



Annual Corporate Governance Report of Listed Companies

Issuer identification

Year-end date

31.12.2018

Tax Identification No. (C.I.F.)

A-83.246.314

Company Name

BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A.

Registered Office

PLAZA DE LA LEALTAD, 1 (MADRID)

A. Capital structure

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
02/07/2013	250,846,674.00	83,615,558	83,615,558

Please state whether there are different classes of shares with different associated rights:

Yes No

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Corporación Financiera ALBA, S.A.	12.06%	0.00%	0.00%	0.00%	12.06%

Remarks.

The information disclosed in this section is based on the Shareholder Register, which contains transactions carried out in 2018.

At 31 December 2018 "State Street Bank and Trust CO" appeared in the Shareholder Register with stakes in the share capital of BME exceeding 3%. However, the Company understands that these shares are held in custody on behalf of third parties.

Breakdown of the indirect holding:

State the most significant shareholder structure changes during the year:

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Antonio J. Zoido Martínez	0.04%	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%
Javier Hernani Buzako	0.02%	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
Ignacio Garralda Ruiz de Velasco	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Joan Hortalá i Arau	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan March Juan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Santos Martínez-Conde Gutiérrez-Barquín	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%
David María Jiménez-Blanco Carrillo de Albornoz	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan Carlos Ureta Domingo	0.02%	0.04%	0.00%	0.00%	0.06%	0.23%	0.00%

Total percentage of voting rights held by the Board of Directors	0.15 % (*)
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Remarks.

(*) This percentage represents the total direct and indirect voting rights of members of the Board of Directors attributed to Company shares. This figure does not include the equity held by the shareholder represented on the Board of Directors justifying the qualification of two (2) of its members as proprietary directors. At 31 December 2018 the stake held by this shareholder was 12.06% of the share capital.

Based on the above, the total share capital represented by the Board of Directors at 31 December 2018 stood at 12.21% of share capital.

At 31 December 2018 the executive Directors were beneficiaries of three medium-term variable remuneration Plans to be implemented by the Company and its subsidiaries, designed for members of the management team, including the executive Directors who, in accordance with Article 219.1 of the Corporate Enterprises Act, were approved by the company's Ordinary General Shareholders' Meetings on 30 April 2014, 27 April 2017 and 26 April 2018 and notified to the Spanish Securities Market Commission (CNMV) at these dates.

Share-based Variable Remuneration Plan approved on 30 April 2014.

This Plan, which covered the years 2014, 2015 and 2016, consisted of the promise to deliver in 2017, 2018 and 2019 ordinary shares of BME to the members of the Company's management team, including executive Directors, provided that the stipulated conditions were met.

The specific number of shares to be granted to the beneficiaries shall depend on the performance of BME's Efficiency Ratio and Total Shareholder Return, compared with another five (5) benchmarked entities, and shall be calculated by dividing in two the number of theoretical units assigned in each financial year 2014, 2015 and 2016, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking among the benchmarked companies.

The maximum number of BME shares included in the Plan is 555,048, representing 0.66% of BME's share capital, of which a maximum of 79,992 shares shall be granted to Mr. Antonio Zoido Martínez and 6,894 shares to Mr. Joan Hortalá i Arau, as executive Directors. This maximum number of shares did not include any shares that may be allocated to Mr. Javier Hernani Burzako, who was appointed Managing Director at the time the theoretical share-convertible units were

allocated.

At 31 December 2018 the third period of the Plan expired and shall be settled up in 2019, although at the date of this report no data are available to establish compliance with the targets set in the Plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors.

In execution of this Plan, the Appointments and Remuneration Committee, at its meeting on 25 May 2016, granted Mr. Zoido Martínez and Mr. Hortalá i Arau the theoretical units corresponding to the third period of the Plan.

Thus, the maximum theoretical number of shares that may be received in 2019 totalled 31,693 in the case of Mr. Zoido Martínez and 2,580 in the case of Mr. Hortalá i Arau, accounting for 0.038% and 0.003% of the share capital of BME respectively.

The maximum theoretical number of shares that may be received by Mr. Hernani Burzako in 2019 arising from the theoretical units allocated in 2016 as the Company's Managing Director is 10,323, accounting for 0.012% of the share capital of BME.

Medium-term remuneration scheme approved on 27 April 2017.

This Plan was based on the allocation in 2017 of a number of theoretical units which shall serve as the basis for calculating any shares to be delivered, subject to fulfilment of the objectives of the Plan in the year 2020.

The specific number of shares to be granted in the year 2020 shall depend on the performance of BME's Efficiency Ratio and Total Shareholder Return on its share price, compared with another five (5) benchmarked entities, and shall be calculated by dividing in two the number of theoretical units assigned in 2017, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking among the benchmarked companies.

The maximum number of shares included in the Plan is 190,263 shares, accounting for 0.23% of the share capital of BME, of which a maximum of 24,067 may be allocated to Mr. Antonio Zoido Martínez, 10,203 shares to Mr. Javier Hernani Burzako and 2,550 to Mr. Joan Hortalá i Arau, as executive Directors, accounting for 0.029%, 0.012% and 0.003% of the share capital of BME respectively

Share-based Variable Remuneration Plan approved on 26 April 2018.

This Plan is based on the allocation of a number of theoretical units in 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the Plan's objectives in 2021, 2022 and 2023, respectively.

The specific number of shares to be delivered shall depend on the evolution of the Total Shareholder Return (TSR) for the BME share in each of the Plan Measurement Periods, with respect to the evolution of this indicator for another five (5) benchmarked entities, provided this is positive, and shall be calculated by applying to the number of theoretical units allocated a coefficient between 0 and 1.5, depending on the position finally taken up in the classification of the five (5) benchmarked companies.

The maximum number of shares included in the Plan is 486,003 shares, accounting for 0.58% of the share capital of BME, of which a maximum of 67,719 may be allocated to Mr. Antonio Zoido Martínez, 41,097 to Mr. Javier Hernani Burzako and 10,092 to Mr. Joan Hortalá i Arau, as executive Directors, accounting for 0.081%, 0.048% and 0.012% of the share capital of BME, respectively.

In execution of this Plan, the Appointments and Remuneration Committee, at its meeting held on 28 May 2018, proceeded with allocation of the theoretical units corresponding to the first period of the Plan, i.e. from 1 January 2018 to 31 December 2020, under the following terms: 15,049 theoretical units to Mr. Antonio J. Zoido Martínez, 9,133 theoretical units to Mr. Javier Hernani Burzako and 2,243 theoretical units to Mr. Joan Hortalá i Arau.

Thus, the maximum theoretical number of shares that may be received in 2021 total 22,573 in the case of Mr. Zoido Martínez, 13,699 in the case of Mr. Hernani Burzako and 3,364 in the case of Mr. Hortalá i Arau, accounting for 0.027%, 0.016% and 0.004% of the share capital of BME, respectively.

Breakdown of the indirect holding:

- A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those stated in section A.6:**
- A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:**
- A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.**

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship /post
Juan March Juan	Corporación Financiera ALBA, S.A.	Corporación Financiera ALBA, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación financiera ALBA, S.A.	Corporación Financiera ALBA, S.A.	CEO

Remarks.

Mr. Juan March Juan, who is an external proprietary Director of the Company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A. and Deputy Chairman of Artá Capital S.G.E.C.R., S.A., companies forming part of the significant shareholder's group.

Mr. Santos Martínez-Conde y Gutiérrez-Barquín, who is an external proprietary Director of the Company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A., Artá Capital S.G.E.C.R., S.A., Artá Partners, S.A., Deyá Capital, S.C.R., S.A. and Deyá Capital IV, S.C.R., S.A., companies forming part of the significant shareholder's group.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

State whether the company is aware of any concerted actions among its shareholders: If so, provide a brief description:

Yes No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes No

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares.	Number of indirect shares (*)	Total percentage of share capital
604,003	0	0.72%

(*) through:

Explain any significant changes during the year:

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

Authorisation for the issue of shares.

Pursuant to item seven on the agenda, the Ordinary General Shareholders' Meeting on 28 April 2016 agreed to grant authorisation to the Board to increase share capital, within a maximum period of five (5) years, up to 50% of the Company's share capital at the time of such authorisation, on one or more occasions, in the amount determined by it, and to set the terms and conditions of the capital increase, and also granted authorisation to the Board to exclude preferential subscription rights, limited to share capital increases not exceeding, either individually or together, 20% of the Company's share capital at the time of such authorisation.

Pursuant to item eight on the agenda, the same Ordinary General Shareholders' Meeting empowered the Board of Directors to issue, among other instruments, securities convertible to and/or exchangeable for BME shares, and warrants (options to subscribe to new shares or to purchase outstanding shares of the Company), and other similar securities granting the direct or indirect right to subscribe to or to purchase new or outstanding Company shares, on one more occasions, within a maximum period of five (5) years from the date of adoption of said agreement, in a total maximum amount of €1,500 million, with authorisation extended to the following aspects and powers: to set the conditions for each issue; increase share capital by the amount necessary to cater for conversion or subscription requests; exclude preferential subscription rights; and determine the conversion and/or swap ratio, and the time of occurrence.

This agreement clearly stipulates that authorisation to increase share capital may only be exercised if the sum of the capital required to execute the issue of convertible debentures or bonds, the exercise of warrants and any other share capital increases agreed pursuant to the authorisations granted by the General Meeting do not exceed 50% of the Company's share capital at the time of authorisation, and 20% of this total share capital if the issue of convertible debentures or bonds or warrants on newly issued shares waives preferential subscription rights.

Authorisation to acquire treasury shares.

Pursuant to item eight on the agenda, the Ordinary General Shareholders' Meeting on 30 April 2015 agreed to grant authorisation to the Company's Board to, either directly or through any of its subsidiaries, over a maximum period of five (5) years from the date of approval, at any time and on as many occasions as it deems appropriate, proceed to purchase shares in compliance with the conditions established in the legislation applicable, and particularly the following: (i) that at no time may the nominal value of the treasury shares purchased, directly or indirectly, when added to any already held by BME and its subsidiaries, exceed 10% of BME's subscribed share capital; (ii) that purchase may not render equity less than the amount of share capital plus the reserves legally restricted or restricted by the Articles of Association; (iii) that 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; and (iv) that the acquisition price per share must not be less than the par value or more than 20% of the share price listing on the Spanish Electronic Trading Platform (SIBE) at the time of the acquisition.

A.11 Estimated working capital:

	%
Estimated working capital	87.06

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments:

Yes No

Description of restrictions.

There are no restrictions under the law or under the Articles of Association on the acquisition or transfer of stakes in BME's equity, notwithstanding the stipulations below.

Despite the absence of legal restrictions on the acquisition of a shareholding in BME, the revised text of the Ley del Mercado de Valores (hereinafter, Spanish Securities Market Act), approved by Royal Legislative Decree 4/2015 of 23 October, grants the CNMV the power to object to the acquisition of significant stakes in the capital of BME pursuant to Royal Decree 361/2007 of 16 March implementing Securities Market Act 24/1988 of 28 July concerning stakes in the capital of companies which manage secondary markets or securities registration, clearing and settlement systems.

In accordance with the aforementioned Royal Decree the CNMV must be previously informed of any acquisition of BME shares which could reach directly or indirectly any of the following percentages of its capital or voting rights: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%, or a lesser percentage that nonetheless permits the exercise of significant influence over the Company. "Significant influence" shall in any case be understood as the ability to appoint or remove at least one member of the Board of Directors.

The CNMV shall have a time limit of sixty business days from the date of its acknowledgement of receipt of the notification to object to the intended acquisition, notwithstanding interruptions in the computation of the time limit allowed under Article 86 bis of Royal Decree 217/2008 of 15 February, partially amended by Royal Decree 1464/2018 of 21 December in relation to Article 176 of the Spanish Securities Market Act. If, during this time, the CNMV issues no statement, no objection shall be deemed to exist.

Pursuant to the provisions of Royal Decree 361/2007 of 16 March, this period is reduced for acquisitions of a significant stake equal to or higher than 1% but lower than 5%, or equal to or greater than 5% but less than 10%, of the Company's capital, in which case it shall be understood that the CNMV does not object if it has not issued a statement within the ten (10) business days or thirty (30) business days, respectively, following the date on which the information is relayed or from the time at which any additional information is furnished.

The CNMV may challenge the acquisition proposed if it considers there are reasonable grounds for doing so on the basis of the criteria established by Commission Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on information and requirements for the authorisation of investment firms, and furthermore when it considers this is necessary to guarantee proper functioning of markets or to prevent any distortions in markets, and if equivalent treatment of Spanish companies is not forthcoming in the country of origin of the acquirer, or of the party that controls the acquirer directly or indirectly. The CNMV shall notify the Ministry of Finance and Businesses of its objection to the significant holding and the reasons on which this is based.

In addition, even though there are no legal restrictions on voting rights, Article 178 of the Spanish Securities Market Act restricts the exercise of this right in the event of the irregular acquisition of significant holdings, i.e. shares acquired without the preceptive authorisation of the CNMV, in the terms described.



A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007:

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14 State if the company has issued shares that are not traded on a regulated EU market:

Yes No

If so, please list each type of share and the rights and obligations conferred on each.

B. General Shareholders' Meeting

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes No

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes No

Describe how it is different from that contained in the LSC.

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The Articles of Association and the General Shareholders' Meeting Regulations set no special rules for amendments to the Articles of Association.

The procedure for amending the Articles of Association is governed by Articles 285 and following of the Corporate Enterprises Act, according to which changes in the Articles of Association must be agreed by the Shareholders' Meeting and the following requirements must be met:

a) The Directors or, as appropriate, the shareholders submitting the proposal, shall draft the wording of the proposed amendment in full and shall also draft a written report justifying the proposal.

b) The notice convening the Shareholders' Meeting must clearly set out the points to be amended and make reference to shareholders' right to inspect, at the registered office, the full text of the proposed amendments and of their supporting rationale, and to demand gratuitous delivery of such documents, which must also be made available to shareholders on the corporate website in accordance with Article 518 of the Corporate Enterprises Act.

c) The resolution must be approved at the General Shareholders' Meeting in accordance with the rules on quorum and majorities laid down in Articles 194 and 201 of the Corporate Enterprises Act.

Article 197 bis of the Corporate Enterprises Act includes the requirement for separate votes on items or groups of items that are substantially independent and, under all circumstances, amendments to the Articles of Association.

As well as being subject to the normal rules governing Spanish public limited companies, as a holding vehicle for companies that manage central counterparties, central securities depositories and secondary markets in Spain, BME is also subject to Additional Provision Six of the Spanish Securities Market Act, which states that amendments to its Articles of Association must be authorised by the CNMV.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
28/04/2016	14.16%	27.90%	0.06%	1.41%	43.53%
Of which, free float:	1.00%	27.44%	0.06%	1.41%	29.91%
27/04/2017	16.08%	27.02%	0.09%	1.49%	44.68%
Of which, free float:	3.34%	27.02%	0.09%	1.49%	31.94%
26/04/2018	14.02%	28.23%	0.06%	1.09%	43.40%
Of which, free float:	1.26%	28.23%	0.06%	1.09%	30.64%

B.5 State whether at the general meetings held during the year any items on the agenda were not approved by the shareholders for any reason:

Yes No

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes No

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

Yes No

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

In the "Shareholders and Investors" section of the corporate website, www.bolsasymercados.es

C. Company Administrative Structure

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	9
Number of directors set by the general meeting	13

C.1.2 Please complete the following table on directors:

Name of director	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	
Antonio J. Zoido Martínez	-	Executive	Chairman	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Javier Hernani Burzako	-	Executive	CEO	27/04/2017	27/04/2017	General Shareholders' Meeting Resolution
Ignacio Garralda Ruiz de Velasco	-	Independent	First Deputy Chairman	27/02/2014	26/04/2018	General Shareholders' Meeting Resolution
David María Jiménez-Blanco Carrillo de Albornoz	-	Independent	Lead Independent Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution

María Helena Dos Santos Fernandes de Santana	-	Independent	Director	28/04/2016	28/04/2016	General Shareholders' Meeting Resolution
Ana Isabel Fernández Álvarez	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Joan Hortalá i Arau	-	Executive	Director	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Juan March Juan	-	Proprietary	Director	30/10/2014	30/04/2015	General Shareholders' Meeting Resolution
Isabel Martín Castellá	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Santos Martínez-Conde y Gutiérrez Barquín	-	Proprietary	Director	30/10/2014	30/04/2015	General Shareholders' Meeting Resolution
Juan Carlos Ureta Domingo	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution

Total number of directors	11
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Manuel Olivencia Ruiz	Independent	30/04/2014	01/01/2018	Appointments And Remuneration Committee	Yes
Margarita Prat Rodrigo	Independent	30/04/2014	26/04/2018	Executive Committee Audit Committee	No
Álvaro Cuervo García	Independent	30/04/2014	26/04/2018	Executive Committee Audit Committee Appointments And Remuneration Committee	No
Karel Lannoo	Independent	30/04/2014	26/04/2018	Markets And Systems Operating Procedures Committee	No
Carlos Fernández González	Other External Director	30/04/2014	26/04/2018	Appointments And Committee Remuneration	No

Reason for leaving and other remarks.

Mr. Manuel Olivencia Ruiz passed away on 1 January 2018. Ms. Margarita Prat Rodrigo, Mr. Álvaro Cuervo García, Mr. Karel Lannoo and Mr. Carlos Fernández González departed their Company directorships on 26 April 2018 as these were about to expire and, for various reasons, they could not be renewed.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS.

