



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries composing the Bolsas y Mercados Españoles Group (BME)

Consolidated Non-Financial Information Statement (Corporate Social Responsibility Report) for the year ended 31 December 2018, together with the Independent Expert's Report



Independent Verification Report





This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

To the shareholders of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the attached Non-Financial Information Statement (Corporate Social Responsibility Report) (hereinafter "NFS") for the year ended 31 December 2018 of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the parent Company) and subsidiaries (the Group) which forms part of the Group's Consolidated Management Report.

Responsibility of the Directors

The preparation of the NFS included in the Group's Consolidated Management Report and the content thereof are the responsibility of the Directors of the parent Company. The NFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") described in accordance with the Essential Option, as well as other details provided for each matter in the table "Non financial information content index" of the NFS.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFS to be free of any immaterial misstatement due to fraud or error.

The Directors of the parent Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

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Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on Non-Financial Statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to the Management, as well as to several units of the Group that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Group's personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFS for 2018, based on the materiality analysis carried by the Group and described in section "Materiality of the Report", considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for 2018.
- Verification, through sample testing, of the information relating to the content of the NFS for 2018 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the Directors of the parent Company and Management.

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Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that the Group's NFS, for the year ended 31 December 2018 has not been prepared, in all its significant aspects, in accordance with the provisions of current commercial legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") following the Essential Option, described in accordance with the details provided for each matter in table: "Non financial information content index" included in the NFS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

February 28, 2019

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Letter from the Chairman



Letter from the Chairman

(102-14)

Dear shareholders,

I am pleased to present BME Group's non-financial information statement for 2018, a year in which we achieved strong revenue and profits, launched our 2019-2021 strategic plan, and renewed our commitment to sustainability.

Since 2007, BME has provided its stakeholders with an annual Corporate Social Responsibility Report, which, due to a change in regulations, is now termed the consolidated non-financial information statement. This report, drafted in accordance with the rules for the preparation of Sustainability Reports under the GRI Standards (*) and the new Law 11/2018 of 28 December, which amends the Trade Code, the consolidated text of the Stock Capital Companies Act and the Accounts Audit Law on diversity and non-financial reporting, describes the sustainable impact of the activities of BME and its subsidiaries.

The report includes a materiality analysis that defines the contents. According to this report, transparency and independence in operation, guided by ethics and integrity, are the aspects that most influence the decisions of the company's stakeholders and have the greatest impact on the company's ability to carry out its activities.

Since its inception, the stock exchange has taken on a strong role by supporting enterprises and businesses projects: a role that BME continues to play today. A good example of this is last year's record figures for financing small-capitalisation companies through alternative markets, with €6.3 billion channelled in Fixed Income on MARF and €1.1 billion raised in equities on MAB, BME's alternative Fixed Income and Growth markets respectively.



Antonio J. Zoido

* Global Reporting Initiative (GRI) is a non-governmental organisation whose purpose is to promote sustainability reports to improve their quality, rigour and usefulness through the implementation of the triple bottom-line approach: environmental, social and economic. To such effect, the GRI publishes a methodology for the preparation of sustainability reports, which it frequently revises, the current version of which is implemented through the GRI Standards.

The original social role of the stock markets is further supported by BME's wide range of sustainability actions, which follow the principles of the United Nations' Global Compact, which the company joined in 2011. This international agreement seeks to implement universal principles of conduct and action with respect to Human Rights, labour standards, the environment and the fight against corruption.

The company has also participated in the Code of Good Tax Practices since 2010, and in Sustainable Stock Exchanges (SSE), a UN initiative aimed at raising awareness of good corporate governance and corporate social responsibility.

In 2018 BME achieved a significant improvement in energy efficiency. The group's indirect greenhouse gas emissions fell by 20.3% compared to the previous year and energy consumption fell by 7.64%.

Our human capital is one of BME's main assets. At the end of December last year, the company employed 770 people. Among other services to employees, BME renewed its commitment to training. Last year, 85 courses were held as part of the continuous training career plan, comprising nearly 7,850 teaching hours.

Once again this year, we have paid special attention to our shareholders, of whom 96% are non-controlling shareholders, with our decision to maintain one of the highest pay-outs on the Spanish stock exchange. BME hosted a Shareholder Education Programme of face-to-face courses taught by qualified professionals at the headquarters of the Madrid, Barcelona, Valencia and Bilbao stock exchanges.

BME's commitment to society is reflected in its initiatives in support of financial literacy through Instituto BME, the group's education and training centre, which last year provided 3,477 hours of training. The company supports the Financial Literacy Day and a range of stock market-related educational projects at universities and schools.

As far as business is concerned, a detailed summary is given in BME's full Annual Report, which, as usual, BME publishes on the occasion of its Shareholders Annual General Meeting. In October 2018 the company presented its strategic plan for 2019-2021, which envisages 4% growth in revenue and a 6% improvement in profit. The key vectors of the plan are to further strengthen the robust management model, boost business areas and inorganic growth to address challenges such as the worldwide decline in trading volume, tougher competition and regulatory changes.

The company's objective is to continue growing, with our strategic plan as our benchmark. We aim to strengthen our leading position in the sector, combining effective business management with utmost respect for sustainability.

Yours sincerely,

Antonio J. Zoido



1. BME and Corporate Social Responsibility

(102-5)



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME or the Company), operator of the securities markets and financial systems in Spain, is a benchmark in the sector in terms of solvency, efficiency and profitability. The Company is a public limited company listed on the Exchange since 14 July 2006 and included in the FTSE4Good IBEX® index since its beginnings.

Since 2007 and up until 2017, to coincide with the publication of the call to the Ordinary General Shareholders' Meeting, the Company provides shareholders with an annual Corporate Social Responsibility Report covering the activities of BME and its subsidiaries throughout the year and their impact on sustainability. As of 2018, the non-financial information statement (formerly the Corporate Social Responsibility Report), will be made available to shareholders for the purposes of issuing the financial statements, and included as an Appendix to the consolidated management report.

The preparation of this non-financial information report (Corporate Social Responsibility Report) demonstrates the importance that the surroundings have for the Company. The report discloses all relevant information on financial and non-financial issues affecting the Company's activities with the utmost transparency, using one of the internationally accepted methodologies for this purpose, the GRI.

The Board of Directors, within the scope of its competences, during its session held on 19 March 2018, approved the Corporate Social Responsibility Report for the year 2017, doing so in accordance with the core option established in the guidelines for the preparations of Sustainability Reports of the GRI G4.

At its meeting held on 27 February 2019, the Board of Directors also approved this Non-Financial Information Report (Corporate Social Responsibility Report) for 2018, which has been prepared in accordance with the content established for the preparation of the Sustainability Reports by the GRI Standards and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts regarding non-financial information and diversity. The Non-Financial Information Statement (Corporate Social Responsibility Report) for 2018, included as an appendix to the Consolidated

Management Report for 2018 and verified by the independent provider of verification services PricewaterhouseCoopers Auditores, S.L., complements the annual Corporate Governance Report, the Annual Report on Directors' Remuneration and the Report on the Activities of the Board of Directors and its Committees for 2018, which are made available to the shareholders and investors on the corporate website.

Scope of the consolidated non-financial information statement for 2018

The financial data included in the non-financial information statement for 2018 (pre-tax profit, total tax contribution and breakdown of taxes paid and collected, financial assistance received from governments or public authorities in general, economic value generated, distributed and retained, supplier and turnover) includes the financial data of the BME Group companies that consolidate financial statements (the consolidated under the equity method has been applied to all the investees, with the exception of the participation in share capital of REGIS-TR, S.A., which amounts to 50% and is accounted for using the equity method and the financial data for which is not included in the non-financial information statement).

The data on employees included in the non-financial information statement contains data on all employees of the BME Group companies that consolidate their accounts, except the employees of Openfinance, S.L., BME Soporte Local Colombia, S.A.S. and Latam Exchange Data Inc as their employment regime is managed separately to the other employees of the BME Group.

Main key performance indicators of BME concerning Corporate Social Responsibility (102-54)

MAIN KEY PERFORMANCE INDICATORS



ECONOMIC



Economic value generated:
306,937 thousands of euros
 (-4.35% vs 2017)



Shareholder remuneration through dividends:
147,897 thousand euros in dividends
 (-1.14% vs 2017)



ENVIRONMENTAL



Internal energy consumption (consumption of electricity and natural gas):
32,368.30 GJ (-7.64% vs 2017)



Indirect greenhouse gas emissions (associated with the consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle):
3,058.33 t of CO₂ (-20.30% vs 2017)



SOCIAL



Economic value distributed to stakeholders:
309,711 thousands of euros
 (0.19% vs 2017)



Record of financing small cap companies through alternative markets:
6.35 billion euros in fixed income in the MARF (+60% vs 2017) **and 1.18 billion euros in shares on the MAB** (+72% vs 2017)

Our stakeholders (102-40, 102-42, 102-43)

In accordance with the relevant criteria for the Company and its activities, it has identified five stakeholder groups which are the users of its services, its shareholders, company employees, service providers and society in general.

SHAREHOLDERS



SUPPLIERS

89.51% of BME's suppliers are local.



COMPANY

20% and 46% of the value of listed shares are held by Spanish households and foreign investors, respectively.



USERS

Leading Exchange by Dividend Yield (+4.6%) of listed companies *(according to MSCI's developed markets classification)*



EMPLOYEES

9.58 hours/employee. Ratio of training hours received per employee.



SHAREHOLDERS

95.30% of BME's shareholders are non-controlling shareholders, which own 43.75% of the share capital.

The needs and priorities of these stakeholders have been taken into account to establish BME's principles and guidelines of action (see the section on "Responsible management model").

With the aim of strengthening a constructive relationship with its stakeholders, BME maintains channels of communication that allow the Company to respond to their expectations. BME establishes the frequency in the relationship with its main stakeholders, depending on business needs.

Through the approval of this report, the Board of Directors addresses those relevant issues that have arisen in the relationships and communication of the Company with its stakeholders and the departments involved in its relationships with stakeholders. In particular, this non-financial information report (Corporate Social Responsibility Report) has been prepared based on the materiality analysis previously performed in which the most relevant aspects for the Company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues.



BME edited a book on the occasion of the 125th. Anniversary of the Palacio de la Bolsa.



2. Company Profile

(102-2, 102-3, 102-4, 102-6, 102-45)

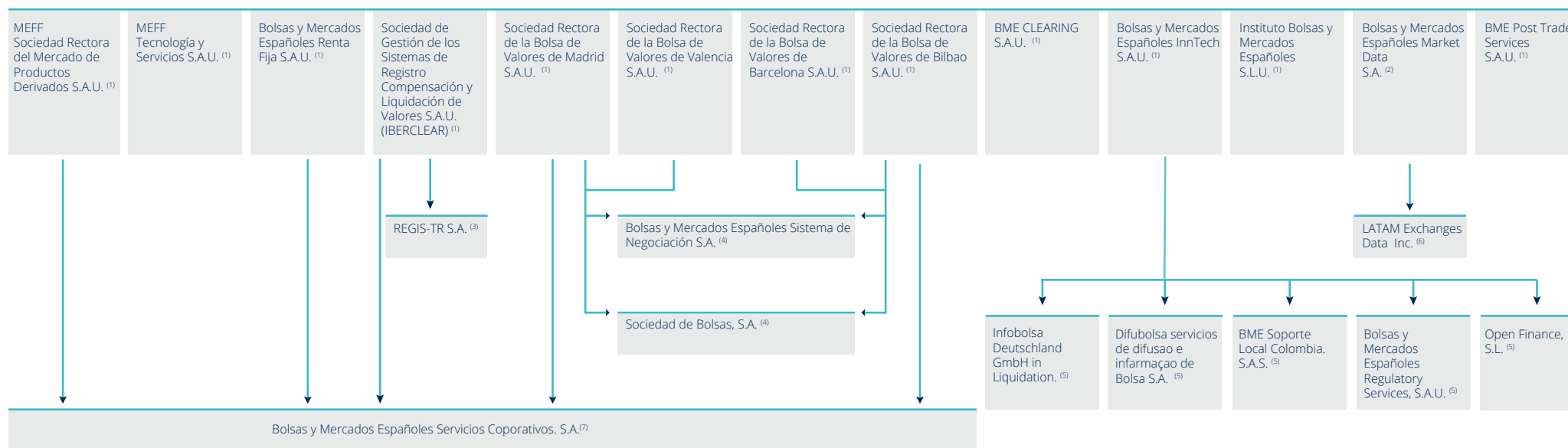


COMPANY ORGANISATIONAL CHART AND OTHER COMPANY OWNERSHIP INTERESTS AT 31 DECEMBER 2018

The Bolsas y Mercados Españoles (BME) Group comprises the following companies:



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



1) BME holds a 100% stake in the share capital of MEFF Sociedad Rectora del Mercado de Productos Derivados. S.A.U. MEFF Tecnología y Servicios. S.A.U. Bolsas y Mercados Españoles Renta Fija. S.A.U. IBERCLEAR Sociedad Rectora de la Bolsa de Valores de Madrid S.A.U. Sociedad Rectora de la Bolsa de Valores de Valencia. S.A.U. Sociedad Rectora de la Bolsa de Valores de Barcelona. S.A.U. Sociedad Rectora de la Bolsa de Valores de Bilbao. S.A.U. BME Cleaning. S.A.U. Bolsas y Mercados Españoles InnTech. S.A.U. Instituto Bolsas y Mercados Españoles. S.L.U. and BME Post Trade Services. S.A.U.

(2) BME, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U. and Sociedad de Bolsas S.A. have a stake of 49.8%, 7.8%, 0.1%, 10.1%, 9.9%, 9.9% and 9.9% and 2.5% respectively in the share capital of Bolsas y Mercados Españoles Market Data. S.A.

