Company to preserve the independence of financial analysts.

The Investor Relations Department, a division of the Company's Finance Department, shall provide institutional investors and financial analysts with all possible information on the Company's performance, quarterly earnings and strategy.

The handling of information by the Investor Relations Department shall be carried out with the utmost respect for the principles of transparency and non-discrimination, complying at all times with Securities Markets' regulations.

#### 3) Mechanisms established by the Company to preserve the independence of investment banks and rating agencies.

In 2008 the Company did not hire the services of investment banks or rating agencies.

### B.1.36 Indicate whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes  No

#### If there were disagreements with the outgoing auditor, explain the reasons for the same:

Yes  No

### B.1.37 Indicate whether the auditing firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage such fees represent of the total fees invoiced to the company and/or its group.

Yes  No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	47	0	47
Fees for non-audit work / total amount invoiced by the auditor (%)	13.55%	0	6.26%

At the time of writing, the amount for non-audit work carried out in 2008 had not yet been invoiced. The amount highlighted corresponds to the provision for this purpose.

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**B.1.38** Indicate whether the audit report of the previous year's annual accounts is qualified or has reservations. Should such reservations or qualifications exist, indicate the reasons given by the Chairman of the Audit Committee and to explain the content and scope of such reservations or qualifications.

Yes

No

**B.1.39** Indicate how many consecutive years the current auditing firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

	Company	Group
Number of consecutive years	7	7
	Company	Group
Number of years audited by current audit firm /Number of years the company accounts have been audited (%)	100%	100%

**B.1.40** List the stock holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

Tomás Muniesa Arantegui is Chairman of the Board of Directors of MEFF AIAF SENAF Holding de Mercados Financieros, S.A.U., a company which belongs to the BME Group but does not hold a stake in the latter.

**B.1.41** Indicate and, where appropriate, give details of any procedures through which Directors may receive external advice:

Yes

No

## Details of the procedure

Article 29.3 of the Company's Articles of Association establishes that the Chairman of the Board of Directors "may invite Company executives and technical staff, as well as Directors and executives of group companies, or any expert or third party that he considers appropriate to attend the proceedings based on the matters to be discussed at the meeting. These attendees will have the right to speak but not vote".

**B.1.42** Indicate, and where appropriate, give details on the existence of a procedure for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes

No

## Details of the procedure

Article 27.3 of the Company's Articles of Association establishes that notice of Board meetings and the necessary documentation for these meetings shall be sent by letter, fax, telegram or e-mail, in accordance with the instructions received from each of the Board members, at least forty-eight hours before the date set for the meeting.

Furthermore, under article 22 of the Board of Directors' Regulations Directors shall have the broadest powers to obtain information on any aspect of the Company and its group, and shall be granted

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access to any documents, registers, past records or any other information they may require. All requests for information shall be addressed to the Chairman and shall be dealt with by the Secretary of the Board who shall directly provide the information required or put the Director in contact with the appropriate person within the Company, while ensuring that the necessary measures are taken to guarantee that the Directors' right to information is met to their full satisfaction.

**B.1.43 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform, and where applicable, resign under circumstances that might harm the organisation's name or reputation:**

Yes  No

Explain

Within the Directors' duties of information, article 27 of the Board of Directors' Regulations stipulates that Directors shall disclose any fact or situation which may affect the nature or terms under which their appointment as Directors was made, or which could materially influence their activity as Directors. Moreover, this article states that they must also disclose any legal, administrative or other types of claims affecting them that, because of their importance, could seriously affect the Company's reputation.

In addition to this duty, articles 38.3 of the Articles of Association and 20.4 of the Board of Directors' Regulations stipulates that directors must resign when their continuation in office could jeopardise the Company's interests.

**B.1.44 Indicate whether any director has notified the company that he/she has been sued or has any court proceedings opened against him/her for any of the offences stated in article 124 of the Public Companies Act:**

Yes  No

**Indicate whether the board has examined this matter. If so, explain the reasons for the decisions reached as to whether or not the director should remain on the board.**

Yes  No

Decision

Explanation

## B.2 Board of Directors' Committees

### B.2.1 List the Board Committees and their members:

#### Executive Committee

Name	Post	Type
Mr. Antonio J. Zoido Martínez	Chairman	Executive
Mr. Javier Alonso Ruiz-Ojeda.	Member	Non-independent external
Mr. José Andrés Barreiro Hernández	Member	Non-independent external
Mr. Ignacio Benjumea Cabeza de Vaca	Member	Non-independent external
Mr. Álvaro Cuervo García	Member	Independent
Mr. Tomás Muniesa Arantegui	Member	Non-independent external
Ms. Margarita Prat Rodrigo	Member	Independent

#### Audit Committee

Name	Post	Type
Ms. Margarita Prat Rodrigo	Chairwoman	Independent
Mr. Álvaro Cuervo García	Member	Independent
Mr. Ramiro Mato García-Ansorena	Member	Non-independent external

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## Appointments and Remuneration Committee

Name	Post	Type
Mr. Manuel Olivencia Ruiz	Chairman	Independent
Mr. José Antonio Álvarez Álvarez	Member	Non-independent external
Ms. Julia Sanz López	Member	Independent

Mr. Manuel Pizarro Moreno resigned as a member of BME's Appointments and Remuneration Committee on 24 January 2008.

Ms. Julia Sanz López was appointed a member of BME's Appointments and Remuneration Committee on 30 October 2008.

## Markets and Systems Operating Procedures Committee

Name	Post	Type
Mr. Joan Hortalá i Arau	Chairman	Executive
Mr. Ricardo Laiseca Asla	Member	Non-independent external
Mr. Mariano Pérez Claver	Member	Non-independent external
Mr. Karel Lannoo	Member	Independent

Mr. Luis María Cazorla Prieto is Secretary (non Member) of all the above-mentioned Committees.

## B.2.2 Indicate if the Audit Committee is responsible for the following:

	Yes	No
Monitoring the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.	X	
Reviewing internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitoring the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.	X	
Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	X	
Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.	X	
Receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendation.	X	
Ensuring the independence of the external auditor.	X	
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	X	

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## B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the Board committees:

### 1.- Executive Committee

The Executive Committee is regulated by both article 34 of the Articles of Association and article 16 of the Board of Directors' Regulations.

#### 1.1 Organisation and operation

- The Executive Committee shall consist of at least three and not more than seven Directors designated by the Board of Directors. In any event, the Committee shall endeavour to ensure that the size and composition of the Executive Committee complies with criteria of efficiency and reflects the basic structure of the Board's composition.

The Executive Committee currently comprises seven members pursuant to the resolution adopted by the Board of Directors at its meeting on 27 July 2006.

- The Chairman and Secretary of the Executive Board shall be the same as for the Board of Directors, with the substitution regime applicable by the Board in these circumstances. Accordingly, in the event of absence, inability to attend or vacancies the Chairman shall be substituted by one of the Vice Chairmen and, in case more than one Vice-Chairman, the substitution order shall be based on the serial number assigned to each of them. Likewise, the Secretary shall be substituted by the Deputy Secretary of the Board of Directors and in the event of there being several Deputies, the longest standing one or, being the same, the eldest shall be chosen.
- Except when higher voting majorities are required by law or under the Articles of Association, resolutions shall be adopted by an absolute majority of the Board members who are either present or represented at the meeting. When there is a tie in voting, the Chairman shall have the casting vote.
- The Chairman shall call a meeting of the Executive Committee at least once a month, or whenever a meeting is requested by at least two of its members.

- At each meeting of the Board of Directors the Executive Committee shall report on the topics discussed and resolutions adopted at the meetings it has held since the last Board meeting. In this regard, and in keeping with Recommendations 43 and 44 of the Unified Good Governance Code, at its meeting on 20 February 2008, the Executive Committee agreed to provide the Board of Directors with the copies of the minutes of its meetings.

#### 1.2 Responsibilities.

The Executive Committee has the following responsibilities, without prejudice to any other delegated to it by the Board of Directors:

- a) The continuous monitoring and supervision of the administration and day-to-day management of the Company, also ensuring that there is adequate coordination between group companies for their mutual benefit and that of the Company.
- b) Analysing and proposing to the Board of Directors the guidelines that are to define the Company's strategy, and supervising their implementation.
- c) Discussing and reporting to the Board of Directors on all issues relating to the following:
  - The Company's individual and consolidated annual budget.
  - Significant tangible or financial investments and their corresponding economic rationale.
  - Collaboration agreements with other companies which due to their size or nature are significant for the Company.
  - Financial operations of important economic scope for the Company.
  - Assessing the extent to which the Company is meeting its targets.
- d) Adopting resolutions relating to the acquisition or disposal of the Company's own shares, as authorised at the General Shareholders' Meeting, with the option of appointing a Committee member to execute decisions to buy and sell treasury stock.



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In addition to the responsibilities described above, all the Board's powers have been delegated in the Executive Committee, except for those which cannot be delegated, in accordance with the resolution adopted by the Board of Directors at its meeting on 27 July 2006.