Name or company name of director	Post in organisational chart of the company
Antonio J. Zoido Martínez	Chairman

Profile

Graduated in Law from Madrid's Complutense University. Furthered his studies in other European and American institutions.

He was Chairman of the World Federation of Exchanges (WFE) from 2001 to 2002 and of the Federation of European Stock Exchanges (FESE) from 1996-1998. Chairman of Servicio de Compensación y Liquidación de Valores, S.A. (2000 to 2002). Chairman of Sociedad de Bolsas, S.A. (1994-2002). MEFF Vice-Chairman (1991-2004). Director of the International Accounting Standards Committee (IASC). Trustee of the International Financial Reporting Standards Foundation (IFRS), supervisor of the International Accounting Standards Board (IASB) (2010-2016). Chairman of the European Capital Markets Institute. Board member of Santander Investment Finance, S.V., S.A. and of Santander Consumer Finance, S.A.

He is currently Executive Chairman of Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A., and Chairman of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. He is a director of Sociedad de Bolsas, S.A. He is a member of the Advisory Board of Clearstream International, Director of Operador del Mercado Ibérico de Energía-Polo Español, S.A. (OMIE), and representative of BME as member of the Board of Directors of Operador do Mercado Ibérico (Portugal) SGPS, S.A. (OMIP).

He is also Chairman of the Social Council of the University of Extremadura and Vice-Chairman of the National Archaeological Museum's Board of Trustees.

Name or company name of director	Post in organisational chart of the company
Javier Hernani Burzako	CEO

Profile

Graduated in Economics and Business Management from the University of Deusto; a Master's Degree in European Studies, specialising in Economics, from the College of Europe in Bruges (Belgium); and a Master's Degree in Advanced Management from the University of Deusto, where he completed his PhD.

He has been CEO of BME since April 2017.

Between December 2012 and April 2017 he served as Managing Director of BME, where since March 2003 he has worked as Finance Director and member of the Coordination Committee.

In the Group, he is Director of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. and of Bolsas y Mercados Españoles Market Data, S.A., and joint director of BME Inntech, S.A.U. and of Bolsas y Mercados Españoles, Servicios Corporativos, S.A.

Previously, he was Deputy General Manager of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. (December 1998-March 2003), which he represented as a member of the Board of Directors of Servicio de Compensación y Liquidación de Valores (SCLV) until it merged with Iberclear. He sat on the Contracts and Supervisory Committee of MEFF until it merged with BME, and on various international forums such as the Federation of Ibero-American Stock Exchanges (FIABV) and the World Federation of Exchanges (WFE). He also served as Finance Director at Norbolsa, S.V.B. between September 1989 and December 1998, and as European financial sector consultant at Coopers & Lybrand in Brussels between June 1988 and August 1989.

Name or company name of director	Post in organisational chart of the company
Joan Hortalá i Arau	Director

Profile

Professor of Economic Theory at Barcelona University.

Business professor, Graduate in Law, with a degree and PhD in Economics, with the Extraordinary Prize, from Barcelona University. He obtained diplomas from a number of foreign universities and is a Doctor in Economics from the London School of Economics and Political Science. Member of the Royal Academy of Economic and Financial Sciences.

Previously Dean of the Economics Faculty, and has held various posts at Barcelona University and on Spain's Scientific Research Council. He is the author of various books covering his specialist subject and publishes works and articles in Spanish and foreign journals. He has overseen 46 PhD theses. He is Manager of "Cuadernos de Economía". He is a member of the Advisory Board of the Autonomous University of Madrid.

He has been Councillor on the Barcelona City Council, member of the Catalan Parliament and Industry and Energy Director for the Catalan regional government.

Has held directorships at various public and private companies. Within the Group he has been Director of Servicio de Compensación y Liquidación de Valores, S.A. and Iberclear and Vice-Chairman of MEFF. He currently chairs Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U. and is Director of Sociedad de Bolsas, S.A. and of the Iberoamerican Federation of Exchanges (FIAB).

Total number of executive directors	3
Percentage of Board	27.27%

PROPRIETARY DIRECTORS.

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
Juan March Juan	Corporación Financiera Alba, S.A.
Profile	
<p><i>Degree in Business Administration and Management from the Colegio Universitario de Estudios Financieros (CUNEF) and an Executive MBA from IESE.</i></p> <p><i>From 2006 to 2009 he worked at Goldman Sachs (London) where he performed his activities in the advisory service departments in the natural resources, energy, industrial, transport and infrastructure industries, and in trading, corporate finance and similar transactions in the capital markets for Euro-Asian companies.</i></p> <p><i>In 2009 he joined the March Group as Associate Director of Artá Capital, S.G.E.C.R., S.A., a venture capital company with approximately €800 million in assets under management, used to channel the development capital investment of CFA and other private investors.</i></p> <p><i>In 2010 Mr. March Juan was appointed Director of Corporación Financiera Alba, S.A.</i></p> <p><i>In 2012 he was appointed a member of the Board of Banca March, S.A.</i></p> <p><i>He is currently Deputy Chairman of Corporación Financiera Alba and of Artá Capital.</i></p> <p><i>He is a Director of Mecalux, S.A., and has been a member of the Board of Directors of the Pepe Jeans-Hackett Group, Cobra Gestión de Infraestructuras, S.A. and OCIBAR, S.A.</i></p>	

Name of director	Name or company name of significant shareholder represented or that has proposed their appointment
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación Financiera Alba, S.A.
Profile	
<p><i>A civil engineer, with a Master's Degree in Business Administration and Management and a Degree in Nuclear Technology from the Universidad Pontificia de Comillas ICAI-ICADE.</i></p> <p><i>Between 1979 and 1998 he worked in a professional capacity at a number of engineering companies and also in the financial sector: Sener, Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A.</i></p> <p><i>Mr. Martínez-Conde y Gutiérrez-Barquín has also held the position of Director at many listed and unlisted companies. Mr. Martínez-Conde is currently the Chief Executive Officer of Corporación Financiera Alba, S.A., and holds the position of Director at Banca March, S.A., Acerinox, S.A., Indra Sistemas, S.A., CIE Automotiva, S.A., Artá Capital, S.G.E.C.R., S.A., Artá Partners, S.A., Deyá Capital, S.C.R., S.A. and Deyá Capital IV, S.C.R., S.A.</i></p>	
Total number of proprietary directors	2
Percentage of the Board	18.18%

INDEPENDENT DIRECTORS.

Name of director
Ignacio Garralda Ruiz de Velasco
Profile
<p>Graduate in Law from Madrid's Universidad Complutense.</p> <p>He was Trade Collegiate Broker between 1976 and 1982, when he gained his qualification to act as Forex and Stock Market Broker and began work at the Madrid Stock Exchange. He has been a Notary on unpaid leave since 1989.</p> <p>He was Founding Member of AB Asesores Bursátiles, S.A., where he served as Vice- Chairman until 2001. He was Vice-Chairman of AB Morgan Stanley Dean Witter, S.V., S.A. (1989 to 2001) and Chairman of Bancoval, S.A. (1994 - 1996). Between 1991 and 2009 he was a Director of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.</p> <p>He has been Chairman of Mutua Madrileña since 2008, where he has been a Director since 2002, and was Second Vice-Chairman from 2005 to 2008. He was appointed CEO on 27 June 2013, and was renewed in the post on 14 May 2015.</p> <p>He has also worked as external proprietary Director at Caixabank, S.A. since 2017, and as external independent Director at ENDESA since 2015. Between 2013 and 2017 he was a Director at Faes Farma, S.A. and Consorcio de Compensación de Seguros.</p> <p>He is Deputy Chairman of Fundación Lealtad and member of the Board of Trustees of Museo y Fundación Reina Sofía, Fundación Teatro Real, Real Instituto Elcano and Fundación Príncipe de Asturias.</p>

Name of director
David María Jiménez-Blanco Carrillo de Albornoz
Profile
<p>Graduate in Economics and Business from the Colegio Universitario de Estudios Financieros (CUNEF).</p> <p>Since 2016, he has served as General Manager of Strategy and Restructuring at Abengoa, S.A.</p> <p>In 2018 he was appointed external independent Director of Árima Real Estate Socimi, S.A., and is Chairman of its Audit and Control Committee and a member of its Appointments and Remuneration Committee.</p> <p>Since 2010 he has served as a Director and member of the Investment Committee at Gawa Capital Management, an investment management firm.</p> <p>Between 2014 and 2018 he was an independent external Director at Axiare Patrimonio Socimi, S.A., where he served as Chairman of the Audit Committee until 2017, and as Chairman of the Remuneration Committee from 2017 to 2018. He has also been a Trustee of Fundación Pablo Horstmann since 2018.</p> <p>In 2011 and 2012, he was an independent Director and member of the Audit Committee at Atento Inversiones y Teleservicios, S.A.</p> <p>Between 2013 and 2016 he was Chief Financial Officer (CFO) at World Duty Free Group, and between 2010 and 2013 he was Co-Founder and Partner at BK Partners, an investment management firm.</p> <p>Between 2006 and 2009, he was Chairman and Chief Executive Officer at Merrill Lynch Capital Markets España, S.A., S.V., serving as Head of Global Markets and Investment Banking for Spain and Portugal. Furthermore, he was a member of the Investment Banking Operating Committee for Europe, the Middle East and Africa at Merrill Lynch.</p> <p>Between 1995 and 2006 he worked at Goldman Sachs International, in different positions at the London and Madrid offices. Between 2004 and 2006 he served as Managing Director.</p>

Name of director

María Helena dos Santos Fernandes de Santana

Profile

She is a member of the Board of Directors, Coordinator of the Staff, Appointments and Governance Committee and member of the Audit, Risk and Controls Committee at OI, S.A., a member of the Audit Committee at ITAU UNIBANCO HOLDING, S.A.; and of XP Investimentos, S.A.; coordinator of the Audit Committees Forum at IBGC - Instituto Brasileiro de Governança Corporativa since 2017; member of the Management Board at the IBGC FOUNDATION, a body forming part of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB); and a member of the Consultative Committee of the MERCADO DE GOVERNANÇA DE ESTATAIS de BM&FBOVESPA and of the Mergers and Acquisitions Committee ("CAF"), and also a member of the B3 Issuers and Structurers Market Consultative Committee.

She was also a member of the Board of Directors and Chairman of the Corporate Governance Committee at COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO, S.A. between 2013 and 2017; a member of the Board of Directors and Coordinator of the Audit Committee at TOTVS, S.A. between 2013 and 2017; a member of the Board of Directors at CPFL ENERGIA, S.A. between 2013 and April 2015; Executive Chairman of the Brazilian Securities And Exchange Commission (COMISIÓN DE VALORES MOBILIARIOS (CVM)) between 2007 and 2012; Director of this Commission between 2006 and 2007; and representative of the Commission on the FINANCIAL STABILITY BOARD (FSB) between 2009 and 2012.

She was previously Chairman of the Executive Committee of the International Organisation of Securities Commissions (IOSCO) between 2011 and 2012, while also a member of the INTERNATIONAL INTEGRATED REPORTING COMMITTEE (IIRC); and Vice-Chairman of the Brazilian Institute of Corporate Governance or INSTITUTO BRASILEIRO DE GOVERNANÇA between 2004 and 2006, and member of its Board of Directors since 2001.

She worked in Special Projects at the SÃO PAULO STOCK EXCHANGE (now known as B3) between 1994 and 2006, and was Executive Superintendent of Corporate Relations between 2000 and 2006. In this post, she was responsible for the supervision of listed companies and development of the "Novo Mercado" or New Market segment, which requires high standards of corporate governance.

Name of director

Ana Isabel Fernández Álvarez

Profile

Degree and Doctorate from the Faculty of Economics and Business, University of Oviedo.

She is professor of Financial Economics at the University of Oviedo since January 1991 and Colegio Universitario de Estudios Financieros, CUNEF, since September 2014.

She is currently Director of Colegio Universitario de Estudios Financieros and Managing Director at CUNEF, S.L. She sits on the Board of Directors and has been a member of the Audit and Compliance Committee and Risk Committee at Mapfre, S.A. since July 2016. She is also a member of the Board at Mapfre Global Risks and Mapfre RE Compañía de Reaseguros, S.A. In addition, she has been a member of the Board of Trustees at the Princess of Asturias Foundation since March 2015 and the Banco Sabadell Foundation since January 2015.

Between 2010 and 2014, she was a Director at the National Securities Market Commission and since 2011 has undertaken international duties at the European Securities and Markets Authority (ESMA). Since February 2015, she has been a member of the Corporate Reporting Consultative Working Group (CWG CR) and previously, a member of its Board (June 2011 to June 2013), member of the Financial Innovation Standing Committee (FISC) (November 2011 to July 2014) and member of the Financial Innovation and Consumer Protection Subcommittee of the Joint Committee of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) (June 2012 to July 2014).

She has published numerous articles in renowned magazines in the field of corporate finance, corporate governance and banking and financial regulations, and has participated at a range of national and international forums. She has served as the Chair of the Scientific Association of Business Management and Economy (ACEDE) and editor of the magazine CEDE.

Name of director
Isabel Martín Castellá
Profile
<p>Graduate in Economics and Business from the Complutense University, Madrid. In 1997, she passed the entrance exam and was accepted into Spain's Higher Corps of Commercial Technicians and Economists.</p> <p>Since 2015, she has sat on the Board of Directors at Sacyr, S.A., as an independent Director, chairing its Audit and Corporate Governance Committee.</p> <p>Furthermore, since 2017 she has sat on the Board of Directors at Unicaja Banco, S.A. as an independent Director and Lead Director, Chairman of the Risk Committee and a member of the Audit and Regulatory Compliance Committee. She is a member of the Advisory Board at Venture Capital Management Firm GED and sits on the Board of GED Infraestructuras.</p> <p>Between 1977 and 1985, she occupied a range of posts at the Ministry of Finance and the Ministry of Trade and Tourism; and between 1985 and 1987 she served as Chief of Staff to the Vice-Chairman of the Spanish Institute of Industry (INI), and sat on the Board of a range of companies in the INI Group and on the Economic and Social Committee of the European Communities.</p> <p>She served as Deputy Manager at Banco Central Hispano and Banco Santander between 1987 and 2000. Between 2000 and 2006, she was Vice-Chairman and member of the Board of Directors at the European Investment Bank (EIB) in Luxembourg. Between 2006 and 2011, she occupied the post of Manager of the Madrid International Financial Centre Association. Furthermore, in 2012 and 2013, she was Chair of the Spanish State-owned company, Expansión Exterior.</p> <p>Between 2013 and September 2015, she was a member of the Supervisory Board of ING Verzekeringen N.V, the insurance holding of ING Groep N.V, now Nationale Nederlanden N.V., and until 2017 she sat on the Supervisory Board of ING Groep N.V. and ING Bank. N.V. Holding.</p>

Name of director	
Juan Carlos Ureta Domingo	
Profile	
<p>Graduate in Law and Economics (Lawyer specialising in economics) from the University of Deusto (Bilbao). He successfully became a State Attorney in 1980 (currently on unpaid leave), and has worked as a stockbroker at the Madrid Stock Exchange since 1986.</p> <p>He is currently executive Chairman of Renta 4 Banco S.A.</p> <p>He is also a member of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. and of Saint Croix Holding Immobilier, SOCIMI, S.A., and consultant to a range of Spanish and foreign business groups.</p> <p>Between 2010 and 2016, he was Chairman of the Financial Studies Foundation and Spanish Institute of Financial Analysts. Between 2002 and 2006 Mr. Ureta served as a member of the Board of Directors at BME and previously, between 1996 and 2003, he sat on the Board of Servicio de Compensación y Liquidación de Valores (now Iberclear).</p>	
Number of independent directors	6
Percentage of the Board	54.55%

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

OTHER EXTERNAL DIRECTORS.

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Total number of other external directors	N.A.
Percentage of the Board	N.A.

State any changes in status that has occurred during the period for each director:

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	FY 2018	FY 2017	FY 2016	FY 2015	FY 2018	FY 2017	FY 2016	FY 2015
Executive					0.00%	0.00%	0.00%	0.00%
Proprietary					0.00%	0.00%	0.00%	0.00%
Independent	3	2	2	1	50%	33.33%	33.33%	20.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	3	2	2	1	27.27%	16.67%	16.67%	9.09%

Remarks.

At 31 December 2018 and 2015, the Board of Directors contained eleven (11) Directors, and of twelve (12) Directors at 31 December 2017 and 2016. At 31 December 2018, 2017 and 2016 the Board of Directors contained six (6) independent Directors, and five (5) independent Directors at 31 December 2015.

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity:

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved.

Since 2014 the Board of Directors has operated medium and long-term planning of the structure and composition of the Board (hereinafter, "Medium and long-term Planning for the Board of Directors"), which includes the criteria that must determine the structure and composition of the Board of Directors, and defines the profile of knowledge, skills and professional experience required of Board appointees in due consideration of each category.

For the selection of candidates to independent Directors or "other external Directors", and for the Board of Directors to reflect diversity of knowledge and professional experiences, the Appointments and Remuneration Committee considers whether their professional experiences and profiles differ from and are complementary to those of the other members of the Board of Directors at any given time. Moreover, the Appointments and Remuneration Committee, as part of its competence for proposing the appointment of Directors considered independent or "other external Directors", ensures that the selection process takes account of gender diversity criteria, to give priority to criteria relating to the professional experience and profiles of candidates, and the nationality or habitual residence of candidates, circumstances which may be considered relevant for the purposes of giving the Board of Directors an alternative vision from the point of view of culture.

The courses of action intended to attain a balanced presence in terms of gender diversity in 2018, and the outcome of these, are described in section C.1.7 of this report.