(3) IBERCLEAR holds a 50% stake in the share capital of REGIS-TR.

(4) Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., and Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. holds a stake of 25% in the companies Bolsas y Mercados Españoles Sistema de Negociación, S.A. and Sociedad de Bolsas, S.A.

(5) Bolsas y Mercados Españoles InnTech, S.A.U. holds a 100% stake in the share capital of BME Regulatory Services, S.A.U., Infobolsa Deutschland, GmbH and BME Soporte Local Colombia, S.A.S., as well as a stake of 99.99% and 81%, respectively, in the share of capital of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. y Openfinance S.L.

(6) Bolsas y Mercados Españoles holds a stake of 51% in the share capital of the company LATAM Exchanges Data Inc.

(7) MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., IBERCLEAR, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. y Sociedad de Bolsas, S.A. hold a stake of 11%, 9%, 21%, 48% and 11% respectively in the company Bolsas y Mercados Españoles Servicios Corporativos, S.A.

The corporate and operational headquarters of BME and of all the companies of the group (with the exception of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH in Liquidation, Regis-TR, S.A. and BME Soporte Local Colombia, S.A.S. and

Latam Exchange Data Inc.) are located in Spain, the country where they essentially carry out their activities, with the central headquarters of BME located in Madrid, Plaza de la Lealtad 1, and the main operational headquarters of the organisation in Las Rozas (Madrid), Calle Tramontana 2bis.

Since it was founded, BME has been committed to developing and upgrading the Latin American financial markets, the energy market and the financial sector in general, through shareholdings in the following companies at 31 December 2018:

- **Cámara de Riesgo Central de Contraparte de Colombia, S.A.**, in which BME holds a stake of 9.91% in its share capital.
- **Bolsa Mexicana de Valores, S.A. de Capital Variable**, with a stake of 0.99% in its share capital.
- **Operador del Mercado Ibérico de Energía - Polo Español, S.A. (OMEL)**, of which it indirectly owns through Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) 5.65% of its share capital.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.**, of which BME holds a 5% stake.
- **Sociedad Bilbao Gas Hub, S.A.**, in which BME holds a stake of 2.03%.
- **Noster Finance, S.L. (Finect)**, a financing company which offers investors, inter alia, a specialised community, interactive tools to improve decision-making and financial information based on smart data technology, in which BME holds a stake of 8.98%.

Corporate transactions corresponding to 2018 (102-10)

The corporate transactions corresponding to 2018, have not resulted in changes to the registered address nor the operational headquarters of BME, nor the closure or expansion of its offices.

Without prejudice to the foregoing, in 2018 BME acquired 9.7% of Finect and Bolsas y Mercados Españoles Market Data, S.A. together with Bolsa Mexicana de Valores, S.A. created an open-ended company called Latam Exchange Data Inc (LED), with registered address in the state of Florida (United States of America), in which Bolsas y Mercados Españoles Market Data, S.A. holds a stake of 51%.

Scale of the organisation (102-7)

The following table details the necessary figures to determine the size of the organisation at 31 December 2018: total workforce and owners' equity.

SIZE OF THE ORGANISATION

BME GROUP



Performance of the last 3 quarters	2016	2017	2018
Total headcount	762	755	770
Total owners' equity (thousands of euros)	423,792	430,147	399,210

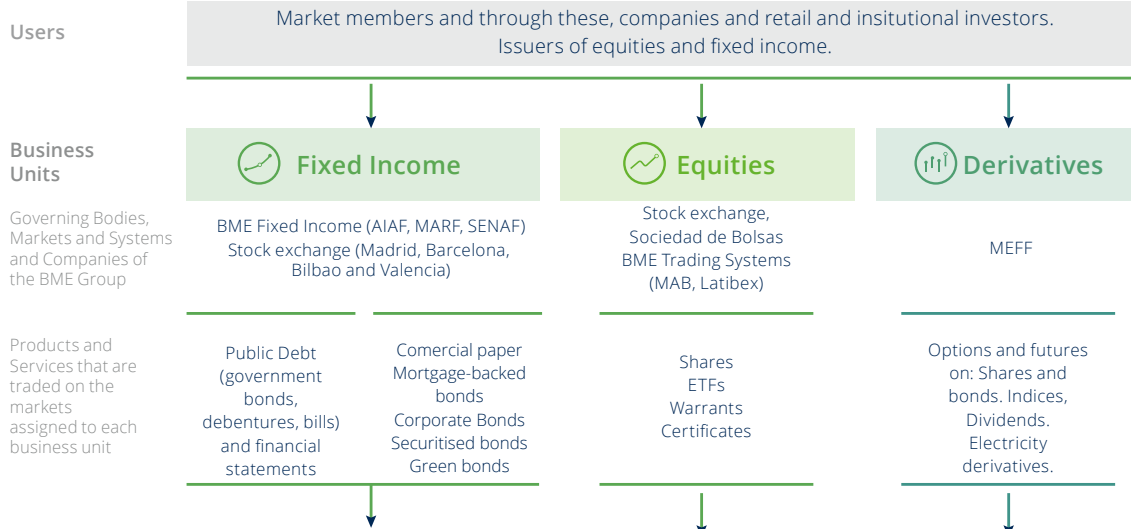
2.1. Business Model (102-15)

The following table contains a schematic representation of BME's value chain, which identifies the users of the main products and services provided by each one of the business units through the governing bodies and companies of BME Group. The educational and informative activity strengthens the aforementioned value chain and contributes to end-users and clients having the necessary and sufficient knowledge to allow them to obtain their objectives with greater assurance, transparency and security.

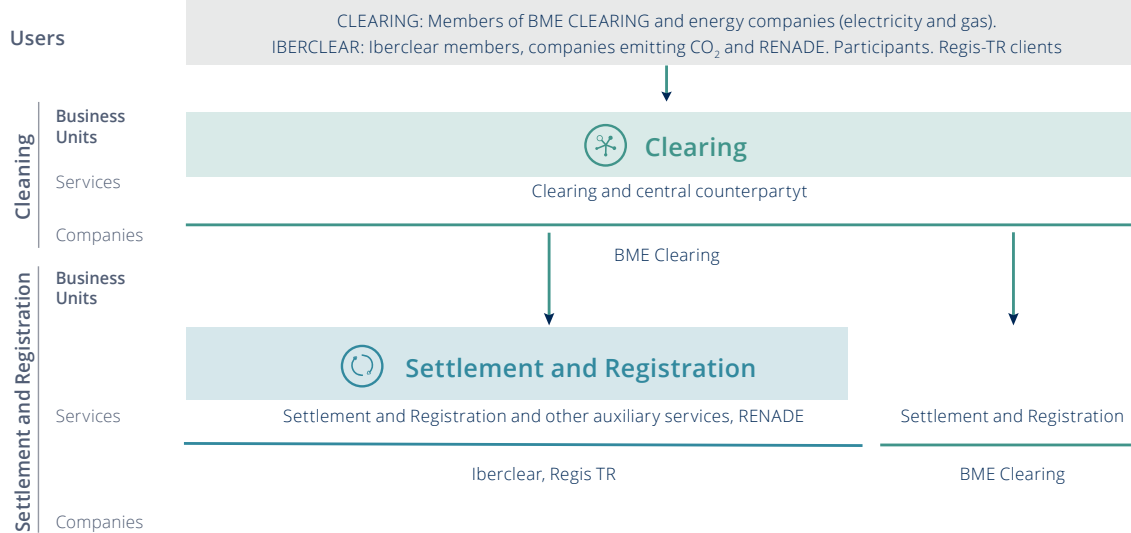
BUSINESS MODEL

BME GROUP

TRADING AND LISTING



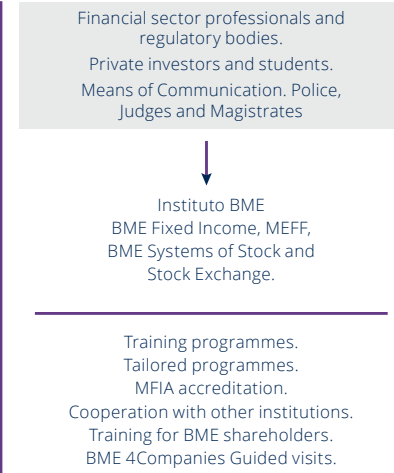
POST-TRADING



ADDITIONAL INFORMATION AND SERVICES (Technological, Regulatory and Innovation)



EDUCATIONAL AND INFORMATIVE ACTIVITY



MISSION, VISION, VALUES AND OTHER KEY ELEMENTS OF THE BME BUSINESS MODEL (102-15, 102-29, 102-30)**MISSION AND OBJECTIVES**

The mission of BME is to be the leading company for financial markets and systems in Spain, always striving to achieve service excellence and constantly innovate in markets and services. We also aim to create value for society and our shareholders.

The main objective of BME is to place the client at the heart of all corporate decisions and maximise the relationship with them in a manner so that excellence and the provision of the best service continue to be distinguishing features and BME's most recognisable hallmark.

BME also drives the significant increase in its revenue through:

- Organic and inorganic growth,
- Increased geographic diversification and services,
- The strengthening BME's solid business model by adapting it to the new environment, and
- Customer equity.

**VALUE GENERATED BY BME FOR ITS STAKEHOLDERS**

- This is a source of financing and liquidity for companies, promoting the confidence of society in the financial system guaranteeing the proper functioning on the markets and undertaking the commitment to being a prominent leader of the economy of Spanish companies, as well as for Latin American companies through Latibex.
- It offers its users a wide range of products, services and trading systems based on an advanced and stable proprietary technology which adapts to its requirements. BME also provides global market access systems to issuers, intermediaries and investors around the world, with clients in Europe, America and Africa.
- It also encourages the professional and personal development of its employees through the constant improvement of the services and activities that it provides them, its training programmes and professional motivation.
- It focuses its activity on the generation of shareholder value and is trusted by millions of investors who benefit from one of the highest pay-outs on the Spanish stock market, exceeding more than 90%.
- It generates business between its suppliers of a general nature within a local context.

**ASSOCIATED RISKS AND POLICIES APPLIED BY THE GROUP**

Within the framework of its risk management system, BME considers, inter alia, factors relating to the environmental and social performance of the organisation as well as other areas such as respecting human rights and the fight against corruption, fraud and bribery. The main risks associated with BME's activities are detailed in sections E and F of BME's Annual Corporate Governance Report for 2018, which is integrated into the Consolidated Directors' Report. Risks related to environmental, social and workplace performance of the organisation, as well as other areas such as the fight against corruption, fraud and bribery are not among BME's main risks and therefore no impacts have been detected in connection with these.

The policies that BME Group applies in relation to the activities it carries out, such as, the Corporate Governance Policy, the Directors' Remuneration Policy, the annually approved dividend distribution Policy, the Communication Policy, the principles of conduct of the Human Resources area, the Remuneration Policy, the Security Policy, as well as those measures implemented in connection with the aforementioned.

**DISTINGUISHING VALUES**

BME is a leader in the sector in terms of solvency, efficiency and shareholder returns. BME is a company recognised for its impartiality, transparency and protection, it is a dynamic and modern company committed to customer service, innovation and development, using technology developed in-house that has been exported to other several countries.

**NECESSARY RESOURCES**

The necessary resources so that BME can carry out the activities detailed in the value chain centred on the workforce, the constant development of knowledge and in-house technology and the strengthening of the relationship with suppliers and users.

**KEY INDICATORS OF NON-FINANCIAL RESULTS**

View the main key performance indicators of BME concerning Corporate Social Responsibility detailed in Chapter 1.

2.2. Responsible management model (102-16)

As manager of Spain's financial markets and systems, BME is the nexus between Spanish and international companies and investors. It provides a channel through which savings can be used to finance companies, while endeavouring to offer maximum speed, reliability, transparency, efficiency and security to the markets and systems it manages.

In this regard, BME and the Group's companies carry out their activity efficiently, responsibly and sustainably, managing the financial markets and systems in strict compliance with both domestic and international legislation, and in particular, economic, social and environmental legislation, as well as the codes it voluntarily embraces.

BME'S corporate social responsibility is an integral part of the Group's general strategy and day-to-day operations. It discloses all relevant information on financial and non-financial issues affecting the Company's activities with the utmost transparency.

Therefore, BME includes its basic principles of action in the non-financial information report (Corporate Social Responsibility Report), which have taken into account the needs and priorities of the stakeholders in their definition.

Principles and guidelines of conduct

BME has always been committed to setting a benchmark for the economy and for businesses in Spain and in Latin America through Latibex. To achieve this, its actions are guided by the following principles:



Efficiency in the provision of services.

Essential for the financial market to perform its key role in fostering sustainable economic growth.



Market integrity,

enabling several centres to undertake trading activity simultaneously and under identical conditions.



An impartial trading environment,

achieved through strict compliance with laws and regulations governing the financial markets and systems.



Transparency and fairness in the market,

by providing complete information on market performance so that investors can operate under identical conditions, without privileges of any sort.



Innovation and cutting-edge technology,

to provide the means necessary to help companies grow and participate actively in the creation of new financial products and the development of systems infrastructures.



Training,

as a cornerstone for the sustainable development of financial markets.



Investor protection,

crucial for creating a bond of trust between investors and the market.