## 2.- Audit Committee

The Audit Committee is regulated by both article 35 of the Articles of Association and article 17 of the Board of Directors' Regulations.

### 2.1 Organisation and operation

- The Audit Committee consists of a minimum of three and a maximum of five Directors, who shall be appointed and removed by the Board of Directors. All of the Committee members must be non-executive Directors, and most of them must be independent Directors.

The Audit Committee currently comprises three members pursuant to the agreement adopted by the Board of Directors at its meeting on 27 July 2006.

- The Chairman of the Audit Committee shall be appointed by the Board of Directors from among the independent Directors and must be replaced every four years and is eligible for re-election one year after completing his term.

In the event of the absence or temporary inability of the Chairman, his place shall be taken by the independent Director Committee member who has been designated for the purpose by the Board of Directors and, in his absence, by the eldest independent Director Committee member and, if the independent members are the same age, by the one chosen by lot.

- The Secretary to the Committee shall be appointed by the Board of Directors from among the Committee members and shall draw up the Minutes of the resolutions adopted. The Board may also appoint the Board Secretary or any of the Deputy Secretaries as Secretary to the Committee even if they are not Committee members, as well as a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but may not vote.
- The Audit Committee shall meet whenever it is convened by the Chairman or a meeting is

requested by at least two of its members, and at the request of the Board of Directors.

- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting by proxy. When there is a tie in voting, the Chairman, or the person standing in for him, shall have the casting vote.
- In order to perform its tasks the Committee may seek the assistance and collaboration of independent experts and, also, request the attendance at its meetings of Company or group senior managers.
- As per article 17.3 of the Board of Directors' Regulations the Audit Committee must report to the Board of Directors on its activities in the course of each year. In order to keep the Board of Directors duly informed of its activities and in keeping with Recommendations 43 and 44 of the Unified Good Governance Code, at its meeting on 20 February 2008 the Executive Committee agreed to provide the Board of Directors with copies of the minutes of the Audit Committee meetings.

### 2.2 Responsibilities

The Audit Committee shall have the following responsibilities:

- a) Report, via its Chairman, to the General Shareholders' Meeting in regard to the matters raised therein by shareholders concerning issues that fall within the Committee's remit.
- b) To propose to the Board of Directors the appointment of the external auditors referred to in article 204 of the consolidated text of the Spanish Public Companies Act, as approved by Royal Legislative Decree 1564/1989, of 22 December 1989, and, if applicable, the terms of their engagement, the scope of their professional remit, and the termination or renewal of their appointment. Should the external auditors relinquish their appointment, the Committee shall examine the reasons why.
- c) Supervise the Company's internal audit services which shall depend on the Audit Committee, reporting to the Board of Directors. To this end, the Committee shall monitor the independence and efficiency of the internal audit functions, proposing the selection, appointment, re-election and termination of the head of the internal audit service, as well as the budget for the service,

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receiving periodical information in regard to its activities and verifying that senior management takes into consideration the conclusions and recommendations of its reports. It shall also establish and supervise the proceedings whereby Company employees may anonymously report any irregularity in the internal control and risk management systems.

- d) To be cognisant with the Company's financial reporting procedures and internal control systems. To this end, the internal control and risk management systems shall be reviewed by the Committee at least once a year, to ensure that the main risks are adequately identified, managed and reported.
- e) To liaise with the external auditors in order to receive information on any issues that might jeopardise the latter's independence, and any others connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit legislation and in the technical auditing regulations. To this end, the Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management. The Committee shall also monitor compliance with the regulations in force concerning the provision of non-auditing services, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence.
- f) Any other tasks relating to reporting and proposals commissioned to it by the Board of Directors generally or specifically.

In addition to these responsibilities, the Audit Committee also has the following duties as stipulated by the Board of Directors' Regulations:

- Issue a favourable report in the event of Directors wishing to use Company assets other than in return for adequate valuable consideration, as established by article 24 of the Board of Directors' Regulations.
- Issue a prior report to the Board of Directors authorising Directors to invest or perform commercial or other transactions that they have knowledge of in the performance of their duties using the information resources of the Company or group companies, as stipulated in article 26 of the Board of Directors' Regulations.

Directors must notify the Audit Committee before accepting any directorship or management position in another company or entity, as established in article 27 of the Board of Directors' Regulations.

Lastly, in relation to information relayed to the market, under article 30.2 of the Board of Directors' Regulations, the Audit Committee shall monitor all briefings held by the Board of Directors concerning the Company's performance, and ensure that the aforementioned briefings in no way violate the principle of equal treatment of shareholders by granting some a position of privilege or an advantage over others.

## 3.- Appointments and Remuneration Committee

The Appointments and Remuneration Committee is regulated by both article 36 of the Articles of Association and article 18 of the Board of Directors' Regulations.

### 3.1 Organisation and operation

- The Appointments and Remuneration Committee shall comprise at least three and a maximum of five Directors, appointed by the Board of Directors from among its non-executive members. The members of the Appointments and Remuneration Committee shall remain in office for as long as they remain Company Directors, unless the Board of Directors resolves to remove them.

The Appointments and Remuneration Committee currently comprises three members pursuant to the agreement adopted by the Board of Directors at its meeting on 29 November 2007.

- The Chairman shall be appointed by the Board of Directors from among its independent members.
- The Board of Directors shall also appoint a committee Secretary, an office which need not be held by a member of the Committee and may be filled by the Board Secretary or any of the Deputy Secretaries, as well as by a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but not vote.
- The Committee shall meet as often as is necessary in the Chairman's opinion for the performance of its functions, at the request of the Board of Directors and whenever a meeting is requested by at least two Committee members.

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- There shall be a quorum at Committee meetings when a majority of Committee members are present or represented by proxy, and resolutions shall be adopted by an absolute majority of the members who are present or represented. When there is a tie in voting, the Chairman shall have the casting vote.
- The Committee shall report to the Board on the performance of its functions and tasks in the course of each year and the Committee Secretary shall send a copy of the minutes of all Appointments and Remuneration Committee meetings to all Board members.

## 3.2. Responsibilities:

The Appointments and Remuneration Committee is a non-executive body, empowered to report, advise and submit proposals to the Board on matters within its remit. The Appointments and Remuneration Committee is responsible for reporting to the Board of Directors on the following matters:

- a) Compliance with the legal requirements and requirements of the Articles of Association and Board of Directors' Regulations, in respect of any proposed designation of a Director via co-option and in relation to any proposals by the General Shareholders' Meeting regarding appointments, ratification or termination of a Director. Such proposals must be preceded by the relevant report by the Committee which must assign the new Director to one of the categories envisaged by the Regulations and also assess his/her impact on the structure and composition of the Board, ensuring that the process for the selection of Directors does not discriminate on the basis of gender. In any event, the Appointments and Remuneration Committee shall be responsible for submitting to the Board all proposals for the appointment or re-election of independent Directors for submission at the General Shareholders' Meeting, and for their provisional appointment by co-option.
- b) Under article 20.3 of the Board of Directors' Regulations, the Appointments and Remuneration Committee may propose to BME's Board of Directors the removal of an independent Director prior to the completion of the term for which he was appointed provided that there are valid grounds for doing so.
- c) Compliance with the Articles of Association and the Board of Directors' Regulations regarding the

appointment, re-election and removal of members of the Board of Directors whose names are put forward to sit on any of the Board Committees, as well as to hold any office thereon.

- d) Proposals on the Directors' remuneration to be submitted by the Board at the General Shareholders' Meeting or to be approved by the Board in accordance with the relevant shareholders' resolution. These should consider, among other aspects, the type of Director and the offices, functions and commitment of each of the Directors on the Board and the Board Committees

The Appointments and Remuneration Committee shall also be cognisant with the structure and policy for the senior management pay and incentives, and monitor the decisions taken and criteria applied regarding this matter at group companies. Additionally, at the request of the Board of Directors, it shall supervise compliance with the rules of corporate governance.

Lastly, according to article 21 of the Board of Directors' Regulations, Directors may not hold office or perform the functions of director, representative, manager, advisor or service provider at competing companies or companies wielding a dominant or controlling position thereupon, without the express and justified authorisation of the Board of Directors subject to a prior report by the Appointments and Remuneration Committee.

## 4. - Markets and Systems Operating Committee

The Markets and Systems Operating Procedures Committee is regulated by articles 37 and 19 of the Articles of Association and Board of Directors' Regulations, respectively, as well as the Regulations for the Markets and Systems Operating Procedures Committee approved by the Board of Directors at its meeting on 25 January 2007.

### 4.1 Organisation and operation

- The Markets and Systems Operating Committee shall consist of a minimum of three and a maximum of five Directors, who shall be appointed, re-elected and removed by the Board of Directors.

The Markets and Systems Operating Committee currently comprises four members pursuant to the agreement adopted by the Board of Directors at its meeting on 29 November 2007.