Regarding the appointment of candidates as proprietary Directors, it should be pointed out that, since the proposal to appoint the person to take up the directorship is the exclusive prerogative of the significant shareholder, the Appointments and Remuneration Committee shall be notified that there was no gender discrimination in the selection process.

In any case, selection criteria in relation to profiles and professional experience are given priority in the process of identification of candidates for the posts of executive Directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means.

At its meeting on 23 December 2015, the Appointments and Remuneration Committee agreed to set the target for the gender with the lesser representation on the Board of Directors at 30% of the total number of Directors and, in order to attain this percentage, agreed that for each vacancy for an independent Director to be filled, at least 50% of the professional CVs considered by the Appointments and Remuneration Committee would belong to women.

Within the scope of its duty to propose the appointment of independent Directors and "other external Directors", the Appointments and Remuneration Committee, particularly in 2018, has actively sought female candidates to fill vacancies for independent directorships arising since the Company's shares were first admitted for trading, also ensuring that the Director selection processes do not discriminate due to gender diversity.

As a result of these measures, the majority of the proposed appointees as independent Directors submitted by the Appointments and Remuneration Committee since shares were admitted for trading on the Stock Exchanges have been women. It should be pointed out that in 2018, of the four (4) proposed appointees as independent Directors, two (2) were female, which is 50% of the proposed appointments.

Moreover, with regard to the other categories of Director, the Appointments and Remuneration Committee ensures that selection procedures are not biased against female candidates.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Medium and long-term Planning for the Board of Directors, mentioned above in section C.1.5 of this report, includes the agreement by the Appointments and Remuneration Committee to set the percentage of the gender with lesser representation on the Board of Directors as 30% by the year 2020.

Following a proposal by the Appointments and Remuneration Committee, in 2017 the Board of Directors approved an internal procedure for selection of candidates for independent Directors or "other external Directors" (hereinafter, the procedure for selection of candidates as Directors) the purpose of which was an orderly planned proposal of these categories of Director to fill any vacancies arising on the Board of Directors at any given time.

In the same year, following the expiry of the terms of six (6) Directors, five (5) of which could not be re-elected for various reasons, the Appointments and Remuneration Committee, on the basis of the medium and long-term planning of the Board of Directors, embarked upon an analysis of the composition and structure of the Board, with a particular focus on the personal and professional competences that should be offered to this body, and consequently to its Committees, to make the composition balanced and well suited to its requirements.

In this exceptional situation, the Appointments and Remuneration Committee felt it was advisable to carry out the different phases of the procedure to select candidates for Directors in order to ensure the procedure took place in an organised and planned manner, with the active participation of members of the Board of Directors in the proposals of appointees in order to successfully renew the management body.

Firstly, the Appointments and Remuneration Committee determined the personal and professional profile of candidates for Directors, a process which considered criteria of diversity in the selection process, diversity of gender and also professional experience and nationality, or place of residence, with a particular emphasis on a search for female profiles.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected the independent expert from different companies with which it would work to identify candidates.

Subsequently, when the personal and professional profiles of candidates for directorships had been determined, the Appointments and Remuneration Committee issued a request for members of the Board of Directors and the independent expert to submit their proposals.

Following an analysis of the professional CVs received, the Appointments and Remuneration Committee verified the coincidence of general requisites for Directors candidates and the specific requisites for independent Directors, and submitted a proposal to the Board of Directors of the candidates it felt were most suitable and most in line with the needs of the Board of Directors. At the behest of the Appointments and Remuneration Committee, the Board of Directors submitted to the Ordinary General Shareholders' Meeting the re-election of the independent Director whose term was expiring and could be renewed, and the appointment of four (4) independent Directors, of which two (2) were women.

The Appointments and Remuneration Committee considers that the level of compliance of the medium and long-term planning of the Board of Directors and the procedures for selection of candidates throughout 2018 was satisfactory, since it permitted the Appointments and Remuneration Committee and the Board of Directors to assess the diversity of knowledge, competence and experience on the Board of Directors and the personal and professional characteristics that candidates must have to meet the needs of the body and its delegated Committees as a result of the considerable number of vacancies that would be arising on the Board of Directors.

Specifically, the Appointments and Remuneration Committee appreciated as a positive move the measures adopted to increase the presence of female Directors on the Board of Directors, which stood at 27.27% of the total members of the Board, thereby moving closer to the target of 30% of Board members for the gender with lesser representation.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director

Antonio J. Zoido Martínez

Brief description

Pursuant to the provisions of Article 13 of Board of Directors Regulations, the Chairman of the Board shall be the Company's most senior institutional representative, have the power to represent it on an individual basis and be the guiding force behind the governance of the Company and Group companies, also fomenting 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.

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 dismiss 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 run of the business.

Name of director

Javier Hernani Burzako

Brief description

By virtue of the agreement adopted by the Board of Directors on 27 April 2017, all powers of the Board of Directors have been delegated to the Chief Executive Officer, with the exception of those that cannot be delegated by law.

Name of director

Executive Committee

Brief description

By virtue of the agreement adopted by the Board of Directors on 27 July 2006, all powers of the Board of Directors have been delegated to the Executive Committee, with the exception of those that cannot be delegated by law.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Antonio J. Zoido Martínez	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Chairman	Yes
Antonio J. Zoido Martínez	Sociedad de Bolsas, S.A.	Deputy Chairman	No
Javier Hernani Burzako	Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U.	Director	No
Javier Hernani Burzako	Bolsas y Mercados Españoles Market Data, S.A.	Director	No
Javier Hernani Burzako	Bolsas y Mercados Españoles Servicios Corporativos, S.A.	Joint Director	Yes
Javier Hernani Burzako	Bolsas y Mercados Españoles Inntech, S.A.	Joint Director	Yes
Joan Hortalá i Arau	Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.	Chairman	Yes
Joan Hortalá i Arau	Sociedad de Bolsas, S.A.	Director	No
Juan Carlos Ureta Domingo	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Director	No

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Ignacio Garralda Ruiz de Velasco	CAIXABANK, S.A.	Director
Ignacio Garralda Ruiz de Velasco	ENDESA, S.A.	Director
David María Jiménez-Blanco Carrillo de Albornoz	ÁRIMA REAL ESTATE, SOCIMI, S.A.	Director
Juan March Juan	CORPORACIÓN FINANCIERA ALBA, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	CORPORACIÓN FINANCIERA ALBA, S.A.	CEO
Santos Martínez-Conde y Gutiérrez-Barquín	ACERINOX, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	INDRA SISTEMAS, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	CIE AUTOMOTIVE, S.A.	Director
Ana Isabel Fernández Álvarez	MAPFRE, S.A.	Director
Isabel Martín Castellá	SACYR, S.A.	Director
Isabel Martín Castellá	UNICAJA BANCO, S.A.	Director
Juan Carlos Ureta Domingo	RENTA 4 BANCO, S.A.	Chairman
Juan Carlos Ureta Domingo	SAINT CROIX HOLDING IMMOBILIER SOCIMI, S.A.	Director
María Helena dos Santos Fernandes de Santana	OI, S.A.	Director

Remarks.

María Helena dos Santos Fernandes de Santana is a member of the Audit Committee at ITAU UNIBANCO HOLDING, S.A and at XP INVESTIMENTOS, S.A.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes No

Explanation of the rules and identification of the document where this is regulated.

Article 23 of the Board of Directors' Regulations establishes that the Company's non-executive Directors may not hold directorships in more than four (4) companies whose shares are listed for trading on domestic or foreign stock exchanges. Directorships in companies belonging to the same Group and those in representation of the same significant shareholder they represent in the Company shall be considered a single post. Executive Directors may not hold directorships at any listed company.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousands euros)	3,071 (*)
Amount of vested pension interests for current members (thousands euros)	2,629
Amount of vested pension interests for former members (thousands euros)	0

Remarks.

(*) This figure does not include the value of shares that, if appropriate, shall be transferred to executive Directors on the expiry of the third validity period of the medium-term variable remuneration plan described in section A.3 of this Report.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year: (*)

Name or corporate name	Post(s)
Ramón Adarraga Morales	Director Of Information And Added-Value Services
Jaime Aguilar Fernández-Hontoria	Director Of Legal Council
Marta Bartolomé Yllera	Finance Director
Jesús Benito Naveira	Head Of Settlement And Registration
Luis María Cazorla Prieto	General Secretary And Secretary To The Board
Pablo Malumbres Mugerza	Director Of Corporate Communications
Francisco Nicolás Tahoces	Technology Director
Arantza Tellería de la Fuente	Director Of Internal Audit Department
Jorge Yzaguirre Scharfhausen	Chairman Of Meff And Bme Renta Fija And Director Of Equities, Derivatives And Fixed Income
Total senior management remuneration (thousands euros)	3,002 (**)

Remarks.

(*) Senior management includes members of the Management Committee and the General Secretary and Secretary to the Board and, in accordance with the instructions in the model corporate governance report, the Head of the Internal Audit Department.

(**) The total remuneration received by senior management includes remuneration received from both BME and other Group companies.

This amount includes the estimated amount of variable remuneration for 2018; post-employment benefits in favour of these executives in the amount of €38,000, consisting of the annual periodic contribution to the insurance arranged as a supplementary pension; premiums payable for a collective life assurance policy carrying social provision benefits to cover retirement, death and permanent disability; and the Group's contributions to defined-contribution plans.

This figure does not include the €284,000 paid in 2018 to members of senior management as per diems, or the amount of the shares that, where appropriate, shall be received by members of senior management as a result of expiry of the third validity period of the Share-based Variable Remuneration Plan described in section A.3 of this Report.

C.1.15 State whether the Board rules were amended during the year:

Yes



No



Description of amendment.

At its meeting on 31 January 2018, the Board of Directors agreed to amend Article 21.2 c) of Board of Directors Regulations for the purposes of adaptation to the competences attributed to the Markets and Systems Operating Procedures Committee by the BME Group's new Internal Code of Conduct in terms of its interpretation and monitoring.

Pursuant to the provisions of Article 528 of the Corporate Enterprises Act, the Company notified to the Ordinary General Shareholders' Meeting on 26 April 2018 of this amendment to the Board of Directors Regulations, which was registered in the Mercantile Registry on 17 July 2018.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Procedures for appointing, re-electing, evaluating and removing Directors are described in Articles 26, 36 and 38 of the Articles of Association and Articles 6, 10, 20, 22 and 23 of its Board of Directors Regulations. The criteria for selection of candidates are set out in the Medium and long-term Planning for the Board of Directors referred to in section C.1.5 of this report, implemented by the Board of Directors at the behest of the Appointments and Remuneration Committee in the "Procedure for the selection of candidates qualifying as independent or "other external Directors".

1.- Appointment.

1. A.- Responsibility.

The number of Company Directors as per the maximum (15) and minimum (9) set by the Articles of Association, as well as the appointment of Directorships, shall be established at the General Shareholders' Meeting.

In accordance with the agreement approved at the Ordinary General Shareholders' Meeting held on 27 April 2017, the Board of Directors shall comprise thirteen (13) members.

However, if any vacancies exist, the Board of Directors, by virtue of the powers of co-option legally attributed to it, may appoint the persons to fill these vacancies until the next General Shareholders' Meeting is held, for which the condition of shareholder shall not be necessary. Should a vacancy arise after the General Shareholders' Meeting has been called but before it has been held, the Board of Directors may appoint a Director until the next General Shareholders' Meeting is held.

1. B.- Appointment requirements.

Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of acknowledged prestige, solvency and honourability, who have the necessary expertise for the performance of their functions. Moreover, those who have reached the age of 75, in the case of non-executive Directors, and the age of 70 in the case of executive Directors, cannot be appointed or re-elected as Directors.

The Medium and long-term planning for the Board of Directors sets out the additional requirements that must be met by the candidates for Director depending on the category of directorship that they are to undertake.

The proposed Board candidates must not be affected by any conflict of interests or prohibition set out in the Articles of Association and Board of Directors Regulations, and need not be shareholders to be appointed as Directors.

In accordance with the provisions of Article 23 of the Board of Directors Regulations, the Company's non-executive Directors may only hold the position of director on four (4) Boards of companies the shares of which are admitted for trading on Stock Exchanges, in the terms set out in section C.1.12 of this report, and executive Directors may not hold the position of director in any listed company.

1. C.- Term of office.

The Directors shall hold office for a period of four (4) years and may be re-elected on one or more occasions for the same term of office.

1. D.- Procedure.

The Appointments and Remuneration Committee is responsible for proposing the appointment or re-election of members of the Board of Directors if they are independent or other external Directors, and the Board of Directors is responsible for doing so in all other cases. In the latter case, a preliminary report shall be issued by the Appointments and Remuneration Committee.

Pursuant to regulations, the proposals for appointment shall be accompanied by an explanatory report by the Board of Directors in which the proposed candidate's competence, experience and merit are evaluated. This shall be attached to the minutes of the General Meeting or of the Board meeting.

Following a proposal by the Appointments and Remuneration Committee, within the scope of its competences to propose and appoint independent or other external Directors, the Board approved the aforementioned "Procedure for the selection of candidates qualifying as independent or other external Directors", which establishes the procedure to be followed in the event of a vacancy on the Board of Directors which the Appointments and Remuneration Committee considers must be filled by an independent Director or "other external Director".

To summarise, this Procedure establishes that the Appointments and Remuneration Committee shall initially determine the academic profile, professional experience and diversity criteria that must be met by the candidate, and to this end it shall take account of the Medium and long-term Planning of the Board, and shall take account of the various profiles of professional training and experience of members of the Board of Directors at any given time.

When the Appointments and Remuneration Committee has received the professional CVs of the candidates from Directors and, where applicable, from the external consultant or consultants, it shall check the mandatory legal requirements and shall exclude any candidates that do not meet the characteristics of the profile determined.

Following an appraisal of the suitability of the candidates in accordance with the criteria determined by the Company and their availability, the Appointments and Remuneration Committee shall submit a selection of alternative proposals for appointment to the Board of Directors, in the order of preference given to candidates, to fill the vacancy on the Board.

The Board of Directors shall submit the proposal to the General Shareholders' Meeting to appoint the candidate it deems most suitable for proper operation of the Board, or shall appoint new Directors via the co-opting system.

The General Shareholders' Meeting shall vote separately on the appointments or re-elections of Directors so that shareholders may exercise their voting preferences separately.

1. E.- Breakdown of Directorships by type.

The Board of Directors shall seek to distribute its members among the different types of Director after the fashion best suited at any given time to the Company's ownership structure and its corporate purpose and the corporate purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and 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, in addition to observing the same procedures as for appointments, also take into account the quality of the services provided by the Director and their commitment during the previous term. Directors standing for re-election shall not take part in any discussions or decisions concerning their re-election.

3.- Appraisal.

The Board of Directors shall annually assess the efficiency of its operation and the quality of its work on matters within its remit. The Board shall also assess the operation of its Committees based on the Reports they prepare on the performance of their tasks.

In addition to this assessment, in 2018 the Appointments and Remuneration Committee commissioned Egon Zehnder International S.L. to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its Committees and diversity in the composition and responsibilities of the Board of Directors.

4.- Resignation 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 Directors before the expiry of the term for which they were appointed, unless they have just cause on the basis of a

proposal from the Appointments and Remuneration Committee. Just cause shall be deemed to exist when the Director occupies new positions, undertakes new obligations preventing him/her from devoting sufficient time to performing Director functions, when he/she breaches the duties inherent in his/her post or when any of the circumstances arise causing a conflict with his/her status as independent.

Directors who stand down from the Board before the end of their term for any reason must explain the reasons therefor in a letter sent to all Board members.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes.

In 2018 the Board of Directors approved its Report of activities assessing its functioning in the terms described in the next section of this heading, and this report did not state the need for any further changes to the internal organisation of the Board of Directors or to the procedures applicable to its activities.

In 2018 the independent expert Egon Zehnder International S.L. was tasked with assessing the Board of Directors and its delegated Committees, as mentioned in section C.1.16 above, a task which, at the date of approval of this report, had not been completed.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas.

Assessment of the Board of Directors.

In accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, each year the Board of Directors assesses the efficiency of its operation and the quality of its work on matters within its remit. The Board also assesses the operation of its Committees based on the reports they prepare on the performance of their tasks.

Every year each of the Board's Committees, with the participation of all their members and under the management and coordination of their respective Chairmen, prepares and approves a Report on the actions undertaken in the financial year, to be furnished to the Board of Directors. Following the same procedure, and also with the participation of all the Directors, the Board of Directors prepares a report on its own actions.

On the basis of these reports, the full Board of Directors assesses the internal organisation and operation of the Board and its Committees; the suitability of the procedures followed for calling meetings; the quality and suitability of the documentation issued to the Directors; the advance notice with which this documentation has been issued; the level of attendance of the Directors at the meetings of the collegiate bodies of which they form part; and the running of their meetings. The Board of Directors also assesses the support and information received from each of the Board's Committees within the scope of their respective powers.

In addition to this assessment, pursuant to Recommendation 36 of the Code of Good Governance of listed companies, in 2018 the Appointments and Remuneration Committee commissioned independent expert Egon Zehnder International S.L. to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its Committees and the diversity in the composition and responsibilities of the Board of Directors. It has not been considered necessary to assess the individual performance and contribution of each Director.

In order to carry out this assessment, all members of the Board of Directors have been issued with a questionnaire relating to the structure and composition of the Board, its operation, the contribution and development of its responsibilities and powers. This also requests their personal assessment of the effectiveness and contribution of the Board of Directors. The members of the Committees must also analyse the same aspects with regards to the Committees of which they form part.