The Company's guidelines for the different actors involved in the markets and society in general can be summarised as:

- compliance with Spanish, Community and international laws and regulations, (among them, those that regulate the activities related to the securities market, accounting, employment, social, and environmental aspects and the supply and use of products and services deriving from their operations), and the codes to which it adheres voluntarily, as well as strictly complying with social ethics and best practice models in its business operations. In light of the foregoing BME has not made provision for material fines or other concepts relating to environmental, social or corporate governance aspects in the audited financial statements:
- making the necessary efforts to ensure that relationships with users, investors and shareholders are profitable for all concerned,
- maintaining solid and fluid relationships with government and watchdog bodies through official channels,
- implementing clear procedures for selecting partners and the marketing of services and technology,
- on-going contact with shareholders and potential investors, and,
- building fluid relationships between the company, its employees and trade union organisations. (102-16)

BME Group is committed to favouring transparency and free market rules, as well as competing in markets in a fair manner and not carry out misleading or denigrating publicity of its competition or third parties. In 2018, BME Group was not affected by any significant legal proceedings filed for anti-competitive behaviour, anti-trust, and monopoly practices. (103: *Anti-competitive behaviour, 206-1*)

Initiatives in which it participates (102-12)

BME is involved in the following national and international initiatives:

- **Code of Best Tax Practices** since 2010. Practically all the companies forming the BME Group are individually adhered to the Code of Best Tax Practices, the aim of which is to promote a cooperative reciprocal relationship between the Tax Agency and the BME Group companies that have adopted it, based on the principles of transparency, mutual trust, good faith and honesty between the parties.
- **The United Nations Global Compact (UNGC)** since 2011, an initiative that aims to promote business sustainability through the implementation of 10 universal principles of conduct and action in relation to human and corporate rights, labour practices, the environment and the fight against corruption, in the strategy and the day-to-day operations of all types of entities, thus promoting sustainable development objectives. BME complies with its fundamental responsibilities in the areas of human rights, employment, the environment and anti-corruption, by incorporating the principles of the Global Compact into its strategies, policies and procedures, and by fostering a culture of business integrity.
- **Sustainable Stock Exchanges (SSE)**, a United Nations project, since 2015, an initiative of which it is a Partner Exchange, the aim of which is to raise awareness of good corporate governance and social and corporate responsibility and to promote sustainable business practices. In the performance of the aforementioned commitment, BME encourages the issuers of securities and the new companies listed on the markets and systems managed by BME, to report non-financial environmental, social and corporate governance information in their periodic reports. (102-12)

Tax transparency (103: Economic performance, 201-1)

Effective tax management and greater legal security in tax matters enhance the results of the Company and the Group, and lessen the risks inherent in complying with tax obligations.

On 30 September 2010, BME signed the Code of Best Tax Practices and, in response to its recommendations, in 2011 it approved tax policy principles and in 2015 these were updated and are available on the BME corporate website.

The Board of Directors, subject to a favourable report by its Audit Committee, must approve the corporate transactions that might take place and that are considered relevant for the Company given the special tax treatment they receive - such as the creation or acquisition of holdings in special purpose vehicles or those domiciled in countries or territories considered tax havens - and any transaction or business of a similar nature that might undermine the Group's transparency.

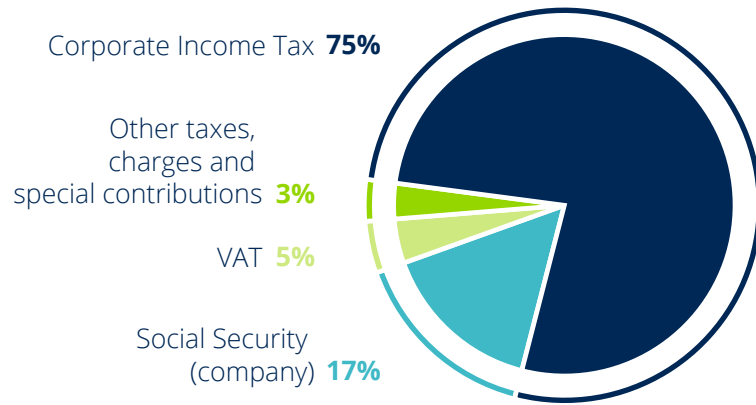
TAX TRANSPARENCY

	Country	2016	2017	2018
Profit before tax⁽¹⁾ (thousands of euros)	Spain	203,397	196,461	177,285
	Germany	71	21	5
	Portugal	-29	-25	-52
	Colombia	-	9	18
	United States	-	-	-249
Income tax and other taxes (thousands of euros)	Spain	51,063	49,526	43,721
	Germany	0	0	0
	Portugal	0	0	0
	Colombia	-	2	3
	United States	-	-	0
Total tax contribution⁽²⁾ (thousands of euros)	Spain	134,374	131,855	127,706
	Germany	24	12	10
	Portugal	18	14	10
	Colombia	-	32	61
	United States	-	-	8

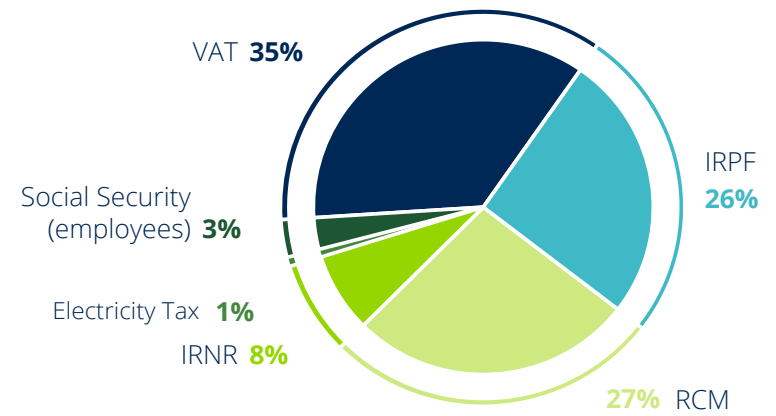
(1) The data on profit before tax detailed in this table corresponds to the profit obtained individually by the companies of the group in the country where they have their registered address, excluding any consolidation adjustments, therefore the data expressed herein do not agree with pre-tax profit figures shown in the consolidated annual accounts.

(2) This includes the taxes on its activities, which are an effective cost for the Company and its group and the taxes collected and paid on behalf of other tax payers as a result of the economic activity generated.

TAXES PAID (2018)



TAXES COLLECTED (2018)



LEGEND:

VAT: Value-Added Tax. IRNR: Non-Resident Income Tax. RCM: Capital Gains Tax. Social Security (Company): Personnel expenses related to the Social Security.

2.3. Security, ethics and integrity

BME considers the assets of the BME Group, among which are its operational headquarters, data processing centres and the information associated with the services that it provides, as well as the information systems that support it, as strategic resources subject to special protection.

In this regard, the Company has identified as a material aspect of great importance for its stakeholders and its strategy the secure, ethical and integral development of its activities, which is shaped by the logical and physical security policies adopted by the Company as well as by the Crime Prevention System and the Internal Code of Conduct and their implementing regulations. The documents containing the policies, regulations and procedures deriving from these issues have been distributed and made available to employees via the BME intranet.

A) Security Policy

With the aim of ensuring that the assets and persons associated with the BME Group are protected from threats and risks that may affect them, as well as safeguard the integrity of its employees, clients and partners, BME has approved the Security Policy which affects employees and directors of BME Group companies and any external contractors that may exist and, also the different assets of the Group, whether tangible and intangible, movable and immovable.

BME created the Security Committee, in which all members of the Senior Management participate, to direct and organise in a comprehensive manner the logical and physical security functions under a Comprehensive Security Management Model in line with the main standards such as ISO/IEC 27001, ISO/IEC 27002, ISO 22301 and ISO/IEC 31000.

Logical Security Policy

BME's Logical Security Policy, which allows it to ensure the information and IT systems are protected from threats and the risk of data leaks such as intrusions, fraud, sabotage and industrial espionage, are implemented through *the Information Security Policy and the Business Continuity Policy*:

- *Information Security Policy*, the purpose being to prevent the abusive use of IT tools through the identification of prohibited and permitted conduct, the consequences that may derive from their abusive use and the control procedures to be adopted by Company Management.

To complement this Policy, BME has approved the Policy on Handling Sensitive Information, which sets out the criteria for classifying and handling documents depending on their level of confidentiality in order to reduce the risk of unauthorised access to BME Group's sensitive information.

BME has implemented a procedure, defined by the Information Security Department, which is applied to the management of Human Resources in the scope of the selection and recruitment of personnel, aligning it with the security requirements recommended by Standard ISO 27000, to ensure that the candidates understand their responsibilities and are suitable for the roles for which they are being considered, understand and comply with their duties in relation to information security and protect the interests of the organisation as part of the change process upon termination of employment.

- *The Business Continuity Policy* details the technical and organisational initiatives that ensure the operations of BME in the case of a severe security incident.

Physical Security Policy

The Physical Security Policy is described in the Physical Security Plan, which details the physical security measures implemented by BME to protect the facilities, especially the data processing centres where all the IT equipment and information, storage and processing systems are located.

B) Ethics and Integrity (102-16, 102-34)

Ethics and integrity at BME are the cornerstones upon which its commitment to its stakeholders is built. With this in mind, BME Group sets out the general principles of action of its directors, legal representatives, management and employees through diverse means with the aim of establishing a framework that allows BME to create efficient measures to prevent, discover, investigate and, where applicable internally penalise the crimes and inappropriate conduct that may be committed with the resources or during the performance of their activities in BME and the companies of the Group.

General principles for operating in the securities market (102-16, 102-17)

The Company has in place an Internal Code of Conduct (ICC) that the Board of Directors maintain up-to-date, the purpose of which is to define the principles and framework of action that must be observed for operating in the securities market by all BME personnel and the companies of its Group and any other person providing their services or maintaining a professional relationship with BME and its Group.

As per the Internal Code of Conduct, and in line with guidelines for disclosing insider information to third parties published by the Spanish National Securities Market Commission (CNMV), BME's Policy for the treatment and transmission of insider information lists the measures and internal control procedures to be established in BME and its group companies to safeguard insider information.

In addition to these rules of conduct, BME has established a Procedure for reporting deficiencies in the internal control and management systems, which establishes the channels any employee can use to inform the competent internal body of any irregularities detected in these systems. No irregularities or weaknesses were reported in the risk management and internal control systems in 2018.

These regulations and the implementation of the procedure for reporting deficiencies in internal control and risk management systems are an effective mechanism for detecting potential cases of corruption and fraud.

Monitoring and compliance bodies

The Markets and Systems Operating Procedures Committee is the competent body responsible for the interpretation of the Internal Code of Conduct, while the Audit Committee is responsible for the processing and, where applicable, the imposition of the penalties for non-compliance with the Internal Code of Conduct on the members of the Board of Directors and persons with managerial responsibilities.

The Board of Directors oversees the activities of its delegated Committees, among these being the Markets and Systems Operating Procedures Committee and the Audit Committee, with an annual assessment of their performance, through the Activities Report of these Committees. The monitoring of the actions carried out for the compliance with the Internal Code of Conduct can be consulted in the Reports on the activities of the Board of Directors and of the committees all corresponding to 2018, which are available on the corporate website www.bolsasymercados.es.

General principles governing the actions of BME employees (103: Anti-corruption 102-16, 102-17, 205-2, 205-3)

With the aim of combating and preventing all types of crime, and in particular fraud, corruption and bribery, which may potentially materialise in the performance of the activities carried out by the Company and to strictly comply with the legislation in force, BME has established a crime risk prevention system, which is based on general preventive controls, consisting of the rules, bodies and procedures and communication channels and other specific preventive controls such as the Integrated Risk Management System and the review carried out by the Regulatory Compliance and Internal Audit Departments.

Among the general preventive controls that facilitate the prevention of crime and the fight against corruption, bribery and fraud, are:

Code of Conduct: The Code of Conduct, which comprises the ethical principles and rules of conduct which govern the actions of all directors, legal representatives, managers and employees.

For illustrative purposes, employees are issued with "Principles of Action Guidelines for Employees", which aims to provide employees with knowledge of those conducts that may be classified as a crime.

Crime Risk Prevention Model: The Principles for crime risk prevention of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and its Group Companies, which are the basis of the Crime Risk Prevention System, described among other documents in the general and special section of the Crime Risk Prevention Manual, which were updated during 2015 and 2016 due to the entry into force of amendments to Spain's Penal Code.

Although BME is not obliged by Law 10/2010 of 28 April on the Prevention of Money Laundering and the Financing of Terrorism, the abovementioned Crime Risk Prevention System establishes specific controls to mitigate the behaviour associated with money laundering and the financing of terrorism within the organisation.

The Whistleblowing Channel, available to employees on the Human Resources intranet together with its Usage Policy, establishes the procedure for communicating and processing the facts from which it may be inferred that there is evidence of non-compliance with the policies or procedures implemented by the Group, non-compliance with the Code of Conduct or other aspects that may be evidence of a possible crime, such as corruption, bribery or fraud. In 2018 the Whistleblowing Channel received a communication which was dismissed as it was not covered by the target scope of the whistleblowing channel, as detailed in the previously mentioned Policy for Use.

The Crime Prevention Committee, reporting to the Audit Committee, was set up to implement, develop and comply with BME Group's crime risk prevention system.

In order to raise awareness among employees of the importance of these crime risk prevention measures, the company has developed and delivered a specific training course on this topic to all of its employees with the aim of raising awareness of the crimes that may be committed within the scope of the activities carried out by BME and its Group companies.

The Code of Conduct establishes the principles and guidelines of conduct to prevent actions related to the typical conduct associated with, for example, the crimes of corruption among civil servants or bribery and corruption in international business transactions, as well as the crimes of passive bribery and the exercise of undue influence and against the Spanish Taxation Authorities and Social Security, the controls of which aimed at mitigating the risks of committing associated conducts are detailed in the Special Section of the Crime Risk Prevention Manual.

In addition, the members of the Boards of Directors and certain positions of the companies of the BME Group that are considered supervised entities, must sign an Honesty Statement in which they declare that they do not have prior convictions for any serious fraudulent or negligent crime related to, for example, the provision of financial services and data services, acts of fraud, misappropriation of funds, bribery, or misconduct in the management of a company.