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- The Board of Directors shall appoint the Chairman of the Markets and Systems Operating Committee from among its members.
- The Board of Directors shall also appoint a Committee Secretary, an office which need not be held by a member of the Committee and which may be filled by the Board Secretary or any of the Deputy Secretaries, as well as by a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but not vote.
- The Markets and Systems Operating Committee shall meet whenever it is convened by the Chairman and there shall be a quorum when a majority of Committee members are present or represented by proxy.
- Resolutions shall be adopted with the favourable vote of the majority of the members who are present or represented at the meeting. When there is a tie in voting, the Chairman shall have the casting vote.
- The Markets and Systems Operating Committee shall report to the Board of Directors in regard to the performance of its tasks, and shall draft the reports and proposals in this regard as requested by the Board of Directors.

## 4.2 Responsibilities

The Markets and Systems Operating Committee shall have the following responsibilities:

- To analyse and monitor that the procedures and regulations laid down by Group companies are appropriate for the proper functioning of the markets and systems they manage.
- To be cognisant with the procedures established so that normal market conditions and the principle of equal treatment are applied to the transactions, operations and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.
- To be cognisant with the application of the Internal Regulations of Conduct of the Company, periodically receiving information in this regard from the Standards of Conduct Committee or

equivalent body as envisaged in the aforementioned Regulations, and also reporting prior to any amendment of the Regulations submitted to the Company's Board of Directors for approval.

### B.2.4 Indicate any advisory or consulting powers and, where applicable, the powers delegated to each of the committees:

Name of committee	Brief description
Executive Committee	See section B.2.3.
Audit Committee	See section B.2.3.
Appointments and Remuneration Committee	See section B.2.3.
Markets and Systems Operating Committee	See section B.2.3.

### B.2.5 Indicate, if applicable, any regulations governing the Board Committees, where they are made available for consultation and any amendments to the same made during the financial year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.

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## Name of Committee

ALL THE COMMITTEES

### Brief description

The regulations governing the composition and operations of Board committees are included in the Articles of Association and Board of Directors' Regulations. The Board of Directors' Regulations are available on the Company's corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es).

Regarding the annual reports on the activities on each Committee, article 10.3 of BME's Board of Directors' Regulations establishes that the Board of Directors in full must annually assess the efficiency of the operation and quality of work as well as the operation of its Committees based on the reports they prepare concerning the performance of their tasks.

The 2008 Board of Directors' Report which will include, as appendices, reports on the Executive Committee, Audit Committee, Appointments and Remuneration Committee and Markets and Systems Operating Committee activities, will be made available to all shareholders together with the call to the General Shareholders' Meeting on the Company's corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es).

## Name of Committee

MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE

### Brief description

In addition to the regulations contained in the Articles of Association and the Board of Directors' Regulations, this Committee has drawn up its own Regulations for the Markets and Systems Operating Committee which was approved by the Board of Directors at its meeting on 25 January 2007. These Regulations are available on the Company's corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es).

**B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of directors:**

Yes

No

# Annual Corporate Governance Report

## C. Related Party Transactions

**C.1** Indicate whether the Board plenary sessions has reserved the right to approve, based on a favourable report from the Audit Committee or any other committee responsible for this task, the transactions which the company carries out with directors, significant shareholders or representatives on the Board, or related parties:

Yes  No

In accordance with the provisions of article 28 of the Board of Directors' Regulations, transactions, operations or actions undertaken by Directors and significant shareholders and/or their related parties in their activities on the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties.

**C.2** List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:

**C.3** List any relevant transactions entailing the transfer of resources or obligations between the company or its group companies and the company's managers or directors:

**C.4** List any relevant transaction undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the company's habitual traffic with respect to its object and conditions:

**C.5** Identify any conflicts of interest affecting company Directors pursuant to Article 127 of the Companies Act.

Yes  No



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Name or corporate name of director	Description of the conflict of interest
Mr. Antonio J. Zoido Martínez	<p>Did not participate in discussions or voting procedures on the following matters:</p> <ul style="list-style-type: none"> <li>• Report on the performance of his duties as Board's Chairman and CEO, dealt with at the Board Meeting on 25 March 2008.</li> <li>• Chairman's remuneration dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Establishment of a pension commitment for the Chairman in the event of death, disability or retirement, dealt with at the Board of Directors' meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Approval of a medium-term remuneration scheme to be implemented by the Company and its subsidiaries, for members of the team management including executive directors, pursuant to article 130 and the fourth additional provision of the Companies Act, dealt with at the Board of Directors' meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Directors' remuneration, dealt with at the General Shareholders' Meeting on 30 April 2008.</li> </ul>
Mr. José A. Barreiro Hernández	<p>Did not participate in discussions or voting procedures on the following matters:</p> <ul style="list-style-type: none"> <li>• His resignation and re-election dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Ratification of Mr. Ricardo Laiseca Asla as a Director, dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Directors' remuneration, dealt with at the General Shareholders' Meeting on 30 April 2008.</li> <li>• His re-election as a member of the Executive Committee, dealt with at the Board Meeting on 30 April 2008.</li> <li>• Ratification of Mr. Ricardo Laiseca Asla as a member of the Markets and Systems Operating Committee, dealt with at the Board Meeting on 30 April 2008.</li> </ul>

# Annual Corporate Governance Report

Name or corporate name of director	Description of the conflict of interest
Mr. Tomás Muniesa Arantegui	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Ms. Margarita Prat Rodrigo	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Mr. Javier Alonso Ruiz Ojeda	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Mr. José Antonio Álvarez Álvarez	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Mr. Ignacio Benjumea Cabeza de Vaca	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Mr. Álvaro Cuervo García	Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.
Mr. Joan Hortalá i Arau	<p>Did not participate in discussions or voting procedures on the following matters:</p> <ul style="list-style-type: none"> <li>• Approval of a medium-term remuneration scheme to be implemented by the Company and its subsidiaries, for members of the management team including executive directors, pursuant to article 130 and the fourth additional provision of the Companies Act, dealt with at the Board of Directors' meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Directors' remuneration, dealt with at the General Shareholders' Meeting on 30 April 2008.</li> <li>• Setting of the remuneration for the Chairman of the Barcelona Stock Exchange, dealt with at the Board of Directors' Meeting on 29 de May 2008.</li> </ul>



# Annual Corporate Governance Report

Name or corporate name of director	Description of the conflict of interest
Mr. Ricardo Laiseca Asla	<p>Did not participate in discussions or voting procedures on the following matters:</p> <ul style="list-style-type: none"> <li>• Ratification of his post dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Resignation and re-election of Mr. José Andrés Barreiro Hernández dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Directors' remuneration, dealt with at the General Shareholders' Meeting on 30 April 2008.</li> <li>• Re-election of Mr. José Andrés Barreiro Hernández as a member of the Executive Committee, dealt with at the Board Meeting on 30 April 2008.</li> <li>• His ratification as a member of the Markets and Systems Operating Committee, dealt with at the Board Meeting on 30 April 2008.</li> </ul>
Mr. Karel Lannoo	<p>Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.</p>
Mr. Ramiro Mato García-Ansorena	<p>Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.</p>
Mr. Manuel Olivencia Ruiz	<p>Did not participate in discussions or voting procedures regarding establishing directors' remuneration dealt with at the General Shareholders' Meeting on 30 April 2008.</p>
Mr. Mariano Pérez Claver	<p>Did not participate in discussions or voting procedures on the following matters:</p> <ul style="list-style-type: none"> <li>• Ratification of his post dealt with at the Board Meeting on 25 March 2008 and the General Shareholders' Meeting on 30 April 2008.</li> <li>• Directors' remuneration, dealt with at the General Shareholders' Meeting on 30 April 2008</li> <li>• His ratification as a member of the Markets and Systems Operating Committee, dealt with at the Board Meeting on 30 April 2008.</li> </ul>

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## C.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its Directors, management or significant shareholders.

### 1.- Conflicts of interest between the company and/or its group and its Directors.

Article 21.c) of the Board of Directors' Regulations states that Directors must not participate in discussions and votes by the Board of Directors and any of its Committees that refer to matters in respect of which the Directors or their related parties have a direct conflicting interest, and they must notify the Board of any such situations. Non-independent external Directors must not participate in votes on matters in which the shareholders who proposed their appointment and the Company have a direct conflicting interest.

Article 26 of these Regulations also establishes that Directors may not use the Company's name or invoke their status as director to perform transactions on their own account or on the account of related parties. Furthermore, as mentioned in section B.2.3 above, any use of Company assets by Directors which is not made in return for adequate valuable compensation shall require prior authorisation from the Audit Committee.

In order to avoid possible conflicts of interest, article 21 a) of the Board of Directors' Regulations, stipulates that Directors may not hold office or perform the functions of director, representative, manager, advisor or service provider at competing companies or companies wielding a dominant or controlling position thereupon, without the express and justified authorisation of the Board of Directors subject to a prior report by the Appointments and Remuneration Committee.