The consultants shall subsequently hold a personal interview with each Director in order to elaborate on the questionnaire responses.

Assessment of the Chairman and the CEO.

Pursuant to the provisions of Article 10.4 of Board of Directors Regulations, this collegiate body annually assesses the performance of the functions of the Chairman of the Board of Directors and the Company's chief executive and of the CEO. If the Chairman of the Board of Directors is considered an executive Director, the process to assess the Chairman shall be undertaken by the Lead Independent Director.

For the purposes of boosting active participation by all Directors in the process to assess the Chairman and the CEO, the Board of Directors has a Procedure for assessment of performance of the functions of the Chairman and of the CEO.

Pursuant to the provisions of this assessment procedure, in January 2019 the Directors were sent a questionnaire assessing performance of the functions of the Chairman and the CEO, in order to compile their individual impressions and opinions.

The aspects which shall be taken into account to assess exercise of the functions of the Chairman of the Board of Directors are dedication to the post of Chairman, leadership capacity on the Board and the Executive Committee, and quality of relations with the other Directors.

The aspects to be taken into account regarding to assessment of exercise of the functions of the CEO shall be dedication to the post, relations with the Chairman, the Board as a whole and Directors on an individual basis, leadership capacities in the ordinary management of Company business, in carrying out the Company's strategy and organisation and management of the administration team and employees of the Company to meet its objectives.

The Appointments and Remuneration Committee shall examine and approve the reports assessing the functions of the Chairman and the CEO, and they shall be submitted to the Board of Directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

The only business relationship between the Company and the external consultant, Egon Zehnder International S.L. concerns the assessment of the Board of Directors and its delegated Committees with which it was tasked in 2018.

C.1.19 State the situations in which directors are required to resign.

Under Article 38.2 of the Articles of Association and sections 3 and 4 of Article 22 of the Board of Directors Regulations, the members of the Board of Directors must tender their resignation in the following circumstances:

- in cases of incompatibility or prohibition stipulated by the Articles of Association and Board of Directors' Regulations;
- in the case of proprietary Directors, when the shareholder they represent sells its 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 entity must immediately replace that representative.

In addition to the above, and as stated in section C.1.16, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, may propose the removal of independent Directors when the Director occupies new posts or assumes new obligations preventing him/her from devoting sufficient time to performing Director functions, breaches the duties inherent in his/her post, or when any of the circumstances arise causing a conflict with his/her status as independent.

C.1.20 Are qualified majorities other than those prescribed by law required for any specific decision?:

Yes No

If so, please describe any differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:

Yes No

C.1.22 State whether the Articles of Association or the Board Rules establish limit as to the age of directors:

Yes No

	Age limit
Chairman	0
CEO	0
Directors	0

Remarks.

Article 6.2 of Board of Directors Regulations establishes a maximum age limit for the appointment or re-election of Directors, set at 75 for non-executive Directors and 70 for executive Directors, in accordance with the nature of the functions they carry out.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes No

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 29.2 of the Articles of Association and Article 11 of the Board of Directors Regulations stipulate that in the event of members of the Board of Directors being unable to attend a meeting in person they may appoint another Director to represent them. No upper limit is specified on the number of proxy appointments a single Director may hold. It is specified that non-executive Directors can only delegate their representation to another non-executive Director.

Proxies 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.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	12
Number of Board meetings without the Chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	2
--------------------	---

Remarks.

This figure is the number of meetings up to 31 December 2018 held by the Lead Independent Director with the other directors, without the attendance or representation of any executive director. These meetings were held as part of the Working Group created in 2015, and are made up of the non-executive Directors who form part of the Board of Directors at any given time.

Please specify the number of meetings held by each committee of the Board during the year.

Number of meetings held by the Executive Committee	1
Number of meetings held by the Audit Committee	11
Number of meetings held by the Appointments and Remuneration Committee	12
Number of meetings held by the Markets and Systems Operating Procedures Committee	11

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:

Number of meetings when all directors attended	12
% of attendance over total votes during the year	91.67%
Number of meetings in situ or representations made with specific instructions of all directors	5
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	91.67%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The mechanisms established to prevent the individual and consolidated financial statements from being laid before the General Shareholders' Meeting with a qualified audit report are set out in Articles 8, 19 and 31 of the Board of Directors' Regulations.

Specifically, Article 8 of Board of Directors Regulations states that the Board of Directors shall be responsible for ensuring that the Company's individual and consolidated financial statements and directors' report provide a true and fair view of its assets, the financial position and results, according to legal requirements. Furthermore, each and every Director must have access to all the necessary information before they put their signature to the financial statements.

Article 31 of these Regulations also establishes that the Board of Directors shall adopt the necessary measures to ensure that the half-yearly and quarterly reporting and any other financial reporting that is made available to the securities markets is prepared in accordance with the same principles and practices as are used in the preparation of the annual financial statements, and that it is equally reliable.

Likewise, under Article 19 of Board of Directors Regulations, the Audit Committee is responsible for liaising with 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 Audit Committee also receives information on a regular basis regarding the audit plan and the results of its execution, and ensures that the auditors' recommendations are taken into consideration by senior management.

In the exercise of its duties, the Audit Committee invites the external auditor to attend its meetings whenever it is deemed appropriate and, in any event, when the agenda includes the audit assessment preceding the issue of the Company's and the Group's financial statements and Directors' report or the release of the Company's half-year report.

The Company's Finance Director also attended meetings of the Audit Committee, convened to address issues within their remit, to enable the Committee to conduct rigorous monitoring of the preparation of regular public disclosures.

In addition, the Article 8.1 of the Board of Directors Regulations establishes that in the event 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 to the markets the content and scope of such reservations and qualifications.

C.1.29 Is the secretary of the Board also a director?:

Yes No

If the secretary of the Board is not a director, please complete the following table:

Name of the secretary	Representative
Luis María Cazorla Prieto	-

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.1. Mechanisms established by the Company to preserve the independence of external auditors.

In accordance with Article 7.4 of the Board of Directors Regulations, the Board of Directors, acting in full and through its Committees, with the support of the Audit Committee, is responsible for ensuring the external auditor is both independent and professionally acceptable.

Article 19 of the Board of Directors Regulations authorises the Audit Committee to maintain relations with the external auditors in order to receive detailed individual information on any issues that might jeopardise the auditors' independence and, where applicable, to authorise services other than those prohibited in the terms established by regulations, and to monitor compliance with the regulations in force concerning the provision of additional services other than audit services, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence.

In this regard, each year the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company, in addition to detailed individual information on any

other type of service provided by the auditors and the fees received by the auditors or persons or entities related to them, and shall issue a report each year, prior to the auditor's report, stating an opinion on whether the independence of the auditors has been compromised. The report must contain a motivated assessment of provision of each and every additional service, considered individually and together, other than statutory legal services, and in relation to the regime of independence or to the regulations governing the auditing of accounts.

At its meetings on 27 February and 25 July 2018, the Audit Committee received from the external auditors, PricewaterhouseCoopers Auditores, S.L., written confirmation of the independence with which they had acted in the audit of the yearly and half-yearly financial statements, respectively.

Moreover, at its meeting on 30 October 2018 the Audit Committee authorised the external auditor to provide services entailing independent limited verification of information related to the Company's corporate social responsibility, having ascertained that the provision of such services did not jeopardise its independence.

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

The Investor Relations Department, a division of the Finance Department, provides institutional investors and financial analysts with all possible information on the Company's performance, periodic results and strategy. The management of information by the department of Investor Relations is carried out with the utmost respect for the principles of transparency and non-discrimination, and always in the strictest compliance with regulations relating to the securities markets and the policy for communicating with shareholders, analysts, institutional investors and proxy advisors.

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

In 2018 the Company did not hire the services of investment banks or rating agencies.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes No

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousands euros)	44	0	44
Amount invoiced for non-audit services / Amount for audit work (%)	14.47%	0.00%	7.72%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations:

Yes No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by current audit firm/Number of years the company or group has been audited (%)	35.29%	35.29%

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes No

Explanation of procedure.

Board of Directors meetings are generally called at least six days in advance of the date on which they are scheduled to be held. The call notice includes the agenda of the Board of Directors meeting and the relevant documentation and information concerning the items on the agenda.

In accordance with Articles 13.2.c) and 16.2 of the Board of Directors Regulations, the Chairman of the Board of Directors, assisted by the Secretary, ensures that the Directors receive, with sufficient notice and in the appropriate format, the information necessary to discuss the matters included in the agenda of the corresponding meetings.

Furthermore, under Article 24 of the Board of Directors Regulations, Directors shall have the powers to obtain information on any aspect of the Company and its group, and shall be granted 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 of Directors 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.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes No

Explain the rules.

Article 28 of the Board of Directors' Regulations stipulates that, amongst their duties to inform, 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. More specifically, this article establishes that they must disclose any legal, administrative or other types of claims affecting them the importance of which could seriously affect the Company's image.

In addition, Articles 38.2 of the Articles of Association and 20.4 of the Board of Directors Regulations stipulate that Directors must resign when their continuation in office could jeopardise the Company's interests.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes No

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Company has not formalised significant agreements with the characteristics described.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or Golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	5
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Type of beneficiary.

The Chairman, in connection with his executive duties, the CEO and three (3) senior management members.

Description of agreement.

1. Executive Directors.

There are no such clauses which include benefits for executive Directors, except for the Chairman and the CEO. With regard to the Chairman, qualified as an Executive Director, at BME's Extraordinary General Shareholders' Meeting held on 5 June 2006 the following resolution was adopted:

"The General Shareholders' Meeting agrees that, in the event of the Chairman of the Board of Directors being removed from his post, he shall be entitled to receive an amount equivalent to three times his annual fixed compensation established by the Shareholders' Meeting at the time of this event. Payment of this amount implies a non-competition duty binding the Chairman for three years with respect to companies other than the BME Group pursuing identical or similar corporate purposes or activities. In the event the Chairman fails to comply with this obligation, he shall be obliged to return the amount received. The Chairman shall not be paid the amount mentioned above if he voluntarily leaves the post, fails to fulfil his duties or any of the cases needed for Bolsas y Mercados Españoles to be able to take corporate action against him for liability concur." (...)

The terms of this resolution by the Extraordinary General Shareholders' Meeting have been listed in the provision of services contract between BME and Mr. Antonio J. Zoido Martínez, dated 29 June 2007, subsequent to a report by the Appointments and Remuneration Committee and approval by the Board of Directors.

The Directors' Remuneration Policy contains, among other issues, the main conditions of the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako whereby, in the event of departure, revocation of his powers or authorisation, or termination of the contract at his behest on the basis of non-compliance with the obligations undertaken by the Company, the CEO shall be entitled: "To receive the greater of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Workers' Statute at that time for any dismissal considered unfair.

If termination results from a failure to fulfil his duties as CEO of the Company duly declared by a court and/or any of the cases needed for BME to be able to take corporate action against him for liability concur, neither resumption of the employment relationship nor payment of the aforementioned amount shall occur."

This condition was set out in the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, which was approved unanimously by the Board of Directors, with no involvement by Mr. Hernani Burzako, on 27 April 2017, at the behest of the Appointments and Remuneration Committee.

2. Senior management.

With respect to senior management, one (1) member of senior management has signed a senior management contract entitling the senior executive to receive compensation in the event of dismissal equivalent to twenty-two (22) months of the gross annual salary, unless employment law stipulates higher compensation. In addition, two (2) member of senior management are under ordinary employment contracts and are entitled to severance compensation equivalent to forty-five (45) days' salary per year of service.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses		
	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		NO

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE.

Name	Post	Category
Ana Isabel Fernández Álvarez	Chairman	Independent
Juan March Juan	Member	Proprietary
Isabel Martín Castellá	Member	Independent
% of proprietary directors		33.33%
% of independent directors		66.67%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit Committee is regulated by Articles 35 of the Articles of Association and 19 of the Board of Directors Regulations.

Organisation and operation

- The Audit Committee shall comprise a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed and removed by the Board of Directors. All the Committee members must be non-executive Directors, and a majority must qualify as independent Director.

The Audit Committee currently comprises three (3) 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 its independent Directors and must be replaced every four (4) years. The Chairman may be re-elected one year after completing his term.

In the event of the absence or temporary unavailability of the Chairman, his place shall be taken by the independent Director Committee member designated for that 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 member chosen by lot.

- The Secretary of the Committee shall be appointed by the Board of Directors from among its 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 (2) 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 third-party experts and the attendance at its meetings of Company and Group company executives.
- The Audit Committee must report to the Board of Directors on its activities in the course of each year, and the Secretary shall send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences

At 31 December 2018, the Audit Committee had been assigned the duties established in Article 529 quaterdecies of the Corporate Enterprises Act, as well as the following additional competences:

- To supervise the Group's regulatory compliance function, under the authority of the Audit Committee.
- Supervision of the effectiveness of risk control systems includes supervision of tax risks.
- To be informed of the fiscal policies applied by the Company.
- To analyse information on structural and corporate changes the Company plans to carry out and report on the economic conditions thereof and their accounting impact.

- To ensure compliance with the Internal Code of Conduct by members of the management body of BME and of companies in its Group and members of BME's senior management, following the amendment to the Code which came into force on 1 January 2018.

Action taken in 2018

The Audit Committee held eleven (11) meetings in 2018, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed

Name of directors with experience	Ana Isabel Fernández Álvarez Isabel Martín Castellá
Date of appointment of the chairperson	26/04/2018

APPOINTMENTS AND REMUNERATION COMMITTEE.

Name	Post	Category
David María Jiménez-Blanco Carrillo de Albornoz	Chairman	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
Juan Carlos Ureta Domingo	Member	Independent
Santos Martínez-Conde y Guitierrez-Barquín	Member	Proprietary
% of proprietary directors		25.00%
% of independent directors		75.00%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Remuneration Committee is regulated by Article 36 of the Articles of Association and Article 20 of Board of Directors Regulations.

Organisation and operation

- The Appointments and Remuneration Committee shall comprise at least three (3) and at most five (5) Directors, appointed by the Board of Directors from among its non-executive members, of which at least two (2) must be independent Directors.

The members of this Committee shall remain in office for as long as they continue to be Company Directors, unless the Board of Directors resolves to remove them. Currently the Appointments and Remuneration Committee comprises four (4) members pursuant to the resolution adopted by the Board of Directors at its meeting on 27 February 2014.

- The Chairman shall be appointed by the Board of Directors from among its independent Directors.
- The Board of Directors shall also appoint a Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its 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 (2) members.
- There shall be 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. In the event of a tie, 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.

Competences

The Appointments and Remuneration Committee has been assigned the duties established in Article 529 quidecies of the Corporate Enterprises Act, as well as the following additional competences:

- To report on 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 proposed to sit on any of the Board Committees, as well as, where applicable, to hold any posts thereon.
- To report on compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment and removal of the Deputy Secretaries of the Board.
- To verify compliance with the Company's remuneration policy.
- To verify information on remuneration received by Company Directors and senior executives contained in corporate documents.
- To ensure the independence of the external advice provided for the Committee.
- To supervise, at the request of the Board of Directors, compliance with the rules of corporate governance.

Action taken in 2018

Throughout 2018, the Appointments and Remuneration Committee held twelve (12) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE.

Name	Post	Category
Joan Hortalá i Arau	Chairman	Executive
Juan March Juan	Member	Proprietary
Juan Carlos Ureta Domingo	Member	Independent
% of executive directors		33.33%
% of proprietary directors		33.33%
% of independent directors		33.33%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Markets and Systems Operating Procedures Committee is regulated by Article 37 of the Articles of Association and Article 21 of Board of Directors Regulations, respectively, as well as by the Regulations for the Markets and Systems Operating Procedures Committee. The articles of the Board's Regulations and the Regulations of the Markets and Systems Operating Procedures Committee were amended following the introduction of the new Internal Code of Conduct on 1 January 2018.

Organisation and operation

- The Markets and Systems Operating Procedures Committee shall consist of a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed, re-elected or removed by the Board of Directors Consejo de Administración.

By virtue of the agreement adopted by the Board of Directors at its meeting on 29 November 2007, the number of members of the Markets and Systems Operating Procedures Committee was established as four (4).

The Markets and Systems Operating Procedures Committee currently has three (3) members, with one (1) vacancy.

- The Board of Directors shall appoint the Chairman of the Markets and Systems Operating Procedures Committee from among its members.
- The Board of Directors shall appoint a Committee Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its Deputy Secretaries, as well as by a member of the Company's legal advisory services. In these cases, the Secretary may speak at meetings but not vote.
- The Markets and Systems Operating Procedures Committee shall meet at least once a month, and whenever it is convened by the Chairman, and there shall be quorum when a majority of Committee members are present or represented by proxy.
- Resolutions must 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 Chairperson shall have the casting vote.
- The Markets and Systems Operating Procedures Committee must report to the Board of Directors on its activities, and to this end the Secretary must send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences

At 31 December 2018 the Markets and Systems Operating Procedures Committee had the following responsibilities, as directed in the Committee's own Regulations:

- Analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.
- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions 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 interpret the Internal Code of Conduct of the Company and its Group so that it may approve the instructions or implementing regulations and report on any amendment to said Code that are submitted to the Company's Board of Directors for approval.
- Any other general or specific tasks commissioned by the Board.

The Markets and Systems Operating Procedures Committee shall report to the Board of Directors on the performance of its tasks, send the Board of Directors copy of the minutes of its meetings, and draft any reports or proposals on them that may be requested by the Board of Directors.