In this manner, BME, through the above channels effectively fights against any case of corruption, bribery or fraud that may affect, where applicable, the companies of the Group, the employees of BME and of its Group companies, the members of the governing bodies of these companies and the other persons who provide services or engage in a professional relationship with BME or its Group companies. No cases of corruption, bribery or fraud were reported or identified in 2018.

(102-16, 102-17, 205-1, 205-2, 205-3)

Monitoring and compliance bodies (102-29, 102-30, 205-1)

The Risk Prevention Committee, reporting to the Audit Committee, is the internal control body that has autonomous power to act upon its own initiative and control and is charged with the supervision of the functioning and the compliance with the prevention model implemented in BME Group.

This Committee, which has the support of the Regulatory Compliance Department and the General Secretary and the Board, is charged with the supervision of the effectiveness of the internal controls implemented in BME Group, it monitors the measures adopted within the scope of crime risk prevention, regularly informs the Audit Committee regarding the activity carried out, proposing, where necessary, any improvements or specific updates to the controls and procedures of the Crime Prevention System.

The Audit Committee is charged with the supervision of this System and of submitting any proposals to modify the Crime Risk Prevention Manual before the Board of Directors for approval, as well as inform this body of any actions initiated as a result of any breach or non-compliance of a criminal nature.

The Company's Internal Audit Department is responsible for periodically auditing those processes likely to be affected by corruption, bribery or fraud, as well as the risks of fraud that the Board of Directors have identified as a result of the determination of the management and risk control policy currently being drafted.


2.4. Relationships with stakeholders and other relevant sectors

A) Relationships with its Stakeholders (102-44)

BME has in place a series of measures for communicating with its stakeholders through which these may be informed of the activities carried out by the Company and through which they may communicate their questions, queries and suggestions.

USERS

Means used by BME to communicate with Users.


- Investor Ombudsman.
- BME Group companies' websites.
- Social Media: 
- Telephone hotline and the emails for Business Units.
- Press releases and documents of interest.
- Articles and other publications.
- Training days and forums.
- Technical committees and commissions.
- Collaboration with institutions and associations.
- Visits to company facilities.

Most interesting aspects of BME for Users.

- New services and products.
- Quality certificates for the services provided.
- Efficiency and diversification in the business model.
- Ethics and transparency.
- User protection and privacy.
- User education.

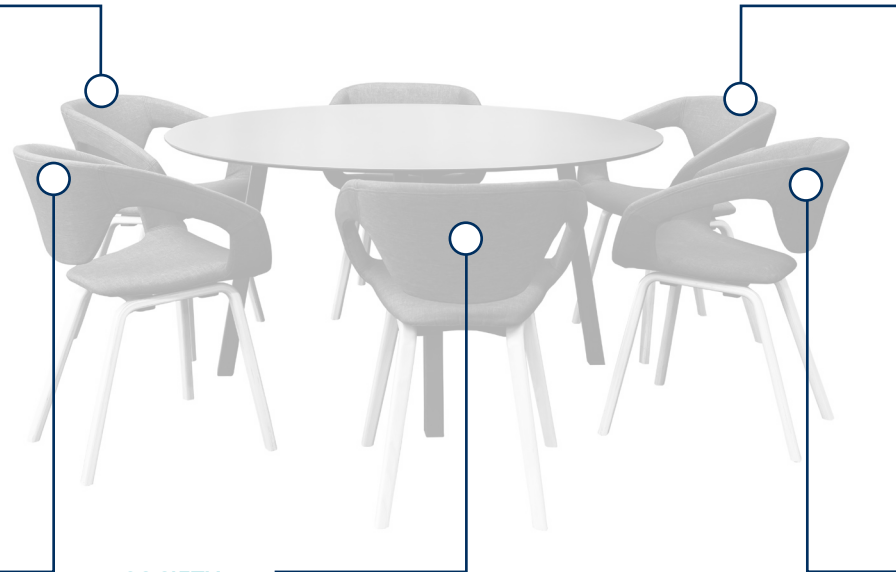
EMPLOYEES

Means used by BME to communicate with Employees.

- Corporate website: www.bolsasymercados.es.
- Social Media: 
- BME Intranet and Human Resources online.
- Email.
- Human Resources Query Hotline.
- Internal comunicués.
- Representative Bodies.
- Technical Committees deriving from the Collective Agreement.
- General Shareholders' Meeting.
- Corporate Publications (ACTIVO Magazines, Newsletters)

Most interesting aspects of BME for Employees.

- Work/life balance.
- Diversity and equal opportunities.
- Social benefits.
- Training.
- Career advancement.
- Salary policy and employment conditions.



SHAREHOLDERS

Means used by BME to communicate with Shareholders.

- General Shareholders' Meeting.
- Electronic Shareholders Forum.
- Dedicated selection on the corporate website: www.bolsasymercados.es
- Permanent information service for market players and regulators (www.cnmv.es).
- Social Media: 
- Shareholders' Office: accionista@grupobme.es.
- Investor Relations: investorRelations@grupobme.es.
- Corporate publications.
- Press room.

Most interesting aspects of BME for Shareholders.

- Economic value generated and distributed.
- Optimisation of cost and investments.
- Fiscal Policy.
- Value creation: Share price trend.
- Shareholder remuneration.
- Shareholder Education Plan.
- Marketing and Communication.

SOCIETY

Means used by BME to communicate with Society.

- Participation in national and international institutions.
- Financial Education Day.
- Partnerships with universities and academic associations.
- BME Digital Editions and sponsorship of publications.
- Educational and informative activity.
- Support for SMEs and start-ups.
- Corporate website: www.bolsasymercados.es.
- Guided visits of company facilities.
- Involvement in cultural foundations and organisations.

Most interesting aspects of BME for Society.

- Financial training.
- Promoted financial sponsorship and awards.
- Financial informative activity.
- Cultural and social activities.
- Environmental and greenhouse gas emissions policy.

SUPPLIERS

Means used by BME to communicate with Suppliers.

- Corporate website: www.bolsasymercados.es.
- Complaint and enquiry service.
- Meeting with suppliers.
- Invitations to tender.
- Formal commitment of suppliers.
- Initial suppliers appraisals and quotations.
- Order evaluations.

Most interesting aspects of BME for Suppliers.

- Average suppliers payment period.
- Volume of procurements.
- Suppliers accreditation, assessment and monitoring process and orders.
- Quality standards of goods and services required by BME.

B) Relationships with Public Administrations and other relevant sectors

(103: Public policy, 201-4, 415-1)

In view of the importance of the functions performed by BME in ensuring the smooth running of financial markets and, by extension, the Spanish economy, the company must maintain a smooth relationship with public bodies through official channels, predicated on strict adherence to applicable regulations, and with the domestic and international media.

BME does not contribute to any political parties or organisations, allowing BME's management to remain independent in its relationships with local, regional and national government bodies.

BME did not receive any financial aid from the government or public authorities in general in 2018. Notwithstanding the foregoing, BME is adhered to the system that the State Foundation for On-the-Job Training makes available to all companies and which consists of financial aid, which is made effective by way of Social Security contribution credits.

	2016	2017	2018
Monetary value of financial aid deriving from the State Foundation for On-the-job Training system	64,372 €	59,241 €	82,431 €

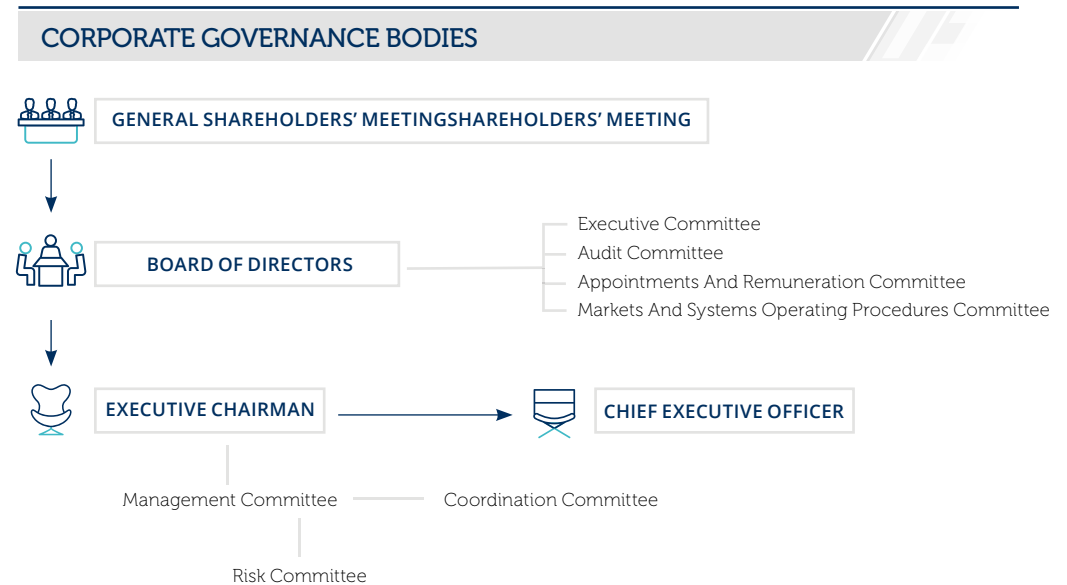
2.5. Corporate governance and risk management

A) Corporate Governance (102-6, 102-18, 102-22, 405-1)

BME's corporate governance structure conforms to the highest standards of the market. Its guiding principles are transparency, shareholder participation and the independence of the external auditor.

In this regard, BME's Board of Directors has approved its Corporate Governance Policy, which is available on the corporate website www.bolsasymercados.es together with the other Corporate Policies (such as the Directors' remuneration policy), and which details the principles and aspects that govern the actions of the Company and its Group in this area, as well as the commitments undertaken for the continuous improvement and review of the corporate governance rules of the Company and its Group.

BME's internal regulations are available under the "Shareholders and Investors" section of the corporate website: www.bolsasymercados.es.



As at 31 December 2018, the **Board of Directors**, the most senior governing and administrative body of the Company and responsible for approving the Corporate Social Responsibility Policy, was made up of 11 members of recognised capacity, integrity and independence and its composition complied with the recommendations of the Good Governance Code for listed companies, with 8 external directors (2 proprietary and 6 independent) and only 3 executive directors.

COMPOSITION OF THE BOARD OF DIRECTORS AS

AT 31 DECEMBER 2018

Directors	Position on the Board	Character	Length of service on the Board	Committee			
				Executive Committee	Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Procedures Committee
Mr. Antonio J. Zoido Martínez	Chairman	Executive	15.02.2002	Chairman	-	-	-
Mr. Javier Hernani Burzako	Chief Executive Officer	Executive	27.04.2017	-	-	-	-
Mr. Ignacio Garralda Ruiz de Velasco	First Deputy Chairman	External independent	27.02.2014	Member	-	Member	-
Mr. David María Jiménez-Blanco Carrillo de Albornoz	Second Deputy Chairman	External independent	26.04.2018	Member	-	Chairman	-
Mrs. Maria Helena dos Santos Fernandes de Santana	Director	External independent	28.04.2016	-	-	-	-
Mrs. Ana Isabel Fernández Álvarez	Director	External independent	26.04.2018	Member	Chairman	-	-
Mr. Joan Hortalá i Arau	Director	Executive	15.02.2002	-	-	-	Chairman
Mr. Juan March Juan	Director	External proprietary	30.10.2014	-	Member	-	Member
Mrs. Isabel Martín Castella	Director	Externa independiente	26.04.2018	-	Member	-	-
Mr. Santos Martínez-Conde y Gutiérrez-Barquín	Director	External proprietary	30.10.2014	Member	-	Member	-
Mr. Juan Carlos Ureta Domingo	Director	External independent	26.04.2018	-	-	Member	Member

Secretary of the Board and of the Committees: Luis María Cazorla Prieto.
 Deputy Secretary of the Board and of the Committee: Cristina Bajo Martínez.
 Legal advisor: Jaime Aguilar Fernández-Hontoria.

NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS BY AGE

	2018
< 30	0
30 - 50	1
> 50	10

The Directors classified as internal proprietary directors represent the only legal entity shareholder with a significant share of the share capital, whereas the presence of directors classified as external independent directors on the Board guarantees the protection of the interests of the minor shareholders.

The professional backgrounds of the members of the Board of Directors, which are available on the corporate website www.bolsasymercados.es, detail the posts held and activities performed in the companies of BME Group and other companies outside of the Group.

The Executive Committee, as per the Board of Directors' Regulations, is responsible for supervising the application of the principles and guidelines concerning the Company's corporate social responsibility and the monitoring of the corporate social responsibility strategy and practices.

(102-6, 102-18, 102-23)

All the information on corporate governance is available under the "Shareholders and Investors" section of the corporate website. In particular, the information relating to the powers of the Board of Directors, the roles allocated to the Company's chief executives, the appointment, re-election, evaluation and removal procedures of Directors, the management of conflicts of interest, the measures adopted to guarantee there is a sufficient number of women Directors on the Board to ensure the balance between genders, the evaluation processes of the performance of the Executive Chairman, Chief Executive Officer and the Board of Directors and its Committees is detailed in the Annual Corporate Governance Report and Report on the Activities of the Board of Directors for 2018.

BME's Structure *(102-19, 102-20)*

As established in the company's Articles of Association and Board of Directors' Regulations, the Board of Directors has entrusted the running of its ordinary business to its delegate bodies, the Board's executive members and the senior management team, and it falls to the Board of Directors to foster, direct and supervise those issues of special importance for the Company.