Additionally, Directors must also notify the Audit Committee before accepting any directorship or management position in another company or entity, as established in article 27 of the Board of Directors' Regulations.

Also, in accordance with the provisions of article 28 of the Board of Directors' Regulations, transactions, operations or actions undertaken by Directors and/or their related parties in their activities on the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with

any regulations applicable to transactions with related parties.

In other instances, as stated above in section C.1., transactions or actions must be authorised by the Board of Directors acting in full.

Notwithstanding, members of the Company's Board of Directors are also affected by the obligations established in this respect by the Internal Regulations of Conduct for BME and group employees described below.

### 2.- Conflicts of interest between the company and its group and its Directors and employees.

BME's Internal Regulations of Conduct, applicable to all employees and members of the Boards of Directors, senior management and employees of the Company and its group companies, Estates in Rule V that Individuals affected must act with due impartiality and in no case place their own interests before those of the Company and their decisions shall be based on what best serves the interests and legally attributed functions of BME.

Section B of Rule V of the Internal Regulations of Conduct states that BME's Directors, senior management and employees shall endeavour to avoid conflicts of interest with BME shareholders, members of or participants in the markets or systems governed or managed by companies belonging to the BME group, or with the issuers of the securities affected listed on those markets or systems or which have applied for listing.

If affected by a conflict of interest, they shall refrain from intervening in or influencing the discussion and taking of decisions concerning the persons or entities to which the direct interest in conflict refers, and shall notify whoever is responsible for decision-making accordingly. Notwithstanding the foregoing, the individuals affected may participate in the discussion and approval of any rules, instructions or decisions that will apply generally to all investors, market members or companies with securities admitted to trading.

All individuals affected by the Internal Regulations of Conduct must notify the Standards of Conduct Unit of any possible conflicts of interest, which may affect them or related parties, as stipulated by the same Internal Regulations of Conduct.

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The existence of any conflict of interest must be notified within five days of the moment its becomes known and notification must be given before any decision or measure is taken which may be affected by the existence of this conflict of interests. Individuals affected must keep the information they supply up to date, giving notice of the termination of or any change in the situation of conflict and the emergence of new situations of this type.

Section G of Rule V stipulates that the Standards of Conduct Unit shall be made available to all individuals affected by the Internal Regulations of Conduct to address any doubts concerning possible conflicts of interest and, in the event, the correct action to be taken.

### 3.- Conflicts of interest between the company and its significant shareholders.

Articles 19.2.b) of the Board of Directors' Regulations and article 7.1.b) of the Markets and Systems Operating Committee Regulations stipulate that the Markets and Systems Operating Committee must be cognisant with the procedures established so that normal market conditions and the principle of equal treatment are applied to the transactions, operations and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.

In this regard, the abovementioned article 28 of the Board of Directors' Regulations stipulates that transactions, operations or actions undertaken significant shareholders and/or their related parties in their activities on the markets and systems managed by Group companies shall require prior authorisation by the Board of Directors in full, unless these transactions, operations or actions are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties.

### C.7 Is more than one Group company listed in Spain?

Yes

No

Indicate the listed subsidiaries in Spain:

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## D. Risk Control Systems

### D.1 Give a general description of risk policy in the company and/or its group, detailing and evaluating the risks hedged by the system, as well as an explanation of how far these systems match the profile of each type of risk.

The inherent risks of the activity carried out by BME Group companies are managed with criteria which allows the Company to pursue its interests and maximise its value, profitability and efficiency along with its other legitimate interests, both public and private, in a way whereby it is able to grow and operate in the markets and systems where Group subsidiaries operate and fulfil the requirements of the Securities Market Law and its provisions.

BME is the owner of companies operating in securities registration, clearing and settlement systems and secondary markets in Spain, responsible for the unity of action, decision and strategic co-ordination of the afore-mentioned companies.

The co-ordinated management of the group is run via seven Business Units and seven Corporate Areas.

As a result of this structure, the management of risks deriving from BME's various activities is carried out on two fronts. Firstly, each Business Unit and Corporate Area have their own systems in place for identifying, measuring, evaluating and managing the risk they incur.

Moreover, the Risk Committee, which depends on the BME's Coordination Committee, is responsible for, among other tasks, stimulating the drawing up of a corporate Risk Map and defining, implementing and monitoring a risk assessment model.

In order to draw up and keep the Global Risk Map, risks are classified depending on their importance, matrices are drawn up which include operating processes that manage said risks and the Internal Audit Department evaluates the controls in place and residual risk.

BME is present throughout the whole value chain in the management of several financial markets, exposing it to a variety of risks:

**Operating risks:** The risk of direct or indirect losses caused by inadequacies or faults committed by procedures, personnel or internal systems or due to external events. Operating risks can be classified according to whether they affect the BME group as a whole or whether they apply exclusively to one of its Business Units and Corporate Areas.

Operating risks affecting all BME Business Units and Corporate Areas include:

- **Risk of fraud:** The risk of action being committed to bypass the law, causing damage to third parties or to the group itself
- **IT risk:** The risk of faults occurring in the IT and electronic systems used by the group, either internally or affecting the market. Such faults could be caused by errors in communications, or hardware or software malfunctions. Includes faults in the collection and dissemination of market information to the markets users. Risks also include alterations and/or violations of the Company's security systems. Given the nature of its operations, this is considered one of the main risks for the BME group.
- **Risk of administrative errors:** These include errors resulting from miscalculations, deficient execution procedures, manual errors or the failure to keep data bases up to date. They also include errors in invoicing or following up payments.

**Risks affecting the Securities Settlement System:** Article 44 bis of Law 24/1988, of 28 July of the Securities Market stipulates that IBERCLEAR is Spain's central securities depository, which keeps accounting records and carries out clearing and settlement of securities listed for trading on Spanish stock exchanges, the book-entry public debt market, AIAF and Latibex, the market for Latin American stocks traded in euros.

These responsibilities imply to IBERCLEAR the fulfilment of the specific regulation applicable to the upkeep of book entries of securities admitted to trading on the system and ensuring the settlement of market transactions based on fulfilling two of the main governing principles of the Settlement System: the multilaterality and the delivery vs. payment principles.

- **Depository risk.** Incorrect balances being fed into the system vs. balances issued, dual entries, incorrect balances in third-party accounts etc. and which may affect normal operations and the company's reputation at home and abroad as well as the reputation of the overall system.

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- **Inherent risk in the securities settlement system.** There are two types:
  - **Insufficient guarantees in case of settlement failure:** These could arise from an incorrect calculation of deposits and guarantees of each participating entity or the lack of a request or payment from the participating entity to hedge the risk inherent in its transactions.
  - **Risk from failure to deliver securities:** Due to insufficient hedging mechanisms in the system, centralised lending, share buyback programmes.

Opposite to the principles governing the buying and selling of securities in the stock markets, settlement via the CADE platform, Public Debt and Fixed Income transactions, are bilateral and, in the event of incompliance, settlement shall not occur.

**Market risks:** These are the current or potential risk posed by unfavourable movements in interest rates or changes in prices or share prices, or in variations in trading volumes.

**Liquidity or solvency risk:** The risk that a group company is unable to meet its payments commitments.

**Credit or counterparty risk:** The risk of a company debtor failing to meet its payment commitments or a deterioration of its credit rating. We identify two main risks affecting the BME group:

- **Counterparty risk associated with settlement in MEFF:** In its role as the central clearing house, the risk adopted by MEFF as a counterparty of the position of a Owner or Member of MEFF is covered by guarantees requested by MEFF and constituted by the member for said risk.
- **Risk deriving from non-payment of invoices or fees.**

**Industry risk:** Risks relating to regulatory changes, the Company's reputation, sector competency, relations with stakeholders, the political, economic, legal and tax environment, and significant regulatory changes.

The BME Group's **risk control system** has been drawn up in accordance with international standards. Its functioning is based on the following:

1. The legal regime of the Companies Group that manage securities registration, clearing and settlement systems and secondary markets in Spain is regulated on the Securities Market Law and its development proviso.
2. Pursuant to the abovementioned regulation, BME's Annual Accounts and those of its group companies are verified by an external auditor. Likewise, as stipulated by the regulation for each of the markets and registration, clearing and settlement systems, the external auditors shall review the internal control systems and assess the appropriateness of each one.
3. The company has an Internal Audit Department which reports to the Audit Committee which operates throughout the BME Group and which acts in keeping with the Framework for Professional Practice of the Institute of Internal Auditors.
4. BME's Group companies are members of the European Association of Central Counterparty Clearing Houses (EACH), the European Central Securities Depositories Association (ECSDA) and the Federation of European Stock Exchanges (FESE). These bodies share a common goal of obtaining greater efficiency and integration in the capital markets based on the best practice recommendations for securities settlement systems put forward by the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO).
5. In order to establish homogeneous control systems, there are regulations dictated by the different Business Units and Corporative Areas that regulates basic matters, including:
  - a. Financial and accounting information. The financial and accounting information process for the Financial Business Area includes:
    - i. A "Procedures and Criteria" Manual which contains valuation regulations, accounting criteria, criteria for intergroup transactions as well as closure and management control instructions.
    - ii. Corporate Accounting Plan.
    - iii. Annual calendar for financial and accounting information.