Action taken in 2018

Throughout 2018, the Markets and Systems Operating Procedures Committee held eleven (11) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2018, which shall be made available in the section of information for shareholders and investors on the Company's corporate website www.bolsasymercados.es.

EXECUTIVE COMMITTEE.

Name	Position	Category
Antonio J. Zoido Martínez	Chairman	Executive
Ana Isabel Fernández Álvarez	Member	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
David María Jiménez-Blanco Carrillo de Albornoz	Member	Independent
Santos Martínez-Conde y Guitierrez-Barquín	Member	Proprietary
% of executive directors		20.00%
% of proprietary directors		20.00%
% of independent directors		60.00%
% of external directors		0.00%

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Executive Committee is regulated by Article 34 of the Articles of Association and Article 18 of the Board of Directors Regulations.

Organisation and operation

- The Executive Committee shall consist of at least three (3) and not more than seven (7) Directors designated by the Board of Directors. The Company shall endeavour to ensure that the size and composition of the Executive Committee comply with efficiency criteria and the Board of Directors' basic guidelines on composition.

At its meeting after the Ordinary General Shareholders' Meeting of 30 April 2014, the Board of Directors established the number of members of the Executive Committee as five (5).

- The Chairman and Secretary of the Executive Board shall be the same as for the Board of Directors with the substitution regime stated for the Board of Directors, whereby the Chairman shall be substituted by one of the Vice-Chairmen in descending order if the office is vacant or the Chairman is absent, unable to attend or falls sick. Likewise, the Secretary shall be substituted by the Deputy Secretary of the Board of Directors and in the event of there being various Deputies, the longest standing one or 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. In the event of a tie, the Chairman shall have the casting vote.
- The Executive Committee shall meet at the behest of its Chairman, provided this has been requested by at least two (2) of its members.
- At each meeting of the Board of Directors, the Executive Committee shall report on the issues discussed and resolutions adopted at the meetings it has held since the previous Board meeting, so that the Secretary can send a copy of the minutes of the Committee's meetings to its members.

Competences

The Executive Committee shall have the following competences:

- a) Continuous monitoring and supervision of the day-to-day management of the Company, also ensuring that there is adequate coordination between the 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) Supervising the strategy for communications and relations with investors and shareholders.
- d) Supervising implementation of the Company's corporate social responsibility policy and monitoring the strategy and practices of corporate social responsibility
- e) Assessing matters related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks, and coordinating the process of reporting non-financial information.
- f) 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 economic rationale.
 - Cooperation agreements with other companies the size or nature of which make them significant for the Company.
 - Financial operations of particular economic importance for the Company.
 - Assessment of the Company's achievement of its objectives.

g) Adopting resolutions relating to the acquisition or disposal of the Company's treasury shares, if and as authorised at the General Shareholders' Meeting and the general policy regarding treasury shares established by the Board of Directors.

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

Notwithstanding the foregoing, at a meeting on 20 July 2016 the Executive Committee agreed to focus its meetings on the analysis of strategic issues or any other issues it sees fit to discuss.

Action taken in 2018

In the course of 2018 the Executive Committee held one (1) meeting, and took the action stipulated in the report approved by the Board of Directors on its competences in 2018, which shall be provided in the section of information for shareholders and investors on the Company's corporate website, www.bolsasymercados.es.

Remarks.

Luis María Cazorla Prieto is Secretary (non Member) of all the Committees.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	FY 2018		FY 2017		FY 2016		FY 2015	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	2	66.67%	1	33.33%	1	33.33%	1	33.33%
Appointments and Remuneration Committee		0.00%		0.00%		0.00%		0.00%
Market and Systems Operating Procedures Committee		0.00%		0.00%		0.00%		0.00%
Executive Committee	1	20.00%	1	20.00%	1	20.00%	1	25.00%

Remarks.

At 31 December 2018, 2017 and 2016 the Executive Committee had five (5) members, whereas at 31 December 2015 it had four (4) members.

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The operation of the Board Committees is governed by the Board of Directors Regulations.

The Markets and Systems Operating Procedures Committee also has its own Regulations on organisation and functioning, Articles 7 and 10 of which were amended following a resolution by the Board of Directors on 31 January 2018 to adapt the competences of the Markets and Systems Operating Procedures Committee to the Internal Code of Conduct in terms of its interpretation and monitoring, following its entry into force on 1 January 2018.

As mentioned above, in accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, the Committees prepare a report on their responsibilities, which is sent to the Board of Directors so that their activities can be assessed.

The Regulations of the Board of Directors and of the Markets and Systems Operating Procedures Committee, and the activity reports of the Board's Committees from each financial year, may be found in the "Shareholders and Investors" section of the corporate website, www.bolsasymercados.es.

D. Related-party and intragroup transactions

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Procedure to notify approval of related-party transactions.

Article 7.4 d) of the Board of Directors Regulations establishes that the Board of Directors, acting in full and through its Committees, shall approve the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interest, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto. The transactions that simultaneously meet the following three characteristics are excluded from the aforementioned approval:

- they are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- they are performed at prices or rates established on a general basis by the person supplying the goods or services; and
- the amount does not exceed 1% of the Company's annual revenue

Section I) of Article 19.2 of the Board of Directors Regulations also states that the Audit Committee shall report on the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interests, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto.

Moreover, given the market/systems activities carried on by the Group companies, Article 29 of the Board of Directors Regulations establishes that trades, transactions or actions undertaken by Directors and significant shareholders and 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.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

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

The general duties of diligences and loyalty, which include the duty to avoid conflicts of interest are regulated by Articles 25, 26 and 27 of the Board of Directors Regulations, under the same terms as established in the current legislation.

Directors must abstain from participating in the deliberations and voting on resolutions and decisions in which the Director or a related person has a direct or indirect conflict of interests. This obligation to abstain shall not include resolutions or decisions that affect their status as Director, such as their appointment or removal for positions on the Board of Directors or other similar decisions.

Proprietary Directors must not participate in votes on matters in which the shareholders who proposed their appointment and the Company have a direct or indirect conflict of interests. For these purposes, Directors shall notify the other Directors and, where applicable, the Board of Directors of any situation that may entail a direct or indirect conflict of interests between them or any persons related thereto and the Company.

Directors of the Company must also notify the Audit Committee before accepting any Directorship or management position in another company or entity.

Moreover, transactions, operations or actions undertaken by Directors and/or their related parties in their activities in 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.

The above is understood as notwithstanding the fact that members of the Company's Board of Directors are also affected by the obligations established in this respect by the Internal Code of Conduct, described below.

2.- Conflicts of interest between the Company and its Group and employees.

The Internal Code of Conduct applies to all employees of BME and of its Group companies and to the rest of persons who provide services or engage in a professional relationship with BME or its Group companies, known as "the persons concerned". Rules 9, 10 and 11 of Title IV of the Internal Code of Conduct address regulation of conflicts of interest.

The parties concerned must act with all due impartiality, and must not put their own interests before those of BME and the companies in its Group and of shareholders, and must 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.

Where applicable, the persons concerned must inform the relevant control body of any conflicts of interest that may affect them or their related parties.

The persons concerned must update any information on their potential conflicts of interest, for which purpose they must notify any cessation or alteration of any situation of conflict or the emergence of any new situation. Notice must be given within five (5) days of the person concerned becoming aware that a conflict of interest has arisen and in any event before the adoption of any decision or action affected by the conflict.

If the persons concerned have any doubts as to the existence of a conflict of interest, they must consult the relevant control body before adopting any decision or course of action that might be affected by the potential conflict.

If the persons concerned are affected by a conflict of interest, they must refrain from intervening in or influencing discussions and decisions concerning the persons or entities to which the direct interest in conflict refers, and must 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 shall apply generally to all investors, market members or companies with securities admitted to trading.

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

Article 21.2.b) of the Board of Directors Regulations and Article 7.1b) of the Markets and Systems Operating Procedures Committee Regulations stipulate that this Committee must oversee 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 shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.

In this regard, Article 29 of the Board of Directors Regulations stipulates that transactions, operations or actions undertaken by significant shareholders and their related parties on the markets and systems managed by Group companies shall require prior authorisation by the entire Board, unless they form part of the ordinary course of business of the parties involved and are carried out in normal conditions or in recurring market conditions, without prejudice to compliance with any regulations applicable to transactions with related parties.

D.7 Is there more than one company in the group listed in Spain?:

Yes No

Identify the other companies that are listed in Spain and their relationship to the company:

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group.

Identify the measures taken to resolve possible conflicts of interest between the listed subsidiary and the other group companies:

E. Risk management and control systems

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The inherent risks of the activity carried out by BME Group companies are managed with criteria which allow 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 companies operate and abide by EU law, the Securities Market Act and its implementing provisions.

BME is directly or indirectly the sole shareholder of companies operating in securities registration, clearing and settlement systems, central counterparties, official secondary markets in Spain and multilateral trading systems, and, as such, is responsible for the unity of action, decision and strategic coordination of these companies.

The implementation of the risk control and management policy, defined by the Board of Directors and administered by the Management Committee, falls to the Continuity and Risk Committee in its capacity as the body responsible for monitoring and analysing the risks arising from the various activities carried on by Group companies within a framework of coordinated management through Business Units and Corporate Areas. The Continuity and Risk Committee also draws up the corporate Risk Map, which is maintained by the parties in charge of managing the risks identified, and by the Chief Risk Officer.

The Continuity and Risk Committee has constructed an Integrated Risk Management System (IRMS) following the methodological framework specified in the COSO II report. According to the nature of each specific risk, the following lines of action are carried on in parallel:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.

- Corporate risks (strategic, financial, regulatory, technology, human resources and non-financial) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Maintenance of the corporate Risk Map requires that each risk officer regularly update the information on each identified global risk needed for management and control; new events and controls are identified and action plans are rearranged as necessary.

The Continuity and Risk Committee regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Regulatory Compliance, IT Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans to the Executive Committee.

The BME Group's **risk control system** applicable in 2018 was drawn up in accordance with international standards. Its functioning is governed by the following aspects:

1. BME Group companies that manage securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems are governed by European Union law and the Securities Market Act and its implementing provisions.
2. In accordance with this legal framework, BME's financial statements and those of most of its Group companies are verified by an external auditor. Likewise, as required by the laws and regulations governing all markets, multilateral trading systems, central counterparties, and registration, clearing and settlement systems, the external auditors must review the internal control systems and assess the appropriateness thereof.
3. A Continuity and Risk Committee, which reports to the Management Committee, comprising senior managers from the various corporate areas in charge of monitoring and analysing the risks arising from the various activities carried on by the companies in the BME Group in the framework of management coordinated through Business Units and Corporate Areas, as well as logical security and physical safety risks. Meetings of this Committee are attended by: BME's Chief Risk Officer, the Risk Officers identified in each Business Unit and Corporate Area, and the Heads of Regulatory Compliance, Internal Audit and Logical Security, who may speak but cannot vote.

4. The Company has an Internal Audit Department, as an independent body of the Company's executive line, reporting 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.
5. The Company also has a Regulatory Compliance Department that operates independently from the Company's executive officers and bodies, reporting to the Audit Committee. Its role is to ensure compliance with the laws and regulations applicable to Group activities and to support the Audit Committee in supervising related regulatory compliance risk.
6. In order to establish common control systems there are regulations governing the different business units and corporate areas which regulate basic matters including:
 - a. Financial and accounting matters. The financial reporting process is subject to an internal control system (ICFR) which has been reviewed and documented in accordance with BME's IRMS methodology. This enables it to comply with the new regulatory requirements aimed at improving the transparency of listed companies' reports to the market. These include, inter alia:
 - i. A Procedures Manual for subprocesses containing a description of the operations, identification of the main risks and controls in place to mitigate them, valuation rules and accounting recognition criteria for the activities and transactions that could have a material impact on financial reporting.
 - ii. Corporate Accounting Plan.
 - iii. Annual calendar for financial and accounting information.
 - b. Information to markets:
 - i. Policies on the collection, treatment and disclosure of information to the markets.
 - ii. Procedure for drawing up and sending periodical information to Supervisory Bodies.
 - c. IT Security. This area constantly strives to meet the most demanding standards and the sector's best practices. To this end it has:
 - i. An Information Security Management System ("SGSI") in accordance with ISO/IEC 27001, which includes policies, procedures and organisational structures to ensure that the BME Group's assets are efficiently and suitably protected.
 - ii. A Comprehensive Security Policy applicable to each and every company belonging to the BME Group, in which security applies to protection against any type of risk that could jeopardise the interests of BME, as well as the people, processes, information, facilities etc. under their responsibility as set out in the Logical Security Policy, the Business Continuity Policy and the Physical Safety Policy.
 - iii. A Policy on Handling Sensitive Information in order to establish a criterion for classifying and handling documents according to the level of confidentiality in order to reduce the risk of unauthorised access to sensitive information belonging to the BME Group.

- d. Project Management Office. The Project Management Office defines and maintains the standards for managing the projects of the BME Group, following best practices in project management and the strategy defined for the organisation. This Office is responsible for centralising the information and status of all Group projects and regularly reporting to the project managers, the heads of the different departments and the management of BME regarding the status of the projects and the progress, risks or changes identified in the different monitoring tasks.
7. A Security Committee, reporting to the Finance Director, in charge of defining and applying the BME Group's Security Policy on information security, through the Head of Logical Security, who is responsible for implementing, operating and maintaining the SGSI in accordance with the guidelines issued by the Security Committee, and on IT systems, through the Head of Physical Safety, who is in charge of safeguarding the physical infrastructures.
8. The Company is a member of CECON ("Consortio Español de Continuidad de Negocio", the Spanish business continuity consortium), together with the leading players in the financial services industry (regulatory bodies and commercial entities). It was created to contribute to financial stability by improving awareness concerning business continuity and disseminating the best practices applicable. CECON initiatives include the creation of the 'CONTINUAM' Business Continuity Institute. The Company, through BME Inntech, is a founding partner of the institute, together with AENOR and leading players in the financial sector. The mission of CONTINUAM is to create, disseminate and promote a holistic business continuity culture at all levels of society, with the help of leaders from the various sectors.
9. The Company has an Internal Code of Conduct which applies to all members of the Boards of Directors and employees of all Group companies, and establishes their duties in connection with confidentiality and integrity, implemented in relation to insider information with the approval of the Board of Directors of the "Policy for the processing and transfer of insider information", and also allows Group companies to approve special rules of conduct. In these cases, the Internal Code of Conduct shall apply in the absence of such special rules.
10. On 30 September 2010 BME embraced the Code of Best Tax Practices, approved by the Large Businesses Forum on 20 July 2010 and, following up the recommendations of the Code, approved policies and courses of action in relation to tax, which were updated by the Board of Directors at a meeting on 30 July 2015, after the Company's tax strategy had been defined. In 2016 the other Group companies embraced the aforementioned Code of Best Tax Practices, and approved their respective tax policies.
11. At the behest of the Audit Committee, the Board of Directors established a Criminal Risk Prevention System for the BME Group which, among other issues, introduces a Code of Conduct with the main ethical principles and standards of conduct governing the actions of directors, legal representatives, management and employees of BME Group companies, and an Internal Whistleblowing Channel, used by BME employees and management to report any facts which may lead to indications of breaches by other employees or managers of Group policies or procedures or the Code of Conduct, or other actions that could constitute indications of a possible criminal offence.
12. Liquidity management is homogeneous throughout the BME Group, in accordance with the criteria established by the Company's Board of Directors, following a report by the Audit Committee. However, within the scope of these criteria, Group companies may prioritise investment in assets offering higher liquidity as opposed to returns in order to comply with the specific regulations applicable. In this respect, the criteria for investing the Group's liquidity set out the criteria for investing the minimum own funds of BME Clearing, S.A.U. to cover the types defined in Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012, on OTC derivatives, central counterparties and trade repositories, and its implementing provisions.

This specifies the criteria pursuant to which the Company should purchase assets, the term of such operations and authorisation levels. The main objective is to prioritise security and minimise liquidity risk, and this rules out the possibility of carrying out speculative operations.

13. The Company also has a Deficiency Communication Procedure in place regarding deficiencies in risk control and management systems which has been approved by the Audit Committee, whereby personnel from the Company and the Group's companies may anonymously report any irregularities in the aforementioned systems.

In addition to the BME Group's risk control system, which applies to all Group companies, BME Clearing, S.A.U., the central counterparty, has an additional governance system and mechanisms for internal control and managing specific risks in accordance with the provisions of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, and its implementing provisions.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Board of Directors

The Board of Directors is BME's most senior governing and administrative body, in charge of stimulating, directing and supervising matters that are of particular importance to the Company.

The general functions of the Board of Directors, which are set out in Article 7 of the Board of Directors Regulations, include defining the policy for the control and management of risks, including tax risks, and supervising the internal information management and control systems, including those that are tax-related, and internal audit systems.

The Board of Directors is assisted in its functions by the Audit Committee.

Audit Committee

Pursuant to Article 19 of the Board of Directors Regulations, the Audit Committee shall have the following responsibilities, among others:

- To supervise the effectiveness of the Company's internal control and risk control systems, including tax risks, which shall involve the review, at least once a year, of the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported. The Audit Committee is also charged with discussions with the auditors or, as the case may be, experts appointed for that purpose, regarding any significant weaknesses detected in the auditing process, and also with the submission of recommendations or proposals to the Board of Directors.
- To supervise the Company's internal audit services. To this end, the Committee shall monitor the independence and efficiency of internal audit functions, receiving periodical information regarding its activities and ensuring that senior management takes into consideration the conclusions and recommendations of its reports.

The Company has a communication procedure in place regarding deficiencies in the risk control and management systems which are directly supervised by the Audit Committee.