Accordingly, the Company has an **Executive Chairman**, the most senior executive and hierarchical superior, and a **Chief Executive Officer**, entrusted with managing the ordinary course of the Company's business with maximum executive functions, and who shall directly inform the Board of Directors and its Chairman regarding the performance of the Company.

BME's senior management forms the **Management Committee**, which is the body that directly supervises the management of the Business Units and Corporate Areas, ensuring a coordinated action between them, as well as that between the Company and the Group's companies

MANAGEMENT COMMITTEE (*)

Mr. Antonio Zoido Martínez (Chairman)

Mr. Javier Hernani Burzako (Chief Executive Officer)

Mr. Jorge Yzaguirre Scharfhausen (Head of Markets and Fixed-Income, Equities and Derivatives Units)

Mr. Jesús Benito Naveira (Head of the Settlement and Registration Business Unit)

Mr. Ramón Adarraga Morales (Head of the Information and Added Value Services Business Unit)

Mrs. Marta Bartolomé Yllera (Financial Director)

Mr. Francisco Nicolás Tahoces (Technology Director)

Mr. Pablo Malumbres Mugerza (Corporate Communication Director)

Mr. Jaime Aguilar Fernández-Hontoria (Legal Services Director)

(*) *Ignacio Solloa Mendoza and Luis García Berral, Head of the Clearing Business Unit and Director of Human Resources, respectively, may also assist the meetings of the Management Committee.*

NUMBER OF MEMBERS OF THE MANAGEMENT COMMITTEE BY AGE**2018**

< 30	0
30 - 50	2
> 50	7

In the performance of their duties, the Management Committee shall have the support of the **Coordination Committee**, formed by members of the Management Committee and any other directors that the Chief Executive Officer should appoint. The Coordination Committee is responsible for the supervision and monitoring of the results of the Business Units, the projects that are being developed in the Group and the Groups' Strategic Plan.

Given the group's corporate structure, the coordinated management of its activities is based on a structure of six Business Units and seven Corporate Areas providing support functions to all business units. (102-19, 102-20)

BUSINESS UNITS**Head**

Fixed Income: Trading of private fixed-income and government debt securities as well as listing and maintenance services for issuers on the private fixed-income market.



Equities: Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) and floors as well as listing and maintenance services for issuers on the equity markets.

Mr. Jorge Yzaguirre Scharfhausen



Derivatives: Trading of derivatives by electronic means.



Clearing: Clearing and central counterparty activities for equities, financial derivatives, government debt repos, interest rate derivatives and electricity and gas derivatives.

Mr. Ignacio Solloa Mendoza



Settlement and registration: Registration and settlement of equity, private fixed income and government debt trades.

Mr. Jesús Benito Naveira



Information and Added Value Services: Primary information, index licences and other, technological, financial and consultancy innovation services, global access and algorithmic trading services and regulatory compliance services.

Mr. Ramón Adarraga Morales

CORPORATE AREAS

Head

General Secretariat	Mr. Luis María Cazorla Prieto
Legal Services	Mr. Jaime Aguilar Fernández-Hontoria
Corporate Communications	Mr. Pablo Malumbres Muguerza
International Coordination	Mr. Ramón Adarraga Morales
Financial	Mrs. Marta Bartolomé Yllera
Human Resources	Mr. Luis García Berral
Technology	Mr. Francisco Nicolás Tahoces

Remuneration of the Board of Directors and Senior Management of BME (102-35, 102-36, 102-38, 102-39)

BME's Directors' Remuneration Policy, which is approved by the General Shareholders' Meeting, is transparent, reasonably proportional to the importance of the Company, its financial situation and the market standards of comparable companies and is compatible and in line with the business strategy, values and long-term interests of the Company and of its shareholders and is such that it promotes the long-term profitability and sustainability of BME. For Executive Directors, it shows a balanced and efficient relationship between fixed and variable components, with an appropriate proportion of variable components linked to the delivery of medium- and long-term objectives, and the deferred delivery of Company shares.

The information relating to the remuneration policies of the Directors, their remuneration process and the consideration of stakeholders with regard to these remunerations is detailed in the Annual Report on Directors' Remuneration for 2018, available on the corporate website.

BME Group's Remuneration Policy, which was proposed by the Appointments and Remuneration Committee and approved by the Board of Directors during its meeting of 29 November 2017, is applicable to all persons with an employment relationship with BME or any of the companies forming the Group and those persons who, as a result of their status as members of the governing bodies of the subsidiaries with executive powers, have had their employment relationship suspended with any of the companies of the Group.

The information on the remuneration of BME's senior management, including variable remuneration, attendance fees, compensation, the payment of contributions to long-term savings schemes and any other concept, is detailed in the Annual Corporate Governance Report available on the corporate website.

AVERAGE GROSS REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF BME BY GENDER ⁽¹⁾

(THOUSANDS OF EUROS)

	2017	2018
Directors ⁽²⁾	194	174
Women	59	51
Men ⁽³⁾	219 ⁽⁴⁾	219
Senior Management ^{(5) (6)}	371	372

(1) The average remuneration of the Directors and senior management of BME contained in this table include all remunerative concepts received by the Directors and senior management in their roles as such (including variable remuneration, attendance fees, compensation, the payment of contributions to long-term savings schemes and any other concept) the amounts of which are detailed in the annual reports on Directors' Remuneration and Corporate Governance for 2017 and 2018.

(2) During 2017, the following changes to the composition of the Board of Directors took place: (i) Ramiro Mato García-Ansorena stood down as Director and Member of the Audit Committee on 27 September 2017, (ii) Javier Hernani Burzako was appointed Director on 27 April 2017, and (iii) Juan March Juan was appointed Member of the Audit Committee on 27 September 2017. In 2018, the following changes to the composition of the Board of Directors took place: (i) Manuel Olivencia Ruiz passed away on 1 January 2018, (ii) Margarita Prat Rodrigo stood down as Director, Member and Chairperson of the Audit Committee and Member of the Executive Committee on 26 April 2018, (iii) Álvaro Cuervo García was appointed Chairperson of the Appointments and Remuneration Committee on 15 January 2018. On 26 April 2018 he stood down as Director, Chairperson of the Appointments and Remuneration Committee and Member of the Audit Committee and of the Executive Committee, (iv) Carlos Fernández González stood down as Director and Member of the Appointments and Remuneration Committee on 26 April 2018, (v) Karel Lanno stood down as Director and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018, (vi) Ana Isabel Fernández Álvarez was appointed Director, Member and Chairperson of the Audit Committee and Member of the Executive Committee on 26 April 2018, (vii) David María Jiménez-Blanco Carrillo de Albornoz was appointed Director, Member and Chairperson of the Appointments and Remuneration Committee and Member of the Executive Committee on 26 April 2018, (viii) Isabel Martín Castellá was appointed Director and Member of the Audit Committee on 26 April 2018, and (ix) Juan Carlos Ureta Domingo was appointed Director and Member of the Appointments and Remuneration Committee and of the Markets and Systems Operating Procedures Committee on 26 April 2018)

AVERAGE GROSS REMUNERATION OF THE DIRECTORS OF THE COMPANIES OF THE GROUP WHOSE POSITIONS ARE REMUNERATED ⁽¹⁾

(THOUSANDS OF EUROS)

	2017	2018
Directors	15	18
Women	11	16
Men	16	18

(3) The average variable remuneration of Antonio J. Zoido Martínez includes the remuneration as Chairman of the Board of Directors and CEO of the Company.

(4) This includes remuneration received by Javier Hernani Burzako following his appointment as CEO on 27 April 2017.

(5) The figure for the average remuneration of senior management is recorded without detailing its amount by gender, given that as this section comprises only one woman, this disaggregated information could be in breach of the legislation on the protection of personal data.

(6) For the calculation of the average remuneration of senior management, the number of days that senior management has worked for the company during the fiscal year, the daily remuneration received during said period and the number of members of senior management at year end have been taken into account.

(7) The average remunerations of the Directors of the Group companies whose positions are remunerated include per-diem received by the Directors of the Governing Company of the Madrid Stock Exchange S.A.U., the Governing Company of the Barcelona Stock Exchange S.A.U., the Governing Company of the Bilbao Stock Exchange S.A.U., the Governing Company of the Valencia stock exchange S.A.U., Sociedad de Bolsas S.A., MEFF Sociedad Rectora del Mercado de Productos Derivados., Bolsas y Mercados Españoles Renta Fija S.A.U., Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U. and BME Clearing S.A.U. for attending the meetings of their Boards of Directors and delegated commissions, the only type of compensation received by the Directors of these companies in their condition as such.

Independence of the external auditor

Irrespective of the maximum time limits for contracting auditors set down in audit regulations, BME has considered and continues to consider the number of consecutive years in which the external audit firm has audited the annual financial statements of the Company and its Group, in order to foster the independence of the auditors so as to increase transparency in the Company. Accordingly, an annual report is approved regarding the independence of the external auditor of BME and its consolidated Group and the annual corporate governance report, available on the corporate website, which details the fees received by the external auditor and its associated companies from BME and its consolidated Group for auditing work and services additional to those of auditing accounts, such as the independent review of this non-financial information statement.

B) Risk management (102-29, 102-30)

The risks associated with the activities of BME Group companies are managed with criteria which enable the Company to combine the achievement of its aims of maximising its value, profitability and efficiency, with other legitimate interests, both public and private, in a way that allows the best development and functioning of those markets and systems operated by BME Group companies.

BME's risk management is based on two main pillars: good corporate governance and a rigorous internal control system.

As a result of the corporate governance structure mentioned in the above section, the management of the risks deriving from the various activities that BME carries out are initially channelled through the specific systems of identification, measurement, assessment and management that each Business Unit and Corporate Area has available in relation to the risks that may be incurred.

The Continuity and Risk Committee which reports to and works with the Management Committee in the formalisation of a risk control and management policy, which is currently in the development phase, is also responsible for the creation of the corporate Risk Map and the implemen-

tation and monitoring of the risk assessment model defined and adopted by the Management Committee, as well as the competences relating to the preparation, application and maintenance of a Business Continuity Policy and the approval and supervision of the application of the Business Continuity Plan.

In the preparation and maintenance of the Global Risk Map risks are prioritised according to their importance and matrices are produced that include the operating processes that manage such risks.

BME has put in place an Integrated Risk Management System (IRMS), based on the methodological framework set out in the COSO II report. This ensures that any significant risks that could affect the Group's objectives and activities are identified, evaluated and controlled, and which permits the integration of different risk management systems already existing in the Company, among which are: the Internal Control over Financial Reporting System (ICFRS), the Criminal Risk Prevention System (CRPS) and the Information Security Management System (ISMS). This integration exercise enables the optimisation, at an organisational level, of all risk management efforts and also establishes a formal and coordinated risk information channel from the base of the different corporate Areas and Business Units to the Board of Directors.

Having evaluated the relevant risks, BME Management must define how to respond to them, for which it must take into account both their effect on the risk probability and impact, as well as the costs and benefits.

Although BME's IRMS affects and involves all Company personnel, the main participants in the risk management model, in addition to the Management Committee, are the following:

- The **Board of Directors**, as the Company's most senior governing and administrative body, is responsible for defining the control and management policy for risks, including tax risks, and annually monitors internal information-management and control systems, to ensure that the main risks are adequately identified, managed and made known.
- The **Audit Committee**, which reports to the Board of Directors, monitors the effectiveness of the Company's internal control and risk-control systems, including tax risks, the Company's internal and external audit services, and the Group's regulatory compliance function.
- The **Crime Prevention Committee**, reporting to the Audit Committee, is responsible for the implementation, development of and compliance with BME Group's crime risk prevention system (CRPS).
- The **Continuance and Risk Committee** is the body reporting to the Management Committee, responsible for the monitoring and analysis of risks deriving from the activities carried out by the companies of the Group and for maintaining the Board of Directors informed, through the Audit Committee, of the actions performed in the implementation of the risk control and management policy and the preparation, application and maintenance of the Business Continuity Policy and the approval and supervision of the application of the Business Continuity Policy.
- The **Security Committee** is the body responsible for defining and applying BME Group's Security Policy, which includes information, IT, and physical security.
- The **IT Security Team** is responsible for implementing, operating and maintaining the Information Security Management System (ISMS), in accordance with the Security Committee's guidelines.

In 2018 a security operations group was created to provide technical support to information security tasks and which comprises an administration group that manages the information security systems and an intelligence group responsible for detecting intrusions and analysing the incidents and cyberattacks.

- The **Internal Audit Department** is charged with providing senior management and the Board, through the Audit Committee to which this department reports, with information that enables them to fulfil the company's objectives, including the assessment and evaluation of the efficiency of the risk assessment tasks carried out. Its remit is therefore aimed at evaluating and improving the efficiency of the risk management processes, control and governance, by identifying key risks and controls.
- The **Regulatory Compliance Department**, a body independent to the Company's executive officers with the aim of ensuring compliance with the regulations applicable to the activities carried out by BME and its Group companies and which reports to the Audit Committee.
- The **heads of the Business Units and Corporate Areas** are the ultimate owners of the risks arising therefrom.
- The **employee responsible for the risk** is the owner of the risk for each Business Unit or Corporate Area appointed by their respective heads.

The main risks associated with BME's activities are detailed in sections E and F of BME's Annual Corporate Governance Report for 2018, included in a separate section in the management report and is available on the Company's corporate web site. In particular, BME explains how to manage and mitigate the risks identified in section E.6 of the aforementioned report, in which it describes the response and supervision plans for the Company's main risks.



3. BME Shareholders



In accordance with BME's Corporate governance policy, which is publicly available on the corporate website and by following the best corporate governance practices, the Company promotes the responsible, diligent and transparent exercise of the rights and the compliance with, under the same terms, of the duties of the shareholders, who are invited to actively and permanently form part of the company's life.