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- iv. Corporate Order Management and Follow-up procedures.
- b. Information to markets:
  - i. Policies on the collection, treatment and dissemination of information to the markets.
  - ii. Procedure for drawing up and sending periodical information to Supervisory Bodies.
- c. IT Security. The IT Business Unit constantly strives to meet the most demanding standards and the sector's best practices. To this end it has:
  - i. A General Security Policy laid down by Group Management, which includes measures to involve all personnel in Information Security.
  - ii. An Information Security Committee, comprising senior managers from the various business areas and the person in charge of the Security Team, pursuant to law ISO/IEC 27001.
  - iii. An Information Security Team which is responsible for implementing and monitoring the security policies proposed by the Information Security Committee.
  - iv. Joint Business Continuity and Contingency team specifically designed to meet the information and trading needs, the breakdown and settlement of securities and transparency to customers which does not affect its structure or make the contingency operations difficult.
  - v. An external technological audit company to detect at system level the vulnerability of all machines which are visible from the internet.
- 6. BME's Board of Directors approved the Company's Internal Regulations of Conduct which applies to all members of the Boards of Directors and employees of all group companies, and establishes the duties they are liable to perform in the area of confidentiality and integrity, as well as allows the Group companies approve special rules of conduct. In these cases, the Internal Regulations of Conduct shall apply in the absence of such special rules.
- 7. Given the particular nature of the activities carried out and the risks managed, some of the Group

companies have set up Risk Committees. IBERCLEAR's Board of Directors agreed to set up a Technical Risk Committee to assess, follow up and put forward proposals on the development and roll-out of an Security Settlement Risk Management Action Plan.

MEFF's Risk Committee assesses risk management and every month its Central Clearing House is assessed using stress testing methodology (IOSCO).

- 8. Liquidity management is standard throughout the BME group and the criteria established by the Company's Board of Directors is followed. The conditions under which the Company should effect the purchase of assets, the terms of these operations and authorisation levels are specified therein. The main objective is to prioritise security and minimise investment risk, and this rules out the possibility of effecting speculative operations.
- 9. The Company also has in place a Communication Procedure regarding deficiencies in the risk control and management systems which has been approved by the Audit Committee whereby Company personnel may anonymously report any irregularity in the internal control and risk management systems.

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## D.2 Indicate whether the company has been exposed to different types of risk (operational, technological, financial, legal, reputational...) during the year:

Yes No 

### Indicate the circumstances and whether the established control systems worked adequately:

Risk	Circumstances	How control systems worked
IT risk	See "How control systems work" above	<p>Of the risks covered by the system, as mentioned in D.1 above, of particular note is IT risk. Given that the risk management system is constantly being revised, action plans and safety policies at drawn up for some Business Units which, as well as complying with BME's policies, include recommendations regarding environments, tasks or devices which are specific to that Business Unit.</p> <p>In the event of incidences regarding this risk, the internal and external prevention, information and control mechanisms have worked efficiently and the effects of said incidences were mitigated and even eliminated. We therefore consider that the risk management systems operate satisfactorily.</p>

## D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems:

Yes No 

### Explain its duties:

#### Name of Committee or Body

#### Duties

Board of Directors and Executive Committee

The Board of Directors is the Company's most senior governing and administrative body in charge of the general function of driving, directing and supervising matters that are of particular importance to the Company, pursuant to article 7 of the Board of Directors' Regulations which refers to the general duties of this governing body.

Among these functions, the Board of Directors shall be responsible for identifying the Company's main risks and supervising the internal control systems, as well as the internal audit system.

The Executive Committee, besides the responsibilities that the Board of Directors may delegate to it, is also responsible for the continuous monitoring and supervision of the administration and day-to-day management of the Company, also ensuring that there is adequate coordination between group companies for their mutual benefit and that of the Company.

Audit Committee

The Audit Committee provides the Board of Directors with additional support in identifying the Company's main risks and supervising its internal control systems.

Pursuant to Articles 35 of the Articles of Association and 17 of the Board of Directors' Regulations, the Audit Committee shall have the following responsibilities:

- To supervise the Company's internal audit services. To this end, the Committee shall monitor the independence and efficiency of the internal audit functions, receiving periodical information in regard to its activities and verifying that senior management takes into consideration the conclusions and recommendations of its reports.
- As stated in D.2. above regarding the BME Group's risk control systems, the Company has in place a communication procedure regarding deficiencies in the risk control and management systems which is directly supervised by the Audit Committee.
- The Audit Committee must also be cognisant with the Company's financial information process and internal control system, which shall be reviewed by the committee at least once a year to ensure that the main risks are adequately identified, managed and reported.

The Audit Committee has been informed of the risk factors of the BME Group, and in this regard, in 2007 and 2008 representatives of the Group's various Business Units and Corporate Areas have been convoked to the Committee meetings to explain the risks inherent in their activities and the internal control and management systems in place.

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Name of Committee or Body	Duties
Markets and Systems Operating Committee	<p>Pursuant to Articles 37 of the Articles of Association and 19 of the Board of Directors' Regulations, the Markets and Systems Operating Committee shall have, among others, the following functions:</p> <ul style="list-style-type: none"> <li>• Analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.</li> </ul> <p>During 2007 and 2008 this Committee has convoked to its meetings different representatives of the Business Units and Group companies.</p> <ul style="list-style-type: none"> <li>• To be cognisant with the application of the Internal Regulations of Conduct of the Company and its Group, the Committee will rely on the support of the Standards of Conduct Committee, created on the abovementioned Regulations of Conduct.</li> </ul>

#### D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.

BME Group companies manage securities registration, clearing and settlement systems and secondary markets in Spain. These activities are regulated by the Securities Market Law and its development provisions. In 2007 the legal text of the EU markets in financial instruments directive (MIFD) and its development provisions were included in the Spanish legislation.

Each Business Unit and Corporate Area is responsible for compliance with regulations applicable to its activity and has developed the legally-required internal rules and procedures to ensure this compliance. The Internal Audit Committee is responsible for ensuring that each Business Unit and Corporate Area complies with the above. It is also responsible for assessing and improving the efficiency of the management and risk control processes as well as carrying out the internal procedures of each Business Unit.

The Company's General Secretary and Secretary of the Board are responsible for ensuring the compliance with the regulation related to corporate governance.



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## E. The General Shareholders' Meeting

**E.1** Indicate and, if any, describe the differences with the minimum regime set out in the Companies Act (LSA) in relation with the quorum required for the General Shareholders' Meeting.

Yes  No

	Difference in % of quorum as set out in art. 102 of the LSA for general circumstances	Difference in % of quorum as set out in art. 103 of the LSA for certain circumstances in art. 103
Quorum required for first call	0	0
Quorum required for second call	0	0

	Difference in % of quorum as set out in art. 102 of the LSA for general circumstances	Difference in % of quorum as set out in art. 103 of the LSA for certain circumstances in art. 103
Quorum required for first call	0	0
Quorum required for second call	0	0

**E.2** Indicate and, if any, describe the differences required for adopting shareholder agreements from the minimum regime set out in the Companies Act (LSA):

Yes  No

Describe any differences from the provisions established in the Companies Act.

**E.3** List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Companies Act.

Shareholders' rights under the Company's Articles of Association and the Shareholders' Meeting regulations are the same as those established by the Companies Act.

**E.4** Indicate the measures adopted to encourage the participation of shareholders in the General Shareholders' Meetings.

Article 1 of the General Shareholders' Meeting Regulations stipulates that its purpose is to guarantee and assist the exercising of the shareholders' rights.

In this regard, article 30.1 of the Board of Directors' Regulations attributes to the Board of Directors the capacity to promote the participation of the shareholders in the General Shareholders' Meeting and to adopt the necessary measures to enable the General Shareholders' Meeting and the Company's shareholders to perform their functions and exercise their rights under the law and the Articles of Association.

The following measures have been adopted by the Company to encourage the participation of shareholders in the General Shareholders' Meetings:

1. Shareholders Right to information once a General Shareholders' Meeting has been called

*a) Publication of notice of Meetings.*

To guarantee the widest publication for the call of the Meetings, BME publishes said notice in five national daily newspapers which exceeds the legal requirements and those of its Articles of Association.

Likewise, in compliance with the law and its Articles of Association, BME immediately publishes the call of the General Shareholders' Meeting on its corporate website [www.bolsasmercados.es](http://www.bolsasmercados.es).

*b) Information's Right.*

From the call of the General Shareholders' Meeting, pursuant to article 13 of the Articles of Association and article 11, sections 1 and 2 of the General Shareholders' Meeting Regulations, any shareholder may examine at the Company's registered office the draft resolutions, reports and other documentation that must be made available in accordance with the Articles of Association and applicable legislation. This information is also made available on BME's corporate website under "Information for Shareholders and Investors". In such cases as may be legally applicable, shareholders may also request that the full text of the documents made available to them at the Company's registered office be delivered or sent to them at no charge.