The Audit Committee has set up a Crime Prevention Committee, which is responsible for the prevention of criminal risks, and the implementation and development of and compliance with the BME Group's criminal risk prevention system.

Markets and Systems Operating Procedures Committee

Pursuant to Article 21 of the Board of Directors Regulations, and Article 7 of the Regulations of the Markets and Systems Operating Procedures Committee, the Committee has the following functions, among others:

- To analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.

- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions 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 interpret the Internal Code of Conduct.

Management Committee

The Management Committee, composed of the Chairman, the CEO and the heads of Business Units and Corporate Areas, is the body which carries out the strategic plan approved by the Board of Directors, examines proposals concerning new activities and business opportunities, and carries through the risk control and management policy defined by the Board.

Continuity and Risk Committee

The Company has a Continuity and Risk Committee, which replaced the Risk Committee on 27 February 2018 in order to undertake competences in relation to the BME Group's business continuity and modify its composition.

In relation to risks, the Continuity and Risk Committee works with the Management Committee on execution of the BME Group's risk control and management policy defined by the Board of Directors, pursuant to the provisions of Article 25 of the Articles of Association and Article 7 of Board of Directors Regulations, and administered by the Management Committee, and specifically as follows:

- a) implementing and following the risk assessment model adopted by the Management Committee in pursuance of the risk management policy defined by the Board of Directors.
- b) drawing up the corporate Risk Map, subsequently to be maintained by the various officers responsible for managing identified risks and by the Chief Risk Officer.

- c) receiving information from the Chief Risk Officer on incidents detected in the course of the activities carried out by BME Group companies, and any risks identified that are considered relevant.
- d) reporting to the Management Committee on all matters relevant to the BME Group's risk management policy.
- e) submitting proposals to the Management Committee for action to improve risk monitoring and control procedures.

Regardless of its relationship with the Management Committee, the Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of the action taken in implementing the risk management and control policy defined by the Board. To this end, the Chairman of the Continuity and Risk Committee may also be called to attend meetings of the Audit Committee.

Security Committee

The Security Committee is in charge of establishing the BME Group's Security Policy, covering both logical and physical security.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

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

Operational risks: The risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems, or from external events. Operational risks are classified in terms of their applicability to the BME Group overall, or exclusive identification for one of the business units or corporate areas.

Operational risks affecting all BME business units and corporate areas include:

- Risk of fraud: This is the risk of action taken to avoid a regulation, which may cause damage to a third party or to the Group itself
- IT risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this is considered one of the main risks for the BME group.
- Risk of administrative errors: These arise from erroneous calculations, improper execution, faulty manual operations, or because databases have not been updated. They also include any events arising from errors during billing or monitoring of collections.

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

Liquidity and solvency risk: Defined as the risk that a Group company is unable to meet its payment commitments

Credit or counterparty risk: The risk arising in the event a debtor defaults on its payment commitments, or its credit rating is impaired. This includes, amongst other scenarios, risk of non-payment of bills or charges.

Industry risks: Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, legal and tax environment.

Key business risks: Risks arising from the specific activities carried on by BME Group companies. The following are the main business risks:

- Risks of inadequate functioning of markets: Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.
- Risks in relation to the Securities Settlement System (Iberclear):
 - » Risk of errors in settlement processes: These risks may relate to delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited
 - » Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.
- Counterparty risk associated with BME Clearing: In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk
- Risks in relation to the dissemination of information: These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems.

Other non-financial risks: Environmental risk - possibility of damage being caused to the environment due to the Company's activity - and the risk of corruption and bribery - possibility of non-compliance with ethical standards and regulations normally leading to administrative infringements and even crimes. These risks have been assessed as largely insignificant at the BME Group

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

As mentioned in section E.1, BME, directly or indirectly, is ultimately the sole shareholder of the companies managing securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems.

BME's Group companies are members of the European Association of CCP Clearing Houses (EACH), the European Central Securities Depositories Association (ECSDA) and the Federation of European Securities 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 settlement systems proposed by the Bank for International Settlements (BIS) and the International Organisation of Securities Commissions (IOSCO).

BME Group companies operate specific governance systems and mechanisms for internal control, risk management and ongoing supervision which enable them to design response plans in alignment with specified risk tolerance levels, having regard to applicable laws and regulations and to the recommendations issued by the organisations referred to above (see section E.6).

The Continuity and Risk Committee is responsible for monitoring and analysing all risks arising from the activities performed by Group companies. These tasks are conducted as part of coordinated management through the business units and corporate areas.

The Committee is also responsible for implementing the risk management and control policy laid down by the Board of Directors and overseen by the Management Committee. In particular, implementation and monitoring of the risk assessment model adopted by the Management Committee. It must also take account of the level of risk tolerance.

The Group has a model based on the most advanced standards (Basel, BIS) which calculates, for each of the Group's main activities and sources of counterparty risk, estimated contingent losses in extreme but realistic worst-case scenarios in the event of adverse changes to exposures to various risks. The expected loss model is an internal probabilistic model calibrated at the 99% confidence level for reasonable timeframes that provide a good fit with each activity segment. Some Group companies, however, use a higher confidence interval in compliance with the regulations specifically applicable to their activities. The model is also supplemented by stress tests (extreme worst-case scenarios) to gain an insight into how risk exposures might behave in extreme and improbable situations.

E.5 State which risks, including tax compliance risks, have materialised during the year:

Of the risks covered by the system, as mentioned in E.3 above, IT risk is particularly noteworthy as part of operational risks.

The systems supporting BME Group companies' activities undergo continuous review and adaptation in response to regulatory changes and the implementation of IT recommendations and best practices as they emerge. Given their connections to public and private entities, the systems are subject to functional modifications and improvements that require changes and new versions.

The incidents related to this risk that have occurred have been managed by prioritising recovery of service, with sufficient internal and external reporting.

Resolving such incidents has entailed the implementation of improvements in the control systems and reporting to the Markets and Systems Operating Procedures Committee, the Continuity and Risk Committee and, where appropriate, to the CNMV.

None of the other main risks materialised to any significant extent (see section E.6).

Finally, there was no significant impact on the company's results or its capacity to generate value, and response systems performed satisfactorily.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

IT risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this operational risk is considered critical for the BME Group.

This risk is managed and controlled by the BME Technology Corporate Area. The Area has IT engineers specialising in each of the systems supporting BME's activities.

The systems supporting activities engaged in by BME companies are duplicated in order to eliminate single failure points. Critical infrastructure and equipment are duplicated in the alternative back-up centre at a different location to the main DPC. For most of the critical systems, all data stored by the central system are backed up simultaneously in real time at the alternative back-up centres. In trading applications, replication is based on an asynchronous parallel trade processing solution in the contingent liability systems located in the alternative back-up centre. Back-up copies of all processes are kept. As with the primary DPC, the alternative centre is equipped with all the technical means required to resume the Company's activity in the event of a disruption of the primary centre.

The communications network providing access points for participants provides dual connections to the primary DPC and the back-up centre, with diversification of suppliers. Procedures and agreements are in place with the main communications suppliers to ensure lines from the primary DPC to the back-up centre can be switched transparently for the entities.

The Production and Systems Departments are responsible for monitoring any error messages, alerts or flags in any application, communication system, network, database or system. An internal server monitoring system is in place which reviews a series of parameters by default. The system can be configured so that updates and alert messages are triggered in certain circumstances involving usage of disk space, memory and processing power.

The Production and Systems Departments have documented incident response procedures in place. The various system performances are monitored daily. Data obtained from this monitoring are automatically processed to prepare statistics and reports that are available to authorised users on the intranet. All procedures are documented and available on the Group intranet.

Risks of inadequate functioning of markets: Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.

BME has a number of controls to supervise trading processes, including, among others, the following: automatic contrasts and validations of information, automatic checking of securities and prices (including multiple verifications and checks on securities) and monitoring of the proper functioning of systems and applications. The market quality department also has its own controls to contrast with the supervision department, and it sets up matches between the various sources of contrast information.

Risks in relation to the Securities Settlement System (Iberclear):

- *Risk of errors in settlement processes: These risks may relate to errors or delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited.*

The procedure for reception and inspection of information received by Iberclear has a control list (checklist) and a double-checking system by both the legal department and the primary department. Time schedules are also established for the reception of information which, on a regular basis and with sufficient notice, is requested from the companies concerned to ensure it is received in time.

In relation to the possibility of errors arising in calculation of prices, the company has an automatic process which conducts a weekly examination of the prices applied to each of the services.

- *Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.*

Iberclear has a number of automatic reconciliation processes which are monitored by system users, and dynamically reconcile data between the two platforms, detecting any possible discrepancies in sufficient time to ensure the processes operate properly.

Counterparty risk associated with BME Clearing: In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk.

As a central counterparty, BME Clearing manages its business risks independently in accordance with BME's IRMS.

Therefore, under the EMIR rules applicable, it has a risk management framework comprising risk management policies, procedures, and systems that enable it to identify, measure and control any risks to which it is or may be exposed. In addition, a consultative Risk Committee advises the Company's Board on all measures that might affect the central counterparty's risk management.

The central counterparty's risk management framework encompasses, inter alia: margin requirements and how margins are to be enforced; topping up the default fund in the event of defaults; review of the models employed, stress tests, back testing, control of liquidity risk and the procedure to be followed in the event of default.

All risks are first identified by the Risk Committee, which periodically reviews risk management issues related with day-to-day operations, specifically the level of compliance with risk management criteria, models and parameters.

The risk management system used by BME Clearing, in accordance with the laws and regulations referred to above, focuses on monitoring and measuring exposures to participants by measuring credit, market and concentration risks in real time, using applications for managing the issues involved and sending alerts to participants.

Risks in relation to the dissemination of information: These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems

BME has a system to monitor activity in the different systems, supervising data transmission and reception processes, monitoring proper access of users, number of messages and latencies of each product. Alarms are also in place to detect any potential errors, in almost real-time mode.

Industry risks: Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, legal and tax environment.

Group companies manage securities registration, clearing and settlement systems, central counterparties and multilateral trading systems. These activities are regulated by legislation passed by the European Parliament and Council, and by the Spanish Securities Market Act and its implementing provisions.

BME operates a Regulatory Compliance Department to check that Group companies' processes are compliant with applicable laws and regulations and to help monitor regulatory changes that might affect the Group's activities. At a meeting on 27 July 2017, the Audit Committee approved the Regulatory Compliance function's Statute, which was amended following a resolution by the Audit Committee on 25 July 2018, in order to define the mission and objectives of the Regulatory Compliance function and establish its area of jurisdiction and

scope, its general principles, its organisation, as well as the powers and work methodology of the Regulatory Compliance Department.

Furthermore, in accordance with specifically applicable regulations, BME Clearing has a Regulatory Compliance Verification Unit tasked with supporting BME Clearing and its Board of Directors in meeting its objectives by implementing regulatory compliance control procedures which help provide services that are responsible and compliant with EMIR rules and Delegated Regulation (EU) No 153/2013.

As already mentioned above in section E1 of this report, as BME undertook the Code of Best Tax Practices, at a meeting on 27 February 2018 the Audit Committee took due note of the tax policies applied by the Company in 2017, which were set out by the Finance Director before the financial statements were drawn up. Subsequently, at a meeting on 17 July 2018 the Audit Committee was informed by the Finance Director of the tax policies applied by the Company for the filing of the 2017 Income Tax return.

The Board, through the Audit Committee, is responsible for ensuring that the BME Group's internal control and risk management systems, including tax risk, are efficient, as set out in Article 19 of Board of Directors Regulations, which, among other matters, stipulates that the Audit Committee shall be authorised to "*supervise the efficiency of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process.*"

The Board of Directors determined the Company's tax strategy, in accordance with the provisions of Article 529 ter of the Corporate Enterprises Act, and subsequently, at a meeting on 30 July 2015, it updated the tax policies applicable to BME, which set out the principles of tax strategy and had been approved since it embraced the Code of Best Tax Practices.



The Audit Committee is supported in its role of supervising the IRMS by the BME Group's Internal Audit Department. Thus, the regulations for the BME Group Internal Audit Service state that, amongst its functions, the Internal Audit department shall: *"... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Continuity and Risk Committee, on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems"*.

F. Internal risk management and control systems related to the process of publishing financial information (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

As stipulated in Article 25 of the Articles of Association and Article 7 of the Board of Directors Regulations, the Board of Directors is the Company's most senior governing and administrative body, and shall undertake, among other responsibilities, supervision of the transparency and veracity of Company information in its relations with shareholders and with the markets in general, identification of the principal risks affecting the Company, including tax risks, and supervision of internal control systems. The BME Group has defined an Integrated Risk Management System (IRMS), into which it incorporated the Internal Control over Financial Reporting (ICFR) system, after this had been approved by the Continuity and Risk Committee.

As stipulated in Article 7 of the Board of Directors' Regulations, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team. In line with this delegation of management to senior management, the BME Group's finance department is responsible for the design, introduction and functioning of the ICFR.

The Board of Directors, through the Audit Committee, is the body responsible for ensuring the effectiveness of the Company's internal control and the BME Group's risk management systems, including tax risks, which includes supervising the IRMS, including the ICFR, as per Article 19.2.e) of

the Board of Directors' Regulations. This article, among other issues, stipulates the Audit Committee shall be authorised to "supervise the effectiveness of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process."

The Internal Audit Department of the BME Group plays a key role in carrying out the functions delegated to it by the Audit Committee with regard to monitoring IRMS and, particularly, ICFR. Thus, the regulations for the BME Group Internal Audit Service state that, among its functions, the Internal Audit department shall: "... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Risk Committee (now the Continuity and Risk Committee), on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems with respect to the achievement of goals related to:

- *Effectiveness and efficiency of resources and operations.*
- *Reliability of financial and operational information; and*
- *Compliance with applicable laws and other regulations".*

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review corporate structure; (ii) clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The BME Group is a group of companies under coordinated management divided into six Business Units (Equities, Derivatives, Clearing, Fixed Income, Settlement and Registration, Information & Added-Value Services) and seven Corporate Areas (Human Resources, Technology, Finance, Corporate Communication, International Relations, General Secretariat and Legal Consultancy).

By virtue of the provisions of Article 7.4 of Board of Directors Regulations, the Board of Directors is responsible for approving the financial information that must periodically be disclosed because it is a listed company, and the process of drawing up and presenting this information is supervised by the Audit Committee, as stipulated in Article 19.2 of the aforementioned Regulations.

As noted above, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team, focusing its activity on the general responsibility of stimulating, directing and supervising matters of particular significance for the Company, undertaking, among other duties, to stimulate and supervise senior management, establishing the basis of the corporate organisation in order to ensure maximum efficiency.

To this end the BME Group has various procedure manuals which clearly establish the allocation of tasks and levels of responsibility and authority in the preparation of financial information. These manuals have been distributed to all employees involved in preparing relevant financial information, including all companies of the Group. With this framework, the BME Group endeavours to guarantee, amongst other aspects, that the established organisational structure offers a consistent ICFR model.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

The Company has a Code of Conduct in place for the BME Group and an Internal Code of Conduct, approved by the Board.

The BME Group Code of Conduct was approved by the Board of Directors on 29 November 2012 as part of the system for the prevention of criminal risks, and comprises the ethical principles and conduct with which all BME Group directors, legal representatives, managers and employees must comply. The Code of Conduct lays down the general guidelines for conduct of all those affected by the Code and describes the guidelines for conduct in specific situations, including the fulfilment of accounting and tax obligations and compliance with internal controls in this regard.

In addition to the BME Group Code of Conduct, the Internal Code of Conduct, the latest version of which was approved by the Board of Directors on 29 November 2017 and which came into force on 1 January 2018, defines the principles and framework of action which must be observed by the employees of the Company and its Group with respect to the securities market. Employees have permanent access to the Code of Conduct and the Internal Code of Conduct in internal regulations and on the Group's intranet in the Online Human Resources section under "Code of Conduct", where they are requested to acknowledge that they have read them.

The main points covered in the Code are as follows:

- Scope
- Interpretative and supervisory bodies.
- Rules of conduct.
- Conflicts of interest.
- Conclusions of transactions.
- Inside information.
- Treasury shares.
- Breach.

The BME Group also has a *Declaration of Ethical Values for the preparation of financial information*, approved by the current Continuity and Risk Committee at a meeting on 13 February 2012, and applicable to all BME Group employees.

The declaration of ethical values establishes the rules of conduct to which all employees must adhere and the ethical principles related to the preparation of financial information, on the following principles:

"(...)

- *Independence: employees shall adopt a permanent attitude of objectivity and independence in the performance of their various activities within the Group, not only observing all applicable guidelines but also preventing situations in which, due to a possible conflict of interests or any other circumstance, impartiality and objectivity could be affected.*

- *Completeness: employees shall demonstrate honesty and rigour when carrying out tasks concerning the preparation of financial information and shall not be influenced by external factors which may affect their professional judgment, and shall ensure that the criterion is maintained at all times and that the information is treated impartially and comprehensively.*
- *Responsibility: employees shall use their technical and professional skills when handling and preparing financial information. They shall be responsible for receiving the necessary training in order to carry out their duties to the best of their ability.*
- *Likewise, they shall be subject to applicable legislation regarding financial reporting and shall respect the procedures established internally. They shall record transactions accurately and maintain the same criteria for all files and records required.*
- *Professionalism and dedication: employees shall comply with the professional standards, laws and the rules and regulations applicable to each case and avoid any situation which might jeopardise the prestige of the Group or its professionals.*
- *Likewise, they shall endeavour to do not only what is lawful, but also what is right and proper.*
- *Confidentiality: employees are bound by professional secrecy and strict confidentiality when handling financial information to which they are privy in the course of their work.*

(...)"