In this regard, BME provides them with all the resources needed to exercise their voting and profit-sharing rights.



BME 2018 General Shareholders' Meeting.

3.1. Shareholder profile

In 2018, there were no significant changes to the structure and ownership of BME's share capital.

GENERAL DATA

AT 31 DECEMBER 2018



83,615,558

Total number of shares



1,478

Avg. number of shares held per shareholder



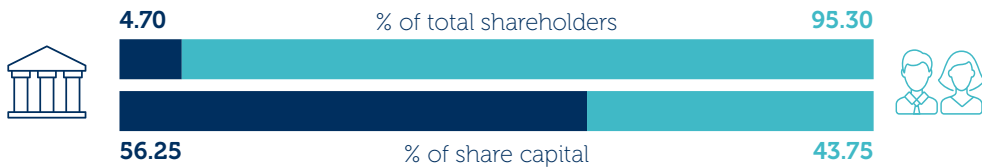
87.06%

Floating capital

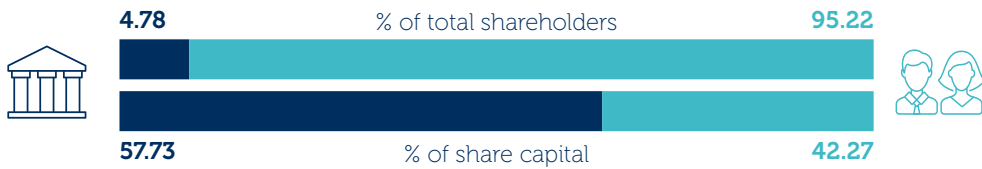
Performance of the last 3 quarters	2016	2017	2018
Total number of shares	83,615,558	83,615,558	83,615,558
Avg. number of shares held per shareholder	1,447	1,493	1,478
Floating capital (%)	84.95	87.28	87.06

BREAKDOWN BY TYPE OF SHAREHOLDER

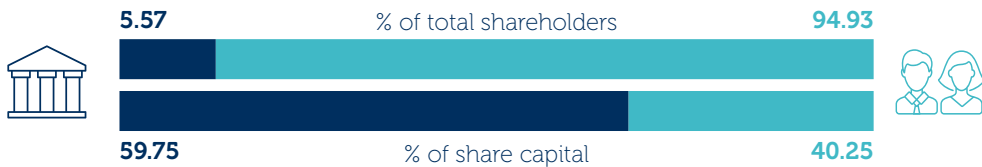
2018



2017



2016

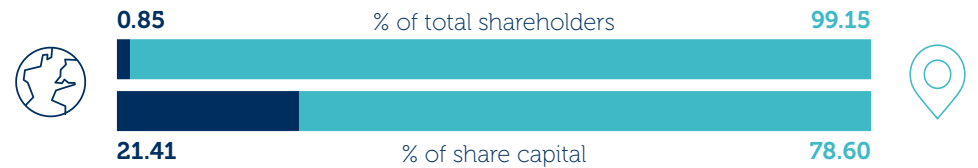


Institutional Shareholders

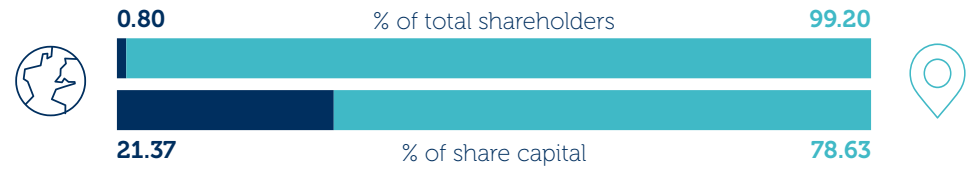
Non-controlling Shareholders

BREAKDOWN BY NATIONALITY

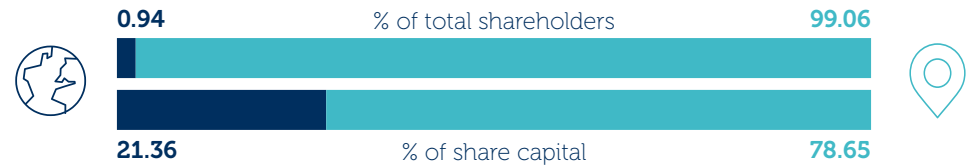
2018



2017



2016

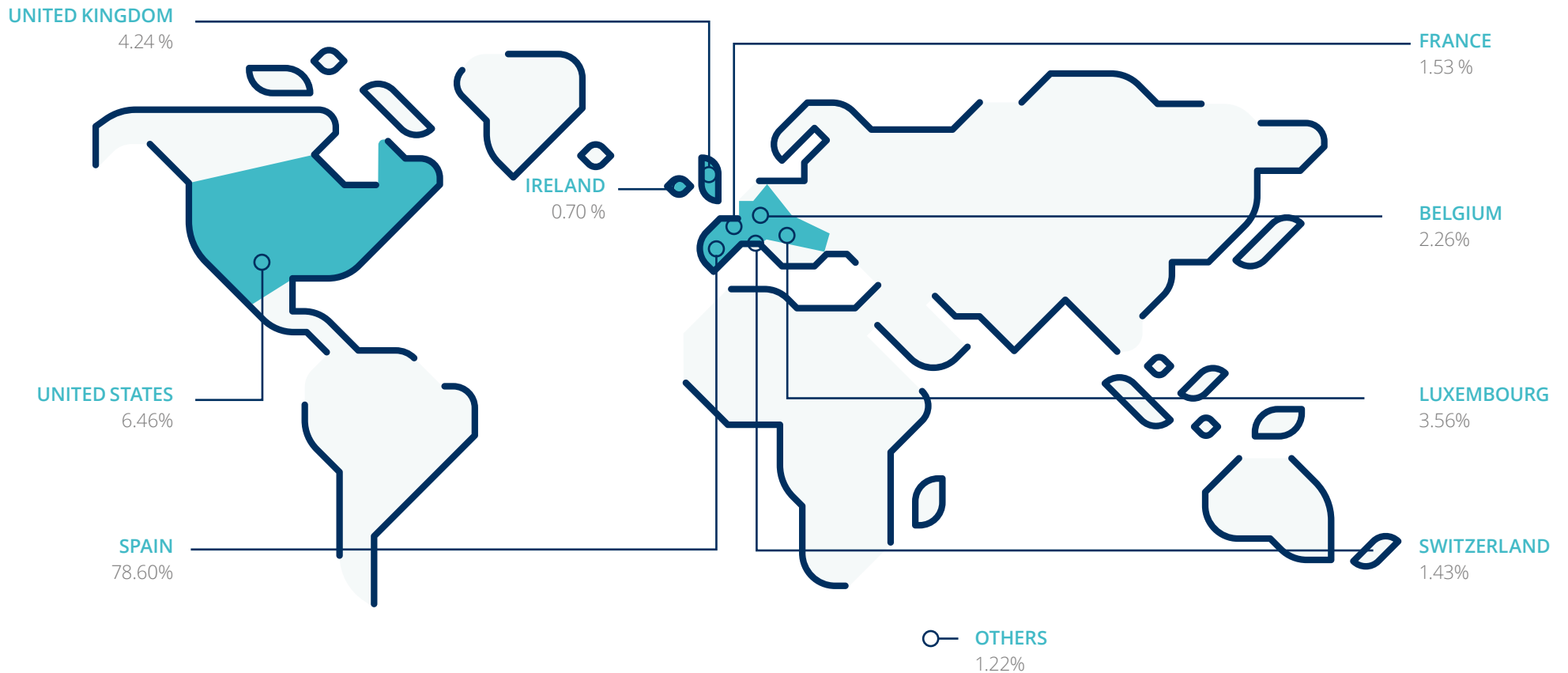


Foreign Shareholders

Spanish Shareholders

BME SHAREHOLDERS DISTRIBUTION BY COUNTRY

AT 31 DECEMBER 2018 (%)



3.2. Policy on communication and contact with shareholders, analysts and institutional investors and proxy advisers

BME has put in place a Policy on communication and contact with shareholders, analysts and institutional investors and proxy advisers which is publicly available on the corporate website. The general principles of this are information transparency and equal access, accuracy, immediacy, equality of treatment and a balanced distribution of information.

Participation in company life

The Company encourages interaction with its shareholders, analysts and institutional investors and proxy advisers so that they may transmit their concerns, suggestions or queries on aspects related to the activities carried out by the BME Group.

To do so, BME has established bidirectional information and communication channels as well as other channels such as the **CNMV website** (www.cnmv.es), the **Corporate website** (www.bolsasymercados.es), **Social media** (Twitter, with the corporate profile @GrupoBME allowing the **General Shareholders' Meeting** to be followed, LinkedIn and Finect, mainly), the **General Shareholders' Meeting**, main source of participation in company life, and the Shareholders' Office, through a dedicated mailbox (accionistas@grupobme.es), telephone numbers and postal address.

BME Investor Day

BME held its first Investor Day 4 October 2018 during which the 2019-2021 Strategic Plan was presented. It aims to diversify revenue, accelerate growth and maintain shareholder returns and whose pillars support a solid management model of the Company, expectations for organic and inorganic growth and the drive from its four business segments: Markets (Equities, Fixed-Income and Derivatives), Clearing, Settlement and Registration, and Market Data and Added Value Services. The Company has identified its main key strengths within the execution framework of this plan.



Solid and highly profitable business model



Long-lasting and firm relationships with main clients



Cutting-edge, efficient and trustworthy technology



Highly qualified personnel



Solid, trustworthy brand

3.3 Value creation (103: Economic performance)

The cornerstones of BME's corporate governance policy include maximising the Company's sustainable, long-term economic value and fostering business continuity.

Share price performance

BME has focused on managing the resources of the Group to optimise and increase the value of the Company during a period that has been complex for the financial markets due to the presence of various destabilising elements in the performance of the stock prices, which has affected the traded share volumes. In this scenario, BME remains committed to its objective of maximising the company's value in order to increase shareholder value.

BME SHARE PRICE PERFORMANCE COMPARED TO THE IBEX 35®

FROM 01/01/2018 TO 31/12/2018



MAIN SHARE PRICE INDICATORS FOR BME 2018

Total number of shares	83,615,558
Nominal value of the share (euros)	3.00 €
At the start of the year	26.55 €
High	30.20 €
Low	23.82 €
At the close of the year	24.32 €
Stock market gain at the close of the year (%)	- 8.39 %

Economic value generated, distributed and retained

(201-1, 103: Economic performance)

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED ⁽¹⁾

(THOUSANDS OF EUROS)

	2016	2017	2018
Economic value generated	326,585	320,906	306,937
Revenue	317,289	315,541	298,587
Other net gains (losses) ⁽²⁾	9,296	5,365	8,350
Economic value distributed	319,350	309,114	309,711
Operating expenses	36,477	37,924	40,272
Staff costs	69,498	70,439	75,952
Dividends	160,676	149,606	147,897
Income tax and other taxes ⁽³⁾	51,511	49,927	44,384
Payments to capital suppliers (financial cost)	0	0	0
Payments to public bodies, donations and other investments in the community	1,188	1,218	1,206
Economic value retained (profit not distributed)	7,235	11,792	-2,774
Reserves	-416	3,713	-11,609
Amortisation and depreciation	7,651	8,079	8,835

(1) The balance of net turnover for 2016 to 2018 includes the net turnover after deducting the "variable direct costs of operations", the inclusion of which in the consolidated income statement under Revenue and from which it is then subtracted is imposed by CNMV Circular 5/2016 of 27 July on accounting standards, reserved and public disclosure, and financial statements.

(2) Includes work performed by the company on own assets, other operating revenue, the share of profit (loss) of companies accounted for using the equity method and the net financial result, minus the result attributed to external partners.

(3) Includes only income tax expense and taxes reported in the year.

3.4. Shareholder remuneration and other benefits

A) Shareholder remuneration through dividends *(103: Economic performance)*

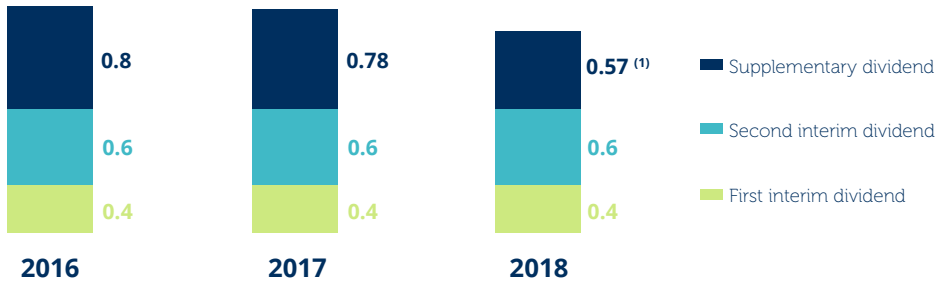
Since 2009, the company's dividend policy consists of shareholders receiving three ordinary dividends (one final dividend and two interim dividends charged against profit), in May, September and December. In this manner, BME continues implementing a policy of maximum shareholder remuneration, with an ordinary Pay-Out of 96%.

B) Shareholders' Training Plan

BME's shareholder training is one of the pillars of its corporate governance policy, an area in which BME implements, via the Instituto BME, the Shareholders' Training Plan.

The Shareholders' Training Plan involves on-site courses given by highly qualified personnel in each subject at BME's Madrid, Barcelona, Valencia and Bilbao stock exchanges. In 2018, the level of satisfaction of BME shareholders participating in the specific training plan developed by the Company was 4.21 out of 5.

ORDINARY DIVIDENDS BY PAY-OUT ACCOUNTING PERIOD



(1) Currently pending approval by the General Shareholders' Meeting, which is expected to be held on 25 April 2019 on second call.



mFIA Annual Meeting.