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The same articles stipulate that from the date of publication of the notice calling the Shareholders' Meeting up to and including the seventh day before the date set for the Meeting at first call, shareholders may request in writing such information or clarification as they deem necessary, or submit such written questions as they see fit, on the items included on the Agenda and also on any publicly accessible information furnished by the Company to the CNMV since the date of the preceding General Shareholders' Meeting. All such requests for information may be delivered at the registered office. The Board of Directors has also adopted measures whereby, if so established in the call notice, requests for information may also be made by electronic means of communication, as shall be published in the relevant call of the Shareholders' General Meeting.

## 2. Attendance's right.

### *a) No restriction to attendance's right.*

Article 15 of the Articles of Association and Article 12.1 of the General Shareholders' Meeting Regulations stipulates that all Company shareholders may attend the General Shareholders' Meeting regardless of the number of shares they own.

### *b) Issuance of personalised attendance card.*

As stipulated in article 12 of the General Shareholders' Meeting Regulations, the General Secretary and Secretary to the Board of Directors will issue and deliver to the each shareholder an attendance card with reference to the Company's shareholder Registry.

Using this card, shareholders are entitled to attend the General Shareholders' Meeting and exercise their voting and proxy rights using remote means of communication.

## 3.- Participation at the General Shareholders' Meeting.

### *a) Voting using remote means of communication.*

Pursuant to Articles 21.3 and 19.8 of the Articles of Association and General Shareholders' Meeting Regulations, respectively, the Board of Directors has adopted the rules, means and procedures

to complete the regulation stipulated in the General Shareholders' Meeting Regulations on voting using remote means of communication. Shareholders have been able to exercise this right since the 2007 General Shareholders' Meeting.

The rules, measures and procedures on voting using remote means of communication at the General Shareholders' Meeting are listed on the Company's corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es) under "Information for Shareholders and Investors" and in the relevant call of the meeting.

### *b) Appointing proxies using remote means of communication.*

Pursuant to Articles 21.3 and 19.8 of the Articles of Association and General Shareholders' Meeting Regulations, respectively, the Board of Directors has adopted the rules, means and procedures to complete the regulation stipulated in the General Shareholders' Meeting Regulations on appointing proxies using remote means of communication. Shareholders have been able to exercise this right since the 2007 General Shareholders' Meeting.

The rules, measures and procedures on appointing proxies using remote means of communication at the General Shareholders' Meeting are listed on the Company's corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es) under "Information for Shareholders and Investors" and in relevant call of the meeting.

### *c) Separate votes on subjects which are substantially independent.*

Article 19.2 of the General Shareholders' Meeting Regulations stipulates that at the General Shareholders' Meeting there shall be separate votes on subjects which are substantially independent so that shareholders may exercise their voting preferences separately.

This rule shall apply particularly to the appointment or ratification of Directors, which must be voted on individually, and to amendments to the Articles of Association, so that separate votes are taken on articles or groups of articles that are substantially independent, with a separate vote being taken on a single article if so requested by a shareholder.

# Annual Corporate Governance Report

## d) *Vote-splitting by financial intermediaries.*

Article 12.3 of the General Shareholders' Meeting Regulations stipulates that when legally possible, provided there are sufficient guarantees of transparency and security, the Company may allow votes to be split so that the proxies attending and recognised as shareholders but acting on behalf of their clients, may cast votes as per their instructions.

## e) *Right to intervene at the General Shareholders' Meeting.*

Articles 16 and 17 of the General Shareholders' Meeting Regulations stipulate that shareholders may intervene at the General Shareholders' Meeting and verbally request the reports or clarifications they deem necessary and make such comments as they consider necessary concerning the items on the agenda. The only prerequisite required is that shareholders who wish to intervene during the Meeting make themselves known to the Panel or, where appropriate, the notary public, and register their intention, indicating, with their attendance card, their personal details and the number of shares they own or, where appropriate, are representing.

## f) *Audiovisual dissemination of the General Shareholder's Meeting.*

All General Shareholders' Meetings are streamed through webcast in order to enable shareholders who are unable to attend to follow developments of the General Shareholders' Meeting.

## 4.- Information made available to shareholders.

### a) *Corporate website.*

BME guarantees to all shareholders that, via the "Information for Shareholders and Investors" section of its corporate website, from the date of publication of the call of the General Shareholders' Meeting, they will have easy and direct access to all the legal and financial information on BME required for the General Shareholders' Meeting.

In addition, shareholders are able to access all information regarding financial and corporate governance issues on the same site.

## b) *Shareholders office*

The General Secretary and the Board Secretary, in conjunction with the Financial Department, have, in the form of a Shareholder Office, set up a permanent and straightforward communication channel allowing shareholders to express any doubts regarding the economic-financial and corporate information available as well as that regarding the General Shareholders' Meeting. Shareholders may use this service to submit any suggestions, observations or comments they wish.

## **E.5 Indicate whether the General Shareholders' Meeting is presided by the Chairman of the Board of Directors. List the measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting:**

Yes  No

Describe the measures

Article 18 of the Articles of Association and article 14 of the Shareholders' Meeting Regulations stipulate that the General Meeting shall be chaired by the Chairman of the Board of Directors.

To guarantee the independence and correct operation of the General Shareholders' Meeting, the Extraordinary General Shareholders' Meeting held on 5 June 2006 approved the General Shareholders' Meeting Regulations which came into force on 14 July 2006, the date BME's shares were admitted for trading.

The object of these Regulations is to establish the principles of organisation and operation of the Company's General Shareholders' Meeting in order for it to fulfil its functions as the Company's supreme governing body as well as to guarantee and assist the exercising of the shareholders' rights in relation to the General Shareholders' Meetings. Therefore, BME's General Shareholders' Meeting Regulations guarantee the independence and correct operation of the General Shareholders' Meeting.

## **E.6 Indicate the amendments, if any, made to the General Shareholders' Meeting Regulations during the year.**

# Annual Corporate Governance Report

BME's General Shareholders' Meeting Regulations were not amended in 2008.

## E.7 Indicate the attendance figures for General Shareholders' Meetings held in the year to which this report refers:

### Details of attendance

Date of General Shareholders' Meeting	% attending in person	% attending by proxy	% remote voting		Total
			Electronic votes	Other	
30/04/08	20.951	29.705 (*)	0.006	2.846	53.509

(\*) Of all shareholders attending by proxy, 1,915 holders of 14,304,403 shares representing 17.107% of the share capital, used remote voting methods to delegate their proxy vote.

## E.8 Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year to which this report refers and the percentage of votes by which each resolution was adopted.

### At BME's General Shareholders' Meeting held on 30 April 2008 at second call, the following agreements were adopted:

1.- Approval of the individual and consolidated annual accounts (balance sheet, income statement and notes to the annual financial statements) and the management report of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., and of the performance of the Board of Directors for the year ended 31 December 2007.

Votes in favour: 44,040,659  
 Votes against: 374,189  
 Abstentions: 324,197  
 Blank votes: 2,431

The agreement was adopted with 98.434% of the votes in favour.

2. Distribution of earnings for the year ended 31 December 2007.

Votes in favour: 44,713,304  
 Votes against: 11,386  
 Abstentions: 14,547  
 Blank votes: 2,239

The agreement was adopted with 99.937% of the votes in favour.

3.- Approval of the distribution of an extraordinary dividend out of voluntary reserves, subject to the prior approval of the proposed distribution of earnings for the year ended 31 December 2007.

Votes in favour: 44,718,457  
 Votes against: 10,590  
 Abstentions: 11,150  
 Blank votes: 1,279

The agreement was adopted with 99.948% of the votes in favour.

4.- Re-election and ratification of members of the Board of Directors.

4.1.- Re-election of Mr. José Andrés Barreiro Hernández to the Board of Directors for a four-year term as specified in Article 38.1 of the Company's Articles of Association.

Votes in favour: 40,015,531  
 Votes against: 4,632,228  
 Abstentions: 91,537  
 Blank votes: 2,180

The agreement was adopted with 89.437% of the votes in favour.

4.2.- Ratification as member of the Board of Directors of Mr. Ricardo Laiseca Asla, appointed by the Board of Directors via co-option on 25 July 2007, for a four-year term as specified in Article 38.1 of the Company's Articles of Association.

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Votes in favour:	36,924,540
Votes against:	7,723,876
Abstentions:	90,869
Blank votes:	2,191

The agreement was adopted with 82.529% of the votes in favour.

4.3.- Ratification as member of the Board of Directors of Mr. Mariano Pérez Claver, appointed by the Board of Directors via co-option on 25 July 2007, for a four-year term as specified in Article 38.1 of the Company's Articles of Association.