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**
- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

Article 19.2.c) of Board of Directors Regulations outlines, inter alia, the responsibilities delegated to the Audit Committee concerning the establishment and supervision of: *"(...) the instruments to enable Company personnel to anonymously report any irregularities in the internal control and risk management systems. (...)"*

In accordance with the abovementioned article, at a meeting on 25 January 2007, with prior approval by the Audit Committee, the Board approved the procedure for notifying deficiencies in the internal control and risk management systems, which is available to all employees on the Group's intranet.

This procedure for notifying deficiencies is a way for all BME Group staff to report possible irregularities detected in the internal control and risk management systems to the Audit Committee, through the Internal Audit Department, anonymously and in writing, via any mail system, in strict confidence at all times.

For practical purposes, for this procedure the Internal Audit Department shall be responsible for (i) keeping a record of all notifications received concerning relevant issues; (ii) analysing all notifications and, if applicable, carrying out the necessary enquiries, verifications and analysis to check the irregularity or deficiency reported; and (iii) informing the Audit Committee of its actions.

In connection with the BME Group's Criminal Risk Prevention System, a Whistleblowing Channel was also set up whereby BME employees and management may report any events that may indicate non-compliances by other employees or management with the policies or procedures operated by the Group, with the Code of Conduct or any other actions which could indicate that an offence has been committed.

The BME Group has a training policy defined by the Human Resources Department aimed at providing a continuous training plan for all staff involved in preparing and reviewing financial information, as well as assessing ICFR.

During 2018, as part of the annual training plan for all BME Group employees, various courses were offered. These courses were internal and external, onsite (offered at the company's various work centres) and online (based on an e-learning/ blended learning methodology for courses which could be offered in this format). The following areas were covered:

- User applications: Training in the software facilitator for task automation.
- Development of skills: Training aimed at developing competences and skills in the workplace.
- Markets and financial assets: Training in the BME Group's markets, assets and business units.
- IT: Training in the development and perfection of new technologies.
- Specific annual refresher course in accounting regulations for the Finance Department.

Training targets all BME Group employees. In 2018, Group employees received a total of 7,897 hours of training. 244 hours of training were provided for the Financial Corporate Area, and 66 for the Internal Audit Department.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The Continuity and Risk Committee has established an integrated risk management system (IRMS) based on the methodological framework specified in the COSO II Report. According to the nature of each specific risk, the following lines of action are carried out in parallel:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, tax, technology, human resources and non-financial risks) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

To do this, it regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Regulatory Compliance, IT Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans. These plans are reviewed by BME's control functions.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Within the risk identification process, including tax risks, and formalisation of the ICFR, in order to guarantee the reliability of the relevant financial information based on a criterion of defined materiality, and taking into account all the financial information reported and disclosed, the following global objectives of the BME Group have been considered:

- a) Existence and occurrence: Trades and other events presented in the financial information exist in reality and have been recorded at the right time.
- b) Completeness: The information includes all trades and other events in which the Group is the affected party.
- c) Valuation: Trades and other events are recorded and valued in accordance with applicable standards.
- d) Presentation, disclosure, and comparability: Trades and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- e) Rights and obligations: Financial information shows, at the corresponding date, rights and obligations through the assets and liabilities, in accordance with applicable standards.

With regard to the preparation and maintenance of the corporate risk map, which includes those relating to ICFR:

- Information concerning each of the global risks identified (necessary for the purposes of management and control), a periodic update is carried out by each risk officer (concerning ICFR, the Finance Department):
- New events are identified; and
- Action plans are rearranged as necessary.

The Internal Audit Department evaluates the controls in place and quantifies residual risk.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

As part of the process of identifying and assessing risks in financial reporting, the Group's Finance Department is responsible for identifying and/or modifying the scope of consolidation and assesses the following:

- a) the significant influence, if applicable, the Company, individually or in conjunction with the rest of the BME Group companies, has over the company concerned;
- b) the percentage of the effective stake held by the BME Group in the company concerned;
- c) the activity and corporate purpose; and
- d) the existence of a "decision-making unit" in accordance with applicable legislation.

Therefore, in accordance with the provisions of Article 7.3.g) of its Regulations, following a report by the Audit Committee pursuant to Article 19.2.j) of these Regulations, with regard to the management guidelines and establishing the basis for the corporate organisation of senior management, the Board is responsible for: *"Approving the creation or acquisition of stakes in exclusively special-purpose vehicles or entities registered in countries or territories considered to be tax havens, and any other trades or transactions of a comparable nature the complexity of which could impair the transparency of the group"*.

No complex corporate structures or special-purpose vehicles were identified in 2018.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The risk identification process takes into consideration both business and support processes, and applications in the preparation of financial information. For the purpose the BME Group has established a **Structure of corporate risks** which includes the following types of risks:

- Operating risk (fraud, IT and administrative errors).
- Market risk.
- Liquidity and solvency risk.
- Credit or counterparty risk.
- Industry risks (regulatory changes, the Group's reputation, sector competition, relations with stakeholders, the political, economic and legal environment).
- Business risks (specific to each Group company).
- Other non-financial risks: environmental, corruption and bribery.

The BME Group prioritises each of the identified risks, weighting them according to the probability of occurrence (low, moderate, significant and very high) and the impact on the Group should a detected risk turn into a real event (low, moderate, significant and critical).

- **The governing body within the company that supervises the process.**

The Board is responsible for *"determining the risk management and control policy, including tax risks, and overseeing the internal information and control systems, including the process of preparing and submitting regulated financial information"*. To carry out this duty, the Board of Directors has the support of the Audit Committee, to which it entrusts, among others, the task of *"supervising the efficiency of the Company's internal control and risk control, including any tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process"*.

Ultimately it is the Internal Audit Department which, in accordance with the provisions of the *Statute of the BME Group Internal Audit Service*, the most recent version of which was amended by the Audit Committee on 27 July 2017, has the following functions, among others: “(...) cooperate with the BME Audit Committee, and in companies listed in Appendix II –BME Clearing, S.A.U. and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear)-, with their respective Boards, in supervision of the effectiveness of the risk management processes and the control mechanisms applicable, by exercising an independent function in line with regulations and professional standards of quality, which help good Corporate Governance and reduce to acceptable levels the possible impact of the risks on the achievement of the Company's objectives. (...)”.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The preparation of the financial information which is disclosed to the stock market and its subsequent review is entrusted to a suitably defined human and technical team which ensures that this information is precise, true and comprehensive according to current legislation. The procedures for preparing and reviewing financial information have been defined and documented by the Finance Department. Other departments also assist in ensuring that the necessary level of detail is obtained.

Therefore, the procedures for accounting closure and the preparation of the financial statements occasionally rely on key judgments, estimates and assumptions made by senior management to quantify assets, liabilities, revenue, expenses and commitments, which are described in detail in the corresponding financial statements. These estimates are made according to the best available information at the date on which the financial statements are prepared, using generally accepted methods and techniques and data, and observable and contrasted assumptions. In the current year, the following main issues were addressed:

- the assessment of potential impairment losses on certain assets;
- assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits;
- the useful life of property, plant and equipment and of intangible assets;
- assessment of possible goodwill impairment losses;
- the fair value of certain financial instruments;
- the calculation of provisions;
- the assumptions used to determine variable remuneration schemes based on BME shares; and
- the recognition of deferred tax assets.

In order to guarantee the reliability of this financial information, the Finance Department carries out monthly review and closing procedures, such as analysing the adherence to budgets, preparing business performance indicators and analysing the ratios defined by the BME Group.

In 2018, through the Audit Committee, according to the provisions of Article 7.4.b) of the Board of Directors Regulations, the functions of the Board included *"approving the financial information that, due to it being a listed company, must periodically be made public"*, the preparation and presentation of which are supervised by the Audit Committee, as per Article 19.2 of said Regulations.

The Finance Department is responsible for determining the relevant financial information, based on quantitative criteria of materiality, and qualitative criteria, taking into consideration all the financial information reported and published in the financial markets. Later, the processes linked to this information are analysed, distinguishing between business processes, support processes and the applications used in preparing the financial information. To this end, the BME Group has descriptive documentation of the activity flow charts relating to the processes, sub-processes and activities linked to this financial information, as well as the main risks and controls associated with these. These are reviewed and updated periodically.

The Internal Audit Department shall *"(...) Revise the reliability and completeness of the financial and operating information, as well as of the means used to identify, evaluate, classify and disseminate this information (...)"*, as stipulated in the Statute of the BME Group's Internal Audit Service.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The IT systems which support the processes on which the financial information is based are subject to internal control policies and procedures to guarantee the completeness of the preparation and publication of the financial information.

Specifically, policies have been established in relation to:

Secure access to information: the process systems which contain the BME Group's financial information can only be accessed by univocal user IDs which are password-protected in each of the environments. Likewise, permission to access the different environments, applications or operating systems is granted according to types of user and their authorisations. The process of managing users in these systems is based on established procedures using formally established channels.

Operating and business continuity: the BME Group has a comprehensive IT Contingency Plan in place (capable of dealing with the most complex situations) to guarantee the continuity of its IT services. There is a back-up centre where copies are automatically generated to guarantee the availability of all information in the event of an emergency. The Company carries out tests to guarantee the correct functioning of its contingency plan.

Segregation of duties: the development and operation of the financial IT systems is carried out by a large group of professionals with clearly differentiated and segregated functions. The staff of the business unit in question are responsible for defining the requirements and final validation tests before any system is rolled out. The rest of the duties fall to different persons within the IT area:

- The project leaders carry out functional analyses and manage the development projects, developmental and operational management and integration tests.
- The development teams are in charge of technological design, construction and tests, adhering at all times to the development methodologies defined by the Group. Access to information to resolve incidences must be formally requested and authorised internally.

The IT systems contain user profiles based on the roles of each of the people that require access to them. Staff competent in every application or environment manage these requests and permissions and verify that incompatible permission is not assigned.

Change management: the BME Group has established mechanisms and policies to ensure that possible failures in the service caused by updates or changes to the IT systems are avoided. There are change and monitoring committees which ensure that the established management procedures for changes are complied with. These include security measures aimed at mitigating risks. All changes to the systems are carried out by controlled staff, and the changes identified and upgrades indexed to production environments

Incident management: the policies and procedures in this matter are in place to resolve incidents in the shortest time possible. There are incident communication channels and registration tools in place. Efficient incident management is achieved by correctly prioritising and following up incidents according to importance, reducing communication times and, finally, determining problems and identifying suggestions for improvement.

Incident monitoring and improvement plans are reported periodically to the pertinent committees, and are aimed at monitoring the service provided.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

BME has a ***Procedure for managing outsourced activities*** which stipulates that the need to outsource activities must be based on the existence of sufficient reasons or legal provisions which justify this need in order for the BME Group to attain its goals or meet legal arrangements. To proceed with the subcontracting/outsourcing, a minimum of two and a maximum of three suppliers shall be considered, whenever possible.

In all cases, the outsourcing of activities and subcontracting to third parties shall be carried out through service contracts between the supplier and the relevant BME Group company, clearly indicating the service to be provided and the means to be used to provide these services. According to the nature or an assessment of the risks identified, the department responsible for subcontracting/outsourcing shall notify suppliers that the service provision contract shall include clauses stating that the staff at the contracted company must comply with BME Group regulations.

Before services can be subcontracted/outsourced, the department responsible for the subcontracting/outsourcing must send the offer and the conclusions of the preliminary risk study to the Legal Department.

The list of BME Group suppliers is revised and, if applicable, updated each year. Likewise, controls implemented by suppliers are monitored.

In order to appraise, calculate or value the services commissioned from independent experts when these may materially affect the financial statements, the Group has a system in place to assess the competence, ability, credentials and independence of independent experts, prior to their selection. When monitoring this appraisal, BME verifies the reasonableness of the assumptions used by the expert, as well as the completeness of the data and the methods used.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Responsibility for defining, interpreting and settling doubts or disputes regarding the accounting criteria and policies of the BME Group, among other functions, falls to the Finance Department.

To this end, the BME Group has a Procedures manual which describes the accounting treatment of the different types of transactions which may materially affect financial information. This Procedures manual is updated periodically to include any legislative amendments as well as new trade types which may require new criteria and accounting policies to be established. Once updated, this procedures manual is made available to all BME Group employees.

Application of accounting policies is established on the basis of the legislative framework applicable to the Company and BME Group companies, set out in the Code of Commerce and other mercantile legislation, in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and its sector adaptations, in CNMV Circular 9/2008 of 10 December (amended by Circular 6/2011 of 12 December and Circular 5/2016 of 27 July), and in the International Financial Reporting Standards adopted by the European Union, in relation to the BME Group's consolidated financial statements.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR. to the business units through which the company operates.

The BME Group has mechanisms for the capture and preparation of financial information based on tools of renowned prestige. All BME Group companies use the same tools, guaranteeing completeness, uniformity and correct functioning, as well as the correct preparation of the required financial information and the applicable disclosures.

These tools are segregated into different interconnected layers and are equipped with applications into which data on the operations which take place each day via the different channels (internet, in-house services etc.) are entered. This information is then processed and prepared before being treated by specific back-office systems and segregated according to market and transaction category. This provides reliable and exact information on accounting and the generation of results. The results and calculation of data once the operations have been carried out on the market are automatically transferred to management, reporting and financial consolidation tools which have quality controls to ensure they are reconciled.

F.5 Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The internal audit function is carried out by the Internal Audit Department, which is a staff body within BME. It has no executive responsibilities in managing the Group's ordinary businesses and reports directly to the Audit Committee, a BME Board committee.

Article 19.2.c) of Board of Directors Regulations assigns responsibility to the Audit Committee to *"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 departure of the head of the internal audit service, as well as the budget for the service, 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 arrangements whereby Company personnel may anonymously report any irregularities in the internal control and risk management systems."*

The Internal Audit Department compiles, at least, the following reports for the Audit Committee:

- Internal Audit reports: consequences of execution of the department's activities plan. Also, when requested to do so by the Audit Committee and managers of BME Group companies.

- Review of Internal Control over Financial Reporting: assessment of the effective functioning of the Internal Control over Financial Reporting System.
- Annual report on the activities of the Internal Audit service: including information on execution of the review activities carried out and incidents relating to the risks identified in the department's processes.

Also, in accordance with BME's IRMS Methodology, the Continuity and Risk Committee receives information regarding any risk events, assessment of these events and action plans relating to ICFR that may have materialised.

In turn, the Head of the Internal Audit Department, who attends Committee meetings at which he may speak but not vote, proposes recommendations and suggests the most relevant points of reflection on the IRMS, based on the information provided.

In 2018, the Internal Audit Department undertook annual assessment of ICFR and followed up the extent of response to the recommendations given after the previous year's review. With this assessment, the Internal Audit Department validates the effectiveness of the controls in place, through the performance of various audit tests. These tests basically consist of testing compliance in processes and/or risks classified as having a critical impact, and self-assessment questionnaires or specific tests of the existence thereof and their application for the controls in place for risks that have not been deemed to have a critical impact, or controls of a general nature.

Lastly, in 2018 the Internal Audit Department presented the BME Internal Audit Department's 2019 Activities Plan to the Audit Committee. The Plan focuses on ongoing improvement to the IRMS through suggestions and proposals by the Continuity and Risk Committee and, mainly, on reviewing those business processes for which ICFR assessment is mandatory under specifically applicable regulations, to assess its functioning and validate its effectiveness.

F.5.3 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding signi-

ficant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

Article 19 of Board of Directors Regulations stipulates, inter alia, the responsibilities delegated to the Audit Committee in relation to: *"supervising the efficiency of the Company's internal control and risk control system, including tax risks. To this end, at least once a year it shall supervise the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process. To this end it may submit recommendations or proposals to the Board."*

The Audit Committee shall also *"continue to liaise with the external auditors in order to receive information on any issues that might jeopardise their independence for examination by the Committee and any others connected with the auditing procedure, and, where applicable, authorise services other than those prohibited in the terms stipulated in regulations, and any other 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. The Committee shall also monitor compliance with the regulations in force concerning the provision of services other than auditing, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence. In this regard, each year the external auditors shall issue written confirmation of their independence vis-à-vis the Company, as well as detailed individual information on any other type of service provided and the related fees received by the external auditors or persons or entities related thereto."*

Pursuant to the provisions of its Internal Audit Statute, the Internal Audit Department *"shall present to the management levels audited the scope of its conclusions and recommendations for analysis and comment."* It must also *"ascertain whether the recommendations in the report have been implemented in the areas audited, and notify the results to the Audit Committee"*.

In this regard, the Audit Committee met on 11 occasions in 2018. The external auditors were called to meetings of the Audit Committee at which the financial information of both BME and its Group companies was reviewed.

F.6 Other relevant information

F.7 External auditor's report

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Pursuant to the recommendation in the *Guidelines for Action on the report by the auditor concerning the Internal Control over Financial Reporting on listed companies*, as published on the CNMV's website, the Company submitted the contents of information on the system for Internal Control over Financial Reporting for review by the auditors. This report shall be included as an Appendix to this Annual Corporate Governance Report.