4. Users



4.1. User profile (419-1)

The BME Group currently integrates systems for registering, clearing and settling securities, central counterparty entities, secondary securities markets and Spanish multilateral trading systems, and carries out a range of complementary and auxiliary services spanning, among other areas, information, consulting, IT, contingency services, business continuity and training.

BME's users or clients are therefore mostly entities supervised by the CNMV: the markets and trading systems managed by BME do not provide their services directly to individual investors, except through their auxiliary services.

BME has not received any significant fines or firm sanctions due to non-compliance with the regulations relating to the supply and use of products and services deriving from its operations. Notwithstanding the foregoing, in 2018 the Chamber for Contentious Administrative Proceedings confirmed the disciplinary penalty of 150,000 euros imposed by the Sub-secretary for Economy, Industry and Competitiveness against the entity of the BME Group, BME Sistemas de Negociación for non-compliance with its supervisory duties of the MAB in relation to the Spanish entity Let's Gowex S.A. BME Sistemas de Negociación has filed an appeal for reversal against this Sentence, which is pending admission as at the date of approval of this report.

Quality certificates for the services provided

In 2018, BME Inntech and Instituto BME, both BME Group companies, retained the international quality stamp. BME Inntech holds UNE-EN ISO 9001:2015 quality certificates issued by AENOR guaranteeing the quality of the service relating to Contingency, Business continuity, physical and virtual hosting of clients' equipment, as well as its management and data applications, technical management and maintenance of IT platforms specialising in the finance sector, the provision of a financial messaging exchange service for banks and companies, consultancy and training regarding international financial markets.

Instituto BME holds the UNE-EN ISO 9001:2015 quality certificate issued by AENOR guaranteeing the quality of the services for the design and provision of training in the operation of financial markets that this company provides, as well as how it has become once again recognised for its quality and prestige at having been selected by the CFA Society Spain as an approved supplier for the CAd (Certified Advisor) certification, a seal that has allowed it to perform consultation tasks and provide financial information in Spain since 3 January 2017.

New BME projects in 2018 (103 Indirect economic impacts)

In 2018, BME continued to develop products and services that meet the demands of market clients and users and the requirements of companies and financial market participants.

New services

On 14 February, BME Inntech, the BME technology subsidiary, and Nuance Communications announced a strategic agreement to integrate its voice biometric authentication technology into the signature of contracts and processes with the aim of reducing management time and improve the satisfaction of clients in the financial sector.

On 23 May, BME and the Spanish Institute of Financial Analysts started up "Lighthouse", a fundamental analysis service aimed at the equities market which provides an analysis of the listed securities which are not followed by the financial companies.

On 25 June, the pilot test of the Fast Track Listing project took place. This uses blockchain technology with the aim of simplifying the processes and reducing the times required for registering the issue of warrants, in which BME, the CNMV and a group of financial entities formed by Banco Santander, BBVA, BNP Paribas, CaixaBank, Commerzbank and Société Générale have participated.

In July 2018, BME Clearing signed an agreement with NEX Markets for BME Clearing to provide repo clearing services to participants connected to BrokerTec, with the first transactions carried out on 18 December.

On 16 October Openfinance, the fintech subsidiary of BME, signed a collaboration agreement with Refinitiv which allows financial advisors to access information, technical analyses and pioneering technology in the private banking sector to facilitate their decision-making processes. On 22 November, Openfinance also signed a collaboration agreement with a financial advisory establishment to digitalise the digital advisory processes using the "finline" platform, which allows any investor to contract and receive the advisory service online.

Since 29 November, REGIS-TR has been working together with Market FinReg to provide comprehensive training on the Securities Financing Transactions Regulation, which is delivered through online and face to face classes.

On 10 December, REGIS-TR initiated the processes for the establishment of a Trade Repository in the United Kingdom to satisfy the needs of BME clients in this country and ensure an orderly transition after Brexit.

On 17 December IBERCLEAR started up the Cross Border Services which allows the participating financial entities to register and settle international securities through IBERCLEAR, which will act as the single point of access to Target2-Securities and the international markets and request custody services, grouped into three blocks: Management of Corporate Actions, Proxy Voting and Tax Reclaims.

Turning to the international scene, on 9 April, the Caracas Stock Exchange started up a new version of the Smart-Sibe trading platform, developed by BME, which manages the trading of fixed-income and equity instruments in real time.

On 26 July, BME and the Bolsa Mexicana de Valores announced the creation of a joint initiative to promote the Market Data business in Latin America with the aim of promoting the generation, distribution and sale of information on the Latin American securities markets. This has resulted in the incorporation of the Sociedad Latam Exchange Data Inc, in which BME Market Data holds a 51% stake in its share capital.

On 17 September the Colombian Stock Exchange launched Phase I of the Inet + Master Trader project making it available to the Colombian securities market, through which the Colombian fixed-income market has both a new trading system and technological platform for the trading and management of orders by BME Inntech.

New products

On 24 May, BME Clearing increased its range of products by offering natural gas contracts which are included in energy segment of this clearing house, therefore current participants in the segment will be able to easily register their products.

Lastly, on 21 September BME began disseminating the volatility indices and strategies with IBEX 35[®] options that it created in October 2017 and which allows the implied volatility of the market to be measured and shows the performance of certain investment strategies through products traded in the MEFF.



2018 Latibex Forum Opening Ceremony.

4.2. User protection and privacy

(103: Customer health and safety, 416-1, 416-2)

As the management body for Spanish financial markets and systems, BME is responsible for settlement participants in the markets and retail investors. Even though they are not direct clients, BME considers its position enables it to help them exercise their rights.

In BME's dealings with retail investors, of particular note are the services provided by the Investor Ombudsmen, set up and maintained by the stock exchange governing companies of Madrid, Barcelona and Valencia to aid and protect investors. The Investor Ombudsman handles queries and claims, attempts to prevent complaints and challenges being filed regarding transactions carried out on the stock exchange, and endeavours to provide conditions to clarify facts and concerns posed by investors and intermediaries between parties. When litigious claims are lodged, the Investor Ombudsman ascertains the details thereof and, if the individuals fail to reach an agreement with the stock market members, issues a non-binding final report resolving the claim.

With the aim of guaranteeing and protecting the rights of natural persons in respect of the processing of their personal data, BME Group companies are responsible for the data of their employees, contacts and clients. To such effect, BME complies with the legislation in force regarding Personal Data Protection and has a procedure in place to exercise the rights of access, rectification, cancellation and opposition. The compliance with the legislation concerning data protection and the management of the procedures deriving from its compliance are carried out by the Regulatory Compliance Department. The person responsible is the "Data Protection Officer" (DPO) the legal form of which is governed by the General Regulations on Data Protection. BME Group performs regular controls and external audits in order to guarantee the compliance with the obligations deriving from the legislation on the protection of personal data. In 2018 there were no complaints regarding breaches of privacy or losses of employee, contact or client data of BME Group companies.

4.3. User education

As the manager of Spain's financial markets and systems, BME endeavours to actively participate in fostering the culture of finance in Spain. In this regard, it subscribes to the Organisation for Economic Co-operation and Development's Recommendation on Principles and Good Practices for Financial Education and Awareness.

Given its significant role in the financial markets, BME regards publicising and raising awareness of financial matters in the most accessible and comprehensive manner possible as another function of its business activity, as well as being an important channel for end clients and brokers in the markets to express their concerns, interests, demands and fears.

The importance BME attaches to education is reflected in Instituto BME, the sole activity of which is to organise educational services related to financial markets in general and issues directly related to products for BME's market and systems, through its educational programmes providing guidance and training in environmental, social and corporate governance matters. This educational activity is complemented by the action performed by the other companies of the Group.

In 2018, the training activities carried out by Instituto BME, which are available on its website www.institutobme.es, have been evaluated through questionnaires revealing a high level of satisfaction scoring above the 8.48 out of 10 that Instituto BME considers the minimum score. In those cases in which an educational activity receives a score below 5.7, a non-compliance report is initiated, which analyses the reasons for this evaluation and the corrective or preventative actions to be adopted to avoid a reoccurrence.

Instituto BME aids in the preparation for the MFIA Certification exam, the benchmark accreditation of technical excellence in the knowledge of financial products and markets, issued by this BME Group company since 2015 and included on the CNMV's list of certificates and qualifications that comply with the guidelines set out in the Technical Guidelines 4/2017 for the evaluation of the knowledge and skills of personnel providing information and assessment services in accordance with that established by the MiFID II.



BME is committed with the Financial Education Day.



5. Human Capital



The BME Group Human Resources Area which works to ensure the professional and personal development of its employees by constantly improving the services and activities offered to them, their training and professional development programmes, and the technical tools available to streamline any procedures, consultations or requests they may have, acts according to the following principles:

- i. the professional development of persons in a motivating work environment which ensures and respects the responsible contribution of each one of its employees
- ii. identifying and attracting the best professionals to perform the different activities of BME while ensuring the principles of equality and non-discrimination;
- iii. retaining talent by promoting training, programmes and tools for all employees to improve their skills and abilities
- iv. the internal recognition of the culture of effort, identifying specific objectives and granting the necessary autonomy in order to attain them within a framework that recognises the goals achieved, and
- v. the promotion of project-based work of a transversal nature involving different areas for their completion.

The Director of Human Resources oversees this area and coordinates and supervises, among other aspects, compliance with the legislation relating to employment matters, occupational health and safety of BME, as well as the company-wide training plans prepared by the Training Manager. (103: Employment). In respect of the foregoing, BME did not receive any significant fines or sanctions relating to the non-compliance of employment or social matters. (103: Socioeconomic compliance, 419-1)

5.1. Employee profile (102-8, 401-1, 405-1)

EMPLOYEES BY GENDER

AT 31 DECEMBER 2018



Performance of the last 3 quarters	2016	2017	2018
Women	286	280	289
Men	476	475	481
Total	762	755	770



BME employees at the Companies Race.

EMPLOYEES BY GEOGRAPHIC AREA AND GENDER

AT 31 DECEMBER 2018



248 employees (2018)

390 employees (2018)



26 employees (2018)

61 employees (2018)



10 employees (2018)

20 employees (2018)



5 employees (2018)

10 employees (2018)

Performance of the last 3 quarters

	2016	2017	2018
Madrid	614	610	638
Women	240	238	248
Men	374	376	390
Barcelona	95	94	87
Women	28	28	26
Men	67	66	61

	2016	2017	2018
Bilbao	32	31	30
Women	10	10	10
Men	22	21	20
Valencia	21	20	15
Women	8	8	5
Men	13	12	10

EMPLOYEES BY GENDER, AGE AND PROFESSIONAL CATEGORY

AT 31 DECEMBER 2018

SENIOR MANAGEMENT



MIDDLE MANAGEMENT



SPECIALIST TECHNICIANS



ADMINISTRATIVE / AUXILIARY / SUPPORT STAFF



<30



30-50



>50



Performance of the last 3 quarters

2016

2017

2018

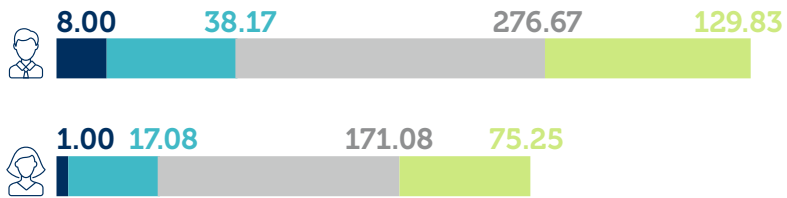
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Senior management	7	0	7	8	1	9	8	1	9
Middle management	41	18	59	38	16	54	38	18	56
Specialist technicians	297	176	473	295	180	475	272	174	446
Administrative / Auxiliary / Support Staff	131	92	223	134	83	217	163	96	259
<30	41	31	72	44	27	71	55	39	94
30-50	238	172	410	237	164	401	248	166	414
>50	197	83	280	194	89	283	178	84	262

NUMBER OF EMPLOYEES BY CONTRACT TYPE ^{(1) (2)}

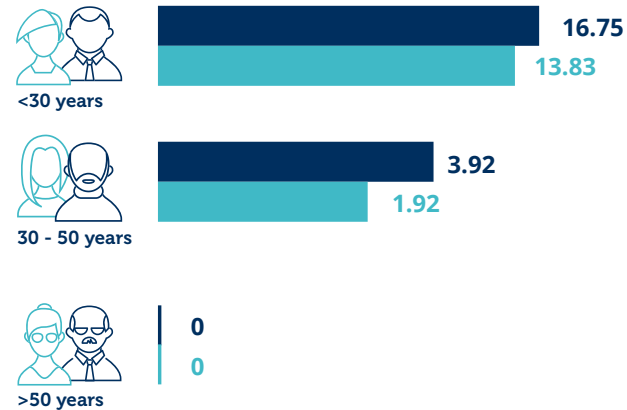
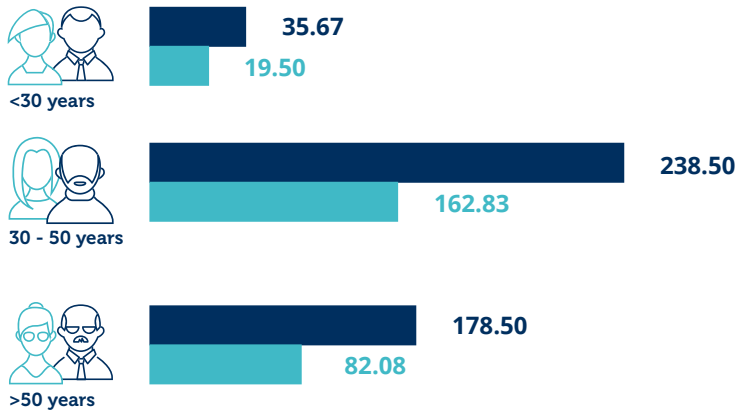
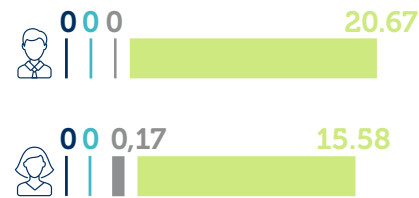
BME GROUP

2018 ■ Senior management ■ Middle management ■ Specialist technicians ■ Administrative / Auxiliary / Support Staff

Annual average of **permanent contracts** by gender, age and professional category.