Votes in favour:	38,700,757
Votes against:	5,946,862
Abstentions:	91,679
Blank votes:	2,178

The agreement was adopted with 86.498% of the votes in favour.

5.- Approval of the Chairman's remuneration pursuant to article 40 of the Company's Articles of Association.

Votes in favour:	41,034,102
Votes against:	3,333,680
Abstentions:	372,762
Blank votes:	932

The agreement was adopted with 91.714% of the votes in favour.

6.- Adoption of a resolution to set up a pension commitment in the name of the Chairman payable in the event of his death, disability or retirement.

Votes in favour:	42,378,761
Votes against:	1,591,344
Abstentions:	770,194
Blank votes:	1,177

The agreement was adopted with 94.719% of the votes in favour

7.- Approval of Directors' remuneration pursuant to article 40 of the Company's Articles of Association.

Votes in favour:	44,195,752
Votes against:	447,701
Abstentions:	96,454
Blank votes:	1,569

The agreement was adopted with 98.779% of the votes in favour.

8.- Approval of a medium-term remuneration scheme to be implemented by the Company and its subsidiaries for members of the management team, including the executive directors, pursuant to article 130 and the fourth additional provision of the Ley de Sociedades Anónimas ("the Companies' Act").

Votes in favour:	44,356,230
Votes against:	24,032
Abstentions:	359,345
Blank votes:	1,869

The agreement was adopted with 99.139% of the votes in favour.

9.- Reappointment of Deloitte, S.L. as auditors of the Company's accounts and consolidated group accounts for a period of one year, pursuant to article 204 of the Ley de Sociedades Anónimas ("the Companies Act").

Votes in favour:	44,688,092
Votes against:	4,328
Abstentions:	46,308
Blank votes:	2,748

The agreement was adopted with 99.880% of the votes in favour.

# Annual Corporate Governance Report

10.- Authorise the Board of Directors of the Company to effect the derivative acquisition of treasury shares, directly or via Group companies, pursuant to article 75 of the Ley de Sociedades Anónimas ("the Companies' Act"); establishing the limits and requirements for these acquisitions and delegating to the Board of Directors the necessary powers to execute the resolutions passed by the Shareholders' Meeting in this respect.

Votes in favour: 44,694,177  
 Votes against: 1,960  
 Abstentions: 43,071  
 Blank votes: 2,268

The agreement was adopted with 99.895% of the votes in favour.

11.- Delegation of powers to formalise, rectify, clarify, construe, define, supplement, implement and execute as a deed the adopted resolutions.

Votes in favour: 44,711,603  
 Votes against: 1,121  
 Abstentions: 26,326  
 Blank votes: 2,426

The agreement was adopted with 99.933% of the votes in favour.

**E.9 Indicate, if appropriate, if there is a statutory restriction that states the minimum number of shares required to attend the General Shareholders' Meeting.**

Yes

No

Number of shares required to attend the General Shareholders' Meeting (-)

**E.10 Indicate and explain the policies pursued by the company with reference to proxy voting at the General Shareholders' Meeting.**

Article 16 of the Company's Articles of Association and Article 12 of the General Shareholders' Meeting Regulations set out the shareholders' right to attend by proxy to the General Shareholders' Meeting.

Proxies.

All shareholder entitled to attend the Shareholders' Meeting may be represented at the General Shareholders' Meeting by another shareholder entitled to attend, or by any member of the Board of Directors or the Secretary or Deputy Secretaries to the Board, whether they are directors or not.

If no individual is named as proxy, the representation will be deemed to be conferred to the Chairman of the General Shareholders' Meeting.

In any event, regardless of whether proxies are voluntary or legal or in response to public solicitation, shareholders may only be represented at a General Shareholders' Meeting by one proxy holder.

Granting proxies.

Proxies must be granted in writing specifically for each Meeting, using the formula specified by the Company for each Meeting and detailed on the attendance card or, as appropriate, by means of remote communication as provided in the internal rules.

For this purpose, the General Secretary and the Secretary to the Board of Directors shall issue and send each shareholder an attendance card, in which there is a specific provision for granting proxies.

## Annual Corporate Governance Report

Likewise, pursuant to articles 21.3 of the Articles of Association and 19.8.c) of the Regulations of the General Shareholders' Meeting, shareholders may grant proxies for the General Shareholders' Meeting by means of electronic communication through the Company's website ([www.bolsasymercados.es](http://www.bolsasymercados.es)) in accordance with the supplementary rules for granting proxies approved by the Board of Directors for each Meeting.

In the event of public solicitation of proxy appointment, the document recording the appointment must contain the Agenda or have it attached to it, together with the request for instructions for exercising the right to vote and the indication of how the proxy holder will vote if precise instructions are not given. A public solicitation will be deemed to have taken place when a single person represents more than three shareholders.

### Proxy validity

A proxy may be revoked at any time. Personal attendance at the Shareholders' Meeting by the grantor of a proxy shall be deemed to constitute a revocation of the proxy.

Also, the validity of proxies appointed shall be subject to verification of the shareholders' condition against the Company's shareholder Register.

### Exercising the right of proxy appointment

Shareholders granting proxies for the General Shareholders' Meeting may issue voting instructions for the proposals of the Board of Directors where indicated on the attendance card and, if using electronic means of communication, in the corresponding section on the corporate website: [www.bolsasymercados.es](http://www.bolsasymercados.es).

If the shareholder has not given precise voting instructions on the attendance card, or, if applicable, in the corresponding section on the corporate website, votes shall be deemed to be in favour of the proposals of the Board of Directors.

The proxy may also include matters that, not being included in the Agenda, may be legally transacted at the meeting. In this case, the proxy holder may cast his vote in the manner he considers best.

If the grantor of the proxy has issued instructions, the proxy holder may vote otherwise should circumstances arise that were not known at the time the instructions were given and there is a risk of jeopardising the interests of the proxy grantor.

In both these cases, the proxy holder must inform the proxy grantor immediately, in writing, explaining the reasons for the vote.

In cases where a Director has publicly solicited appointment as a proxy and faces a conflict of interest when exercising the right to vote of the shares for which he holds the proxy with regard to the draft resolution being put to the vote, the proxy grantor may resolve this situation by giving instructions for the substitution of the proxy by a third party not affected by the conflict of interest, unless the proxy grantor has explicitly given instructions against. In this case, it will be deemed that the proxy grantor instructs the holder to abstain.

### **E.11 Indicate whether the company is aware of the institutional investors' policy on whether or not to participate in the company's decision-making.**

Yes

No

### **E.12 Indicate the address and mode of access to corporate governance content on your website.**

The address of BME's corporate website is [www.bolsasymercados.es](http://www.bolsasymercados.es); the "Information for shareholder and investors" section contains all relevant information on corporate governance.

# Annual Corporate Governance Report

## F. Degree of Compliance with Corporate Governance Recommendations.

Indicate the degree of the company's compliance with Corporate Governance recommendations or where applicable, it has not followed such recommendations.

Should the company not comply with any of the afore-mentioned recommendations, explain the recommendations, rules, practices or criteria the company applies.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Complies  Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7.

Complies  Complies partially  Explain  Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that effectively add up to the company's liquidation.

Complies  Complies partially  Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Complies  Explain

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

See section: E.8.

Complies  Complies partially  Explain



# Annual Corporate Governance Report

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4.

Complies  Explain

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies  Complies partially  Explain

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

- i) The strategic or business plan, management targets and annual budgets;
- ii) Investment and financing policy;
- iii) Design of the structure of the corporate group;
- iv) te governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and evaluation of senior officers;

vii) Risk control and management, and the periodic monitoring of internal information and control systems;

viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses;

See section: B.10.14.

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions;

See section: B.10.14.

iii) The financial information listed companies must periodically disclose;

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

See epígrafe: B.1.14. See section: B.10.14.

# Annual Corporate Governance Report

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto (“related-party transactions”).

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1<sup>a</sup>. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2<sup>a</sup>. They go through at market rates, generally set by the person supplying the goods or services;

3<sup>a</sup>. Their amount is no more than 1% of the company’s annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the board in full.

See sections C.1 and C.6.

Complies  Complies partially  Explain

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen member.

See section B.1.1.

Complies  Explain

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies  Complies partially  Explain

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3.

Complies  Explain  Not applicable

12. That among the external directors, the ratio of non-independent Directors to independent Directors shall reflect the ratio between the capital of the company represented by the non-independent Directors and the rest of the capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1<sup>o</sup> In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested;

2<sup>o</sup> In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3., A.2, and A.3

Complies  Explain

# Annual Corporate Governance Report

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3.

Complies  Explain

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections B.1.3 and B.1.4.

Complies  Explain  Not applicable

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.10.27 and B.20.3.

Complies  Explain  Not applicable

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings,

and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.10.42.

Complies  Complies partially  Explain

17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.10.21.