G. Extent of Compliance with Corporate Governance Recommendations

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance:

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. **That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market:**

Complies Explanation

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

- a. **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**

- b. **The mechanisms in place to resolve any conflicts of interest that may arise:**

Complies Complies partially Explanation Not applicable

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

- a. **Changes that have occurred since the last General Shareholders' Meeting.**
- b. **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead:**

Complies Complies partially Explanation

4. **That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it:

Complies Complies partially Explanation



5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law:

Complies Complies partially Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy:

Complies Complies partially Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings:

Complies Explanation

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations:

Complies Complies partially Explanation

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy. And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion:

Complies Complies partially Explanation



10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes de additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for and against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated:

Complies Complies partially Explanation Not applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments:

Complies Complies partially Explanation Not applicable

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment:

Complies Complies partially Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members:

Complies Explanation

14. That the Board of Directors approves selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election proposals are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report:

Complies Complies partially Explanation

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors:

Complies Complies partially Explanation

16. That the percentage of proprietary directors divided by the number of nonexecutive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them:

Complies Explanation

As a result of the changes to the composition of the Board of Directors following the 2018 Ordinary General Shareholders' Meeting and the consequent increase in the independence of the Board of Directors, the Company considers that independent Directors carry sufficient weight on this body and properly represent the interests of non-controlling shareholders.



At 31 December 2018 the following characteristics of the Board of Directors indicate relevant representation of the interests of the body's non-controlling shareholders:

- The considerable number of independent Directors on the Board of Directors, accounting for 54.55% of the total number of Directors, thereby attaining the degree of independence which Recommendation 17 of the Good Governance Code of Listed Companies considers appropriate for large-cap companies, and 75% of external Directors;
- The non-existence on the Board of Directors of any major shareholders with disproportionate representation, since a single significant shareholder of the Company was represented on the Board of Directors by two (2) members as the holder of the largest percentage of the Company's equity, 12.06%, and it cannot be understood that this representation grants a position of control or a majority on the Board;
- The large number of independent Directors on the Executive Committee, accounting for 60% of the total members of this body; and,
- The majority of independent Directors on the Appointments and Remuneration Committee, accounting for 75% of the total number of members, pursuant to Recommendation 47 of the Code of Good Governance of listed companies.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalization or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors:

Complies Explanation

18. That companies publish and update the following information regarding directors on the company website:

- a) **Professional profile and biography.**
- b) **Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- d) **The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
- e) **The shares and options they own:**

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured:

Complies Complies partially Explanation Not applicable

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder:

Complies Complies partially Explanation Not applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16:

Complies Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report:

Complies Complies partially Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director:

Complies Complies partially Explanation Not applicable

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report:

Complies Complies partially Explanation Not applicable

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit:

Complies Complies partially Explanation

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda:

Complies Complies partially Explanation

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions:

Complies Complies partially Explanation

28. Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta:

Complies Complies partially Explanation Not applicable

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense:

Complies Complies partially Explanation

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require:

Complies Complies partially Explanation

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes:

Complies Complies partially Explanation

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group:

Complies Complies partially Explanation

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate:

Complies Complies partially Explanation

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman:

Complies Complies partially Explanation Not applicable

The Lead Independent Director has been assigned the powers referred to in the recommendation, except those relating to maintaining relationships with investors and shareholders. These powers of the Lead Independent Director have been enhanced by the Company through the establishment of a Working Group of non-executive Directors, which has approved its own rules of organisation and operation.

The Company considers that the eminently independent nature of the Lead Independent Director, required for the role as *leader* of the Company's external Directors, and consequent lack of involvement in the effective management of the Company, justifies the role of maintaining contact with investors and shareholders not being assigned to this Director.

In this regard, the Company considers that its structure for communicating with investors and shareholders, with an Investor Relations Department staffed by people with a deep, detailed and well-founded knowledge of the economic and financial position of the Company, the Company's projects, its day-to-day activity etc., is adequate and allows the Company to be aware of the opinions and concerns of shareholders and investors regarding any aspect of the running of the Company, including any aspects concerning corporate governance.

Thus, the Investor Relations Department, which reports to the CEO, is entrusted with, among other duties, reporting to management the concerns, queries and suggestions of the shareholders and investors with whom it maintains permanent contact. Should these concerns affect matters of corporate governance, the Investor Relations Department can rely on the

General Secretary and the Secretary of the Board of Directors, and is assigned the task of ensuring that the decisions of the Board of Directors take into account the recommendations in matters of corporate governance and, where appropriate, actively participates in meetings with investors and shareholders to explain the Company's corporate governance structure.

All of the above is irrespective of whether, when considered appropriate, the Lead Independent Director maintains contact with investors and shareholders in matters which are deemed beneficial for the Company.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company:

Complies Explanation

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) **The quality and efficiency of the Board of Director's work.**
- b) **The workings and composition of its committees.**
- c) **Diversity of membership and competences of the Board of Directors.**
- d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**
- e) **Performance and input of each director, paying special attention to those in charge of the various board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report:

Complies Complies partially Explanation

The Board of Directors conducts an annual assessment of the efficient functioning and quality of the work carried out by the Board and its Committees, and also of the performances of the Chairman of the Board of Directors and the Company's CEO, as laid down in Article 10 of its Regulations.

In 2018, moreover, an external consultant was tasked with the assessment of the Board of Directors and its delegated Committees, and the assessment had not been completed at the date of this report.

The only part of the recommendation which the Company does not follow is that relating to the Board's assessment, once a year and individually, of the performance and contribution of each Director, on the grounds that, during the period for which they form part of the Board, individual assessments of the Directors are carried out with sufficient frequency, as detailed below:

Thus, it should be taken into account that the extensive professional experience offered by the members of the Board of Directors, analysed in detail by the Appointments and Remuneration Committee prior to the proposal for their appointment to the Board of Directors in the case of independent or "other external" Directors, or to the issuance of the corresponding report for the other types of Director, is a sufficient initial guarantee of the quality of the services that the Director shall provide.

Following this initial assessment, and as established in Article 22.2 of the Board of Directors Regulations, the quality of the services provided and the dedication of each of the Directors is assessed by the Appointments and Remuneration Committee and by the Board of Directors, in the corresponding re-election or ratification proposals, and also in any cases where a proposal is submitted for their appointment to a position on the Board or one of its Committees.

In this regard, the proposal of the Appointments and Remuneration Committee in the case of independent Directors and Directors qualified as "other external" or, in all other cases, the report individually assesses the services provided by the Directors during their previous term and their dedication both on the Board and, where appropriate, on the Committees of which they form part.

Following the proposal or report by the Appointments and Remuneration Committee, the Board of Directors, in the justifying report that must be approved in accordance with that established in Article 529 decies, section 5 of the Corporate Enterprises Act, and Article 22.1 of Board of Directors Regulations, also assesses the performance of the duties of the Director whose re-election is proposed to the General Shareholders' Meeting.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board:

Complies Complies partially Explanation Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee:

Complies Complies partially Explanation Not applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors:

Complies Complies partially Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee:

Complies Complies partially Explanation

Article 19.2.c) of Board of Directors Regulations makes the Audit Committee responsible for "supervising the Company's internal audit services, which shall report to the Audit Committee", and lists the main supervisory tasks in relation to internal audit.

The purpose, authority and responsibility of the Internal Audit function in the Company are defined in the "Regulations for the BME Group Internal Audit", which states that the Internal

Audit Department is a permanent internal body within the organisation, without executive responsibilities in managing the group's ordinary businesses and reporting directly to the Audit Committee.

BME considers that what is established in the aforementioned regulation with regard to the authority of the Internal Audit Department is a sufficient guarantee of the independence with which it can act, and that the fact that this Department reports functionally to the Chairman of the Audit Committee does not grant it a higher degree of autonomy to carry out its duties.

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year:

Complies Complies partially Explanation Not applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function, propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department, approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

- c) **Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.**

2. With regard to the external auditor:

- a) **In the event that the external auditor resigns, examine the circumstances which caused said resignation.**
- b) **Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.**
- c) **Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**
- d) **Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the task accomplished and regarding the development of its accounting and risks faced by the company.**
- e) **Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence:**

Complies Complies partially Explanation

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management:

Complies Complies partially Explanation

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies Complies partially Explanation Not applicable

45. That the risk management and control policy identify, as a minimum:

- a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) **Fixing of the level of risk the company considers acceptable.**
- c) **Means identified in order to minimise identified risk in the event they transpire.**
- d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks:**

Complies Complies partially Explanation

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors:**

Complies Complies partially Explanation

BME considers that the operation of the control and risk management systems and the preparation of the risk strategy are matters that must correspond to the Company's senior management and to the people who form part of its workforce and are experts in the management of the risks to which its activity is subject.

BME considers that the Audit Committee must monitor the effectiveness of the defined internal control and risk control systems, implemented and processed by the Company's executive team, and in the scope of this supervision shall be aware of any weaknesses that may be detected by the internal and external auditors in these systems and, in these cases, shall discuss and propose the adoption of the measures deemed appropriate to solve them.

Moreover, with regard to the structure of BME as a holding company and the high specialisation of the activities carried out in each of the companies forming part of the Group, BME has considered it more appropriate that the internal control and risk management function be undertaken in a decentralised manner, as described below.

In this regard, BME has implemented a risk control system in accordance with international standards and adopted the COSO II Report as the methodological reference framework, with which the Company's risks are managed in an efficient and prudent manner. To define this risk control system, which is detailed in section E of this Report, the strong specialisation of activities performed in the Group has been considered, which has made it advisable that, given the different nature of the risks, the decentralised management of the business risks, which are managed by each Business Unit, co-exists with the centralised management of corporate risks (strategic, financial, regulatory, technological, and human resources), risks that are all coordinated by the Continuity and Risk Committee, reporting to the Management Committee.

The Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of all actions carried out when implementing the control and risk management policy, in order for these bodies to be able to undertake the duties attributed to them by law for supervising the effectiveness of the Company's internal control and the internal control systems implemented within the Group.

BME considers that this structure ensures that the Company's risks are suitably identified, managed and quantified, and allows the Audit Committee and the Board to successfully carry out their functions of monitoring the internal control and risk management systems

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors:

Complies Complies partially Explanation

48. That high market capitalisation companies have formed separate appointments and remuneration committees:

Complies Explanation Not applicable

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors:

Complies Complies partially Explanation

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) **Propose basic conditions of employment for senior management.**
- b) **Verify compliance with company remuneration policy.**
- c) **Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) **Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**

- e) **Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration:**

Complies Complies partially Explanation

51. **That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management:**

Complies Complies partially Explanation

52. **That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:**

- a) **That they are comprised exclusively of non-executive directors, with a majority of them independent.**
- b) **That their chairmen be independent directors.**
- c) **That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**
- d) **That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**

- e) **That their meeting be recorded and the minutes be made available to all directors:**

Complies Complies partially Explanation Not applicable

Article 17 of Board of Directors Regulations establishes the Board's Markets and Systems Operating Procedures Committee, to which Article 21 of Board of Directors Regulations grants competence for supervising issues in relation to the efficiency and proper functioning of the markets and systems managed by the BME Group; application to BME, Group companies and their main shareholders of the habitual market conditions and the principle of equal treatment in their trading in the markets and systems managed by BME; and interpretation of the BME Group's Internal Code of Conduct.

The composition and operation rules for this Committee, established in the Board of Directors Regulations and implemented through its own regulations, follow sections c), d) and e) of the recommendation.

The composition requirements established in sections a) and b) of the recommendation are not followed insofar as an executive Director forms part of this Committee and also holds the position of its Chairman.

BME considers that given the specialised duties assigned to this Committee, what must be taken into account as a priority when appointing the members of the Board of Directors to serve on it is knowledge of the operation of the markets and systems managed by BME and the Group companies and professional experience in fields directly related to the operation of the financial and securities markets, given that this knowledge and experience shall enable the Committee to better carry out the functions attributed to it in the interests of the Company.

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.**
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.**
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.**
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.**
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.**
- f) Supervision and evaluation of the way relations with various stakeholders are handled.**
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.**

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks:

Complies  Complies partially  Explanation 

The Appointments and Remuneration Committee has competence to supervise compliance with the rules of corporate governance and, following the amendment of the Internal Code of Conduct which came into force on 1 January 2018, the Audit Committee supervises monitoring of internal codes of conduct, specifically the Internal Code of Conduct, in the terms established in this recommendation.

Moreover, the absence of a corporate social responsibility policy referred to in the explanation of Recommendation 54 implies that, in practice, its compliance may not be supervised by any Committee. Notwithstanding the foregoing, the Board of Directors' Regulations assign to the Executive Committee supervision of the monitoring of the corporate social responsibility strategy and practices, including the assessment of the processes relating to the different stakeholders; and the assessment of any matters relating to the non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational risks, as well as coordination of the process for disclosing non-financial information.

Notwithstanding the foregoing, works began in 2018 to establish a corporate social responsibility policy in the terms established by this recommendation.



54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) **The objectives of the corporate social responsibility policy and the development of tools to support it.**
- b) **Corporate strategy related to sustainability, the natural environment and social issues.**
- c) **Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**
- d) **Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**
- e) **Means of supervising non-financial risk, ethics, and business conduct.**
- f) **Communication channels, participation and dialogue with stakeholders.**
- g) **Responsible communication practices that impede the manipulation of data and protect integrity and honour:**

Complies Complies partially Explanation

BME considers that corporate social responsibility forms part of its overall strategy and the daily management of the Group.

In this regard, BME and the Group's companies carry out their activity efficiently, manage the financial markets and systems strictly complying with both domestic and national legislation, and in particular, the economic, social and environmental legislation, as well as with the codes which it voluntarily embraces.

BME has also defined its basic principles of action in the Corporate Social Responsibility Report, which is approved and published annually, and has taken into account the needs and priorities of the different market agents, as well as society in general as the ultimate beneficiary when financial markets and, by extension, the economy, operate properly.

Notwithstanding the foregoing, works began in 2018 to establish a corporate social responsibility policy in the terms established by this recommendation.

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies:

Complies Complies partially Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors:

Complies Explanation

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition:

Complies Complies partially Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events:

Complies Complies partially Explanation Not applicable

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met:

Complies Complies partially Explanation Not applicable

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results:

Complies Complies partially Explanation Not applicable

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value:

Complies Complies partially Explanation Not applicable

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares:

Complies Complies partially Explanation Not applicable

The Directors' Remuneration Policy includes, among other items in relation to the system of remuneration for executive Directors, medium-term and long-term variable remuneration the purpose of which is to boost their commitment to Company shareholders. This is paid in the medium and long-term Variable Remuneration Plans described in section A.3 of this report.

These medium and long-term Variable Remuneration Plans entail the allocation of theoretical units in a financial year, and stipulate that any shares to be received if the targets set are achieved shall be awarded by the Company when the three-year measurement period has elapsed.

BME considers that these characteristics of medium-term and long-term remuneration established in the Remuneration Policy and laid down in the current Share-based Variable Remuneration Plans include a clear element of deferral which allows the actual achievement of targets to be verified, and it is unnecessary to establish any additional retention periods.

Also, the share-based Variable Remuneration Plan approved by the Ordinary General Shareholders' Meeting on 26 April 2018 establishes the obligation for the beneficiaries of the Plan to hold the Company shares for one year after delivery.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate:

Complies Complies partially Explanation Not applicable

The current Directors' Remuneration Policy includes, among the main conditions of the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, a recovery or "claw-back" clause whereby, in certain circumstances, within a period of two years following payment, BME may demand that the CEO return the amounts paid as annual variable remuneration and shares received pursuant to the medium/long-term remuneration plans.

This recovery or "claw-back" clause was included in the "Contract of Director with executive functions" signed by the Company and the CEO, following unanimous approval by the Board of Directors, with no involvement by the CEO, pursuant to the provisions of Article 249 of the Corporate Enterprises Act.

The contractual conditions for the Chairman, including the conditions of remuneration, were established prior to approval of the Good Governance Code of Listed Companies, and do not include any clauses for recovery or "claw-back".

Regardless of the foregoing, as stated in the explanation provided for the above recommendation and described in the current Directors' Remuneration Policy, the variable remuneration of Directors qualifying as executives, among whom the Chairman, has a considerable medium/long-term component linked to the delivery of shares.

This remuneration materialises in successive Remuneration Plans with a deferred component to demonstrate effective long-term compliance with the objectives set, and it is unnecessary to establish any clauses to claim repayments.

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment:

Complies Complies partially Explanation Not applicable

The conditions for the departure of the Chairman were established through a resolution by the 2006 Ordinary General Shareholders' Meeting, prior to the approval of these recommendations in the Good Governance Code of Listed Companies.

The current Directors' Remuneration Policy includes, among the main conditions of the "Contract of Director with executive functions" signed by BME and Mr. Javier Hernani Burzako, the severance pay to be received by the CEO, which is limited to the greater of the following two amounts: (i) an amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Employment Statute at that time for any dismissal considered unfair.

This clause was included in the "Contract of Director with executive functions" signed by the Company and the CEO, following unanimous approval by the Board of Directors, with no involvement by Mr. Javier Hernani Burzako, pursuant to the provisions of Article 249 of the Corporate Enterprises Act.

H. Further information of interest

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

Pursuant to the Code of Best Tax Practices approved by the Large Businesses Forum, which BME embraced on 30 September 2010, the annual corporate governance reports of companies embracing this Code must include reference to the fact that these companies comply with such practices.

In 2018, in order to comply with the commitments undertaken by the Company through its adherence to the Code of Best Tax Practices to be applied by the Company approved by the Board of Directors at its meeting on 30 July 2015, at a meeting on 27 February 2018 the Audit Committee was informed and took due note of the fiscal policies applied by the Company, before preparing the financial statements.

Subsequently, at a meeting on 17 July 2018 the Audit Committee was informed of the tax policies applied by the Company for the filing of the 2017 Income Tax return

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 27 February 2019.

State whether any directors voted against or abstained from voting on this report:

Yes



No