Complies  Complies partially  Explain  Not applicable

The Board of Directors considers that the measures described in section B.1.21 of this report guarantee the proper operation of the Board of Directors. These include the establishment by the Board of Directors in plenary sessions of an annual calendar for ordinary meetings at the commencement of each year, the requirement to hold a minimum of nine meetings a year and the Chairman calling a Board Meeting or including new items on the Agenda at the request of at least four Directors.

All these measures guarantee that the Board of Directors shall annually hold the necessary meetings to be able to carry out the promotion, management and supervisory functions established in the Company's internal regulations as well as deal with the issues its members consider relevant to the Company.

At the same time, the Appointments and Remuneration Committee, chaired by an external independent Director and comprised by a majority of independent Directors, shall issue an annual report on the performance of the Board's Chairman and BME's Chief Executive Officer.

# Annual Corporate Governance Report

The involvement of the Appointments and Remuneration Committee in drawing up, approving and submitting to the Board the annual report on the performance of the Board's Chairman and CEO shall guarantee the independence of the assessment process.

## 18. The Secretary should take care to ensure that the board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a board meeting in full; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.10.34.

Complies  Complies partially  Explain

Article 14.2.b) of the Board of Director's Regulations, states that the Secretary of the Board of Directors, or, in his or her place, the Deputy Secretary, shall be responsible for the functions assigned by the first part of this recommendation.

The procedure for appointing and removing the Secretary is not established in the Board of Directors' Regulations.

Notwithstanding the above, in practice and in keeping with this recommendation, proposals to appoint and remove the Secretary and/or Deputy Secretaries of the Board of Directors shall be

reported by the Appointment and Remuneration Committee prior to its approval by the Board of Directors.

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.10.29.

Complies  Complies partially  Explain

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.10.28 and B.10.30.

Complies  Complies partially  Explain

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies  Complies partially  Explain  Not applicable

22. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the board's operation;

b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.

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See section: B.10.19.

Complies  Complies partially  Explain

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's remit. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B.10.42.

Complies  Explain

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.10.41.

Complies  Explain

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies  Complies partially  Explain

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See sections B.1.8, B.1.9 and B.1.17.

Complies  Complies partially  Explain

The Board of Directors' Regulations include various sections on the regulation of the Directors' duties and, in particular, the need to devote sufficient time and effort to perform their duties effectively.

In this regard, BME complies with section a) of this Recommendation as article 21.a) of the Board of Directors' Regulations states that the Appointments and Remuneration Committee must be informed of all professional commitments which may impede the Director from efficiently carrying out his functions. In keeping with this obligation, article 27 of the Regulations states that Directors must notify the Company, via its Chairman, of any positions they hold at other companies or entities, and before accepting any directorship or management position in another company or entity, and should inform the Audit Committee of their intention to do so.

With regard to establishing rules on the number of directorships that the member of BME's Board of Directors may hold, as indicated in section B.1.9 of this report, the Board of Directors' Regulations limits the participation of its independent and executive Directors in other Boards of Directors but does not establish a limit on the number of directorships that the non-independent external Directors may hold.

The lack of limits placed on its non-independent external Directors is justified by the fact that their appointment is put forward by the significant shareholder which they represent based on their knowledge and professional experience in the sector in which the Company operates.

In any event, the Appointments and Remuneration Committee, in compliance with its obligation to previously report on the appointment of a non-independent external Director, may deem that the candidate's other professional obligations could impede him from effectively carrying out his functions as a Director.

# Annual Corporate Governance Report

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

- a) On the proposal of the Nomination Committee, in the case of independent directors;
- b) Subject to a report from the Nomination Committee in all other cases.

See section B.1.2.

Complies  Complies partially  Explain

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with;
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Complies  Complies partially  Explain

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.10.2.

Complies  Explain

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2., A.3. and B.1.2.

Complies  Explain

31. The Board of Directors may not propose the removal of any independent director before the expiry of their tenure for which they were appointed unless they have valid grounds for doing so on the basis of a proposal from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26.

Complies  Explain

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

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See sections: B.10.43 and B.10.44.

Complies  Complies partially  Explain

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Complies  Complies partially  Explain  Not applicable

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.10.5.

Complies  Complies partially  Explain  Not applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) The amount of the fixed components, itemised where necessary, of board and board committee

attendance fees, with an estimate of the fixed annual payment they give rise to;

b) Variable components, in particular:

i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items;

ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;

iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and

iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:

i) Duration;

ii) Notice periods; and

iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B.10.15.

Complies  Complies partially  Explain

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36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3 and B.1.3.

Complies  Explain

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies  Explain

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies  Not applicable

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies  Not applicable

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 34, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.10.16.

Complies  Complies partially  Explain

Even though we cannot state that BME fully complies with this recommendation, the company's remuneration policy is more detailed than this recommendation.

The Board's remuneration policy is highly transparent as the Board's remuneration is set at the General Shareholders' Meeting as stipulated in articles 40 and 29 of the Articles of Association and the Board of Directors' Regulations, respectively.

In this regard and subsequent to a report by the Appointments and Remuneration Committee, the Board of Directors shall submit for proposal at the General Shareholders' Meeting issues regarding Directors' remuneration and even the remuneration for the Company's Chairman and Chief Executive Officer. The process by which Directors' remuneration is determined is described in section B.1.14 of this report.

Therefore, the Board of Directors has deemed that the above policy excuses the need to submit to a vote the remunerations policy approved by the Board of Directors with the prior report issued by the Appointments and Remuneration Committee.



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Notwithstanding the above, since 2008, the Board of Directors with the prior report issued by the, Appointments and Remuneration Committee, and in compliance with article 29.3 of the Board of Directors' Regulations and Recommendation 40 of the Unified Good Governance Code, the Company makes available to its shareholders an annual report on the Company's remuneration policy for the past financial year its policy for Directors' remuneration.

**41. The notes to the annual accounts should list individual directors' remuneration in the year, including:**

**a) A breakdown of the compensation obtained by each company director, to include where appropriate:**

- i) Participation and attendance fees and other fixed director payments
- ii) Additional compensation for acting as chairman or member of a board committee;
- iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
- iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
- v) Any severance packages agreed or paid;
- vi) Any compensation they receive as directors of other companies in the group;
- vii) The remuneration executive directors receive in respect of their senior management posts;
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

**b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:**

**i) Number of shares or options awarded in the year, and the terms set for their execution;**

**ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;**

**iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**

**iv) Any change in the year in the exercise terms of previously awarded options.**

**c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.**

Complies  Complies partially  Explain

**42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.**

See sections: B.2.1 and B.2.6.

Complies  Complies partially  Explain  Not applicable

**43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.**

Complies  Explain  Not applicable

**44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.**

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The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation;
- c) Committees should be chaired by an independent director;
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties;
- e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3.

Complies  Complies partially  Explain

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Complies  Explain

46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies  Explain

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies  Explain

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies  Explain

49. Control and risk management policy should specify at least

a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See sections: D

Complies  Complies partially  Explain

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50. The Audit Committee's role should be:

1º With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles;

b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed;

c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2º With respect to the external auditor:

a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement;

b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendation.

c) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same;

ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B. 2.2., B.2.3 and D.3.

Complies  Complies partially  Explain

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior office.

Complies  Explain

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee. Ver epígrafes B.2.2 y B.2.3

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Complies  Complies partially  Explain

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content..

Ver epígrafe: B.1.38.

Complies  Complies partially  Explain

54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1.

Complies  Explain  Not applicable

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties;

b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner:

c) Report on the senior officer appointments and removals which the chief executive proposes to the board;

d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3.

Complies  Complies partially  Explain  Not applicable

The responsibilities of BME's Appointments and Remuneration Committee, as a Board Committee, are those of its board members.

The responsibility to establish an organisational structure which guarantees the upmost efficiency of its senior management and its management team in general is granted in the Board of Directors' Regulations to the plenary session of the Board of Directors, notwithstanding that the latter may, when it deems convenient and appropriate for the correct execution of its functions, seek advice from the Appointments and Remuneration Committee.

56. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Complies  Complies partially  Explain  Not applicable

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

a) Make proposals to the Board of Directors regarding:

i) The remuneration policy for directors and senior officers;

ii) The individual remuneration and other contractual conditions of executive directors;

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iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Complies  Complies partially  Explain  Not applicable

The Appointments and Remuneration Committee's responsibilities with regard to the senior management are limited to be cognisant with the structure for the senior management pay and incentives, monitoring the decisions taken and criteria applied on the matter at the Group companies although the Board of Directors may, when it deems convenient and appropriate for the correct execution of its functions, seek advice from the Appointments and Remuneration Committee.

**58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Complies  Explain  Not applicable

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## G. Other Information of Interest.

Indicate if any independent director has or has had a relationship with the company, its significant shareholders or directors, which was or is sufficiently significant or important to not consider said director as an independent pursuant to the definition included in section 5 of the Unified Good Governance Code.

Yes

No

Name of director	Type of relationship	Explanation
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This annual corporate governance report was approved by the Company's Board of Directors at its session held on 26 February 2009.