Annual average of **temporary permanent contracts** by gender, age and professional category.



Performance of the last 3 quarters	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Annual average of permanent contracts by gender, age and professional category.									
Senior management	7.17	0.00	7.17	7.00	0.67	7.67	8.00	1.00	9.00
Middle management	42.42	19.00	61.42	39.25	16.50	55.75	38.17	17.08	55.25
Specialist technicians	291.08	165.33	456.41	289.75	175.08	464.83	276.67	171.08	447.75
Administrative / Auxiliary / Support Staff	116.33	89.92	206.25	114.83	73.58	188.42	129.83	75.25	205.08
<30	24.17	14.67	38.84	28.67	13.92	42.58	35.67	19.50	55.17
30-50	239.75	178.00	417.75	233.25	166.50	399.75	238.50	162.83	401.33
>50	193.08	81.58	274.66	188.92	85.42	274.33	178.50	82.08	260.58
Annual average of temporary permanent contracts by gender, age and professional category.									
Senior management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Middle management	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Specialist technicians	0.08	1.00	1.08	0.00	1.30	1.30	0.00	0.17	0.17
Administrative / Auxiliary / Support Staff	11.67	13.17	24.84	15.92	15.58	31.50	20.67	15.58	36.25
<30	11.08	13.17	24.25	12.92	14.75	27.67	16.75	13.83	30.58
30-50	0.67	1.00	1.67	3.00	1.92	4.92	3.92	1.92	5.83
>50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(1) The annual average of both permanent and temporary contracts has been calculated as the average of the permanent/temporary contracts for each over the course of the year.

(2) In 2016, 2017 and 2018 there were no employees with part-time contracts.

EMPLOYEES BY CONTRACT TYPE AND GENDER

	2016	2017	2018
Full-time contract	762	755	770
Part-time contract	0	0	0
Total	762	755	770

EMPLOYEES WITH DISABILITIES

AVERAGE NUMBER OF EMPLOYEES WITH A DISABILITY OF 33% OR MORE

	2016	2017	2018
Senior management	0	0	0
Middle management	1	0	0
Specialist technicians	4	5	4
Administrative / Auxiliary / Support Staff	3	2	1
Total	8	7	5
Employees with disabilities under permanent contracts	100%	100%	100%

CONTRACTED AND SUBCONTRACTED WORKFORCE

	2016	2017	2018
Contracted employees	762	755	770
Subcontracted employees	124	121	159
Employees and management hired locally	100%	100%	100%

NUMBER OF DISMISSALS

	2016	2017	2018
By gender			
Women	2	0	0
Men	1	1	3
By age			
<30	0	0	1
30-50	1	0	1
>50	2	1	1
By professional classification			
Senior management	0	0	0
Middle management	1	1	0
Specialist technicians	1	0	1
Administrative / Auxiliary / Support Staff	1	0	2

HIRES AND DEPARTURES BY GENDER ^(*) (401-1)

2018



80
Total hires (2018)



60
Total departures (2018)

Performance of the last 3 quarters	2016	2017	2018	2016	2017	2018
	New hires			Employee departures		
Total	59	34	80	36	34	60
Breakdown by gender						
Men	38	19	48	27	18	39
Women	21	15	32	9	16	21
Breakdown by age range						
<30	39	17	49	9	10	11
30-50	17	16	31	8	5	10
>50	3	1	0	19	19	39
Breakdown by geographic area						
Madrid	58	31	75	32	28	41
Barcelona	1	3	5	1	4	12
Bilbao	0	0	0	1	1	1
Valencia	0	0	0	2	1	6

(*) The figures in the above table take into consideration the effective hire and departure dates of the employees in BME Group companies. Transfers between Group companies are not considered hires or departures.

EMPLOYEE HIRE RATE (%) (*)

(401-1)



Performance of the last 3 quarters

	2016	2017	2018
Total workforce	7.74%	4.50%	10.39%

Breakdown by gender

Men	7.98%	4.00%	9.98%
Women	7.34%	2.00%	11.07%

Breakdown by age range

<30	54.17%	23.94%	52.13%
30-50	4.15%	3.99%	7.49%
>50	1.07%	0.35%	0.00%

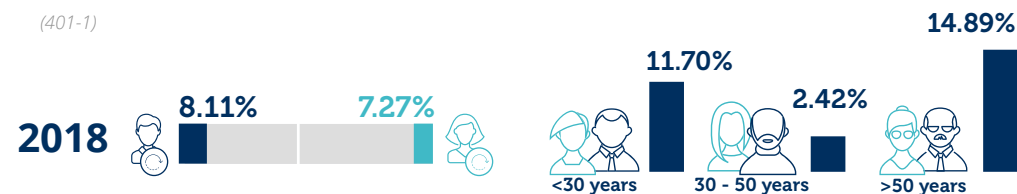
Breakdown by geographic area

Madrid	9.45%	5.08%	11.76%
Barcelona	1.05%	3.19%	5.75%
Bilbao	0.00%	0.00%	0.00%
Valencia	0.00%	0.00%	0.00%

(*) The employee hire rate has been calculated using GRI Standard criteria: number of hires among total workforce at year-end.

EMPLOYEE TURNOVER (%) (*)

(401-1)



Performance of the last 3 quarters

	2016	2017	2018
Total workforce	4.72%	4.50%	7.79%

Breakdown by gender

Men	5.67%	3.79%	8.11%
Women	3.15%	5.71%	7.27%

Breakdown by age range

<30	12.50%	14.08%	11.70%
30-50	1.95%	1.25%	2.42%
>50	6.79%	6.71%	14.89%

Breakdown by geographic area

Madrid	5.21%	4.59%	6.43%
Barcelona	1.05%	4.26%	13.79%
Bilbao	3.13%	3.23%	3.33%
Valencia	9.52%	5.00%	40.00%

(*) The employee turnover rate has been calculated using GRI Standard criteria: number of departures among total workforce at year-end.

In 2018, BME Group approved and executed an incentive-based redundancy plan restricted to employees from the technology area fulfilling certain age requirements and years of service in BME Group companies; this plan affected 17 employees.

5.2. Collective agreement and employee representation

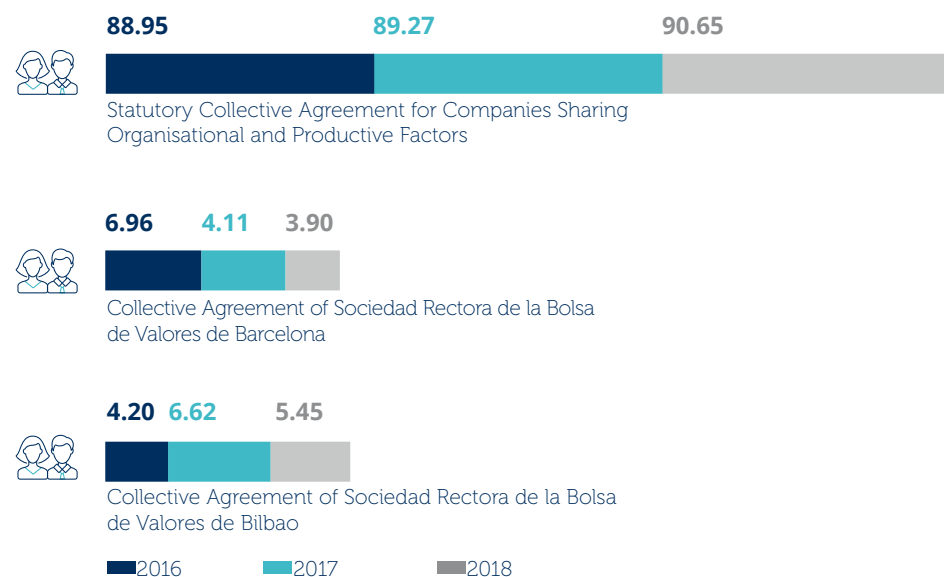
(102-41)

All Group employees are subject to the state Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors Corresponding to the period 2018-2020, which regulates the employment relationships between different companies of BME Group and its employees, with exception to the employees of the Barcelona Exchange and the Bilbao Exchange which are regulated by their own Collective Agreements, the clauses of which are equivalent in all their aspects (social benefits, rights and obligations of the employees and any other concepts). The content of the referred to Collective Agreements includes, inter alia, the principles and policies regarding management, training, equality and non-discrimination and diversity of the employees, are available to employees in the HR intranet.

These agreements corresponding to 2018-2020, the same as previous agreements applicable to 2015-2017, classify employees into professional groups A, B, C, D and E, which relate to the professional classifications of "senior management", "middle management", "specialised technicians", "administrative staff" and "auxiliary/support staff", respectively, used in the data at 31 December 2016, 2017 and 2018 included in the tables in this chapter 5, whose reporting perimeter has been modified in respect of the contents of BME's Corporate and Social Responsibility Reports for 2016 and 2017.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS (%)

BME GROUP



Performance of the last 3 quarters (*)	2016	2017	2018
Percentage of employees covered by collective agreements	100.00%	100.00%	100.00%
Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors	88.85%	89.27%	90.65%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Barcelona	6.96%	4.11%	3.90%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Bilbao	4.20%	6.62%	5.45%

(*) All employees of BME Group companies included within the scope of this non-financial information statement, are in Spain.

Pursuant to the legislation, BME informs workers' representatives of the job situation and structure in the various work centres, and of any decisions taken by BME that could lead to significant changes in the organisation of the work or work contracts within the company. In 2018, there were no significant changes to the workforce nor were there any labour disputes.

The Company has created an Interpretations and Monitoring Committee for the Collective Agreement, the main function of which is to interpret the application of the clauses of the Agreement, study developments in relationships between the parties, arbitrate in the event of problems or questions arising from the application of the Agreement, and supervise the possible process of extending the Agreement to those group companies not currently party thereto.

5.3. Our team. Diversity and equality

(103: Diversity and equal opportunity)

Notwithstanding that, in accordance with Chapter III of Organic Law 3/2007 of March 22nd for the effective equality of women and men, neither BME nor its subsidiaries must approve an Equality Plan. BME fosters and guarantees a discrimination free working environment, built on respect and equal opportunities among all employees in their personal and professional development, regardless of gender, race, religion, age, sexual orientation, disability or nationality.

In this manner, the company's practices for selection, recruitment, remuneration, promotion, training, classification and working conditions follow the criteria of merit and capability in relation to the post's requirements, as highlighted with the measures adopted by BME to promote diversity, equal opportunities and prevent discrimination as detailed in this report.

On 8 March, BME promoted International Women's Day by Ringing the Bell for Gender Equality at an event to which a hundred professionals from the world of finance were invited. There was also a very good representation of both male and female employees of the Group.

Diversity and equal opportunities *(103: Non-discrimination)*

BME not only encourages equality, diversity and the individuality of each employee, but has also fully implemented the labour practices outlined in the United Nations Universal Declaration of Human Rights and its protocols. Additionally, the group adhered to the United Nations Global Compact in 2011.

The concept of gender equality permeates all BME's human resources management procedures, such as hiring, recruitment, training, performance evaluation, promotion, compensation, working conditions, work/life balance and communications. BME created a Joint Equality Commission to study and, where necessary, implement possible measures concerning equality within the Group companies.

The recruitment and hiring procedures ensure equal opportunities and eradicate any discriminatory treatment, both in terms of physical access to work stations and with respect to occupying different positions within the company. With this in mind, in 2018 BME signed a collaboration agreement with the Fundación Juan XXIII Roncalli (Juan XXIII Roncalli Foundation) through which employees with a disability provide services in the Registrations department of the company. Personnel are selected through internal processes that ensure confidentiality, independence and equal opportunities, and then through external channels. To date, at BME there has not been a case of any incident relating to discrimination or reported human rights violations. *(406-1)*

In addition, the Board of Directors of BME in 2017 approved the "Internal Protocol for reporting possible cases of sexual and workplace harassment", which will be made permanently available to employees on the intranet of BME. It is intended to be a tool that guarantees the protection of the fundamental rights of all employees of the BME Group, aimed at ensuring zero tolerance and at banning behaviour that could fall under the harassment cases aforementioned.

BME upholds human rights in the performance of company activities in a manner that requires suppliers rendering security services at BME offices to provide training for their staff in this field. Given the lack of risk in this area, BME has made no significant investment in which clauses relating to human rights were included. *(103: Human rights assessment, 412-3)*

Career development and remuneration policy

BME encourages the development of persons through the internal recognition of talent, rewarding good results and observing the culture of individual effort in an environment of compensation commensurate to performance.

i) Career advancement ⁽⁴⁰⁴⁻³⁾

BME employees can advance professionally and be promoted to higher levels within their professional group by achieving targets in three main areas: annual performance assessment, training, and length of service at current level.

	2016 ⁽²⁾	2017 ⁽²⁾	2018 ⁽³⁾
Number of assessable employees by professional category			
Senior management	0	0	0
Middle management	47	41	41
Specialised Technician	467	462	423
Administrative / Auxiliary / Support Staff	163	179	173
Headcount ⁽¹⁾ %	88.85	90.33	82.73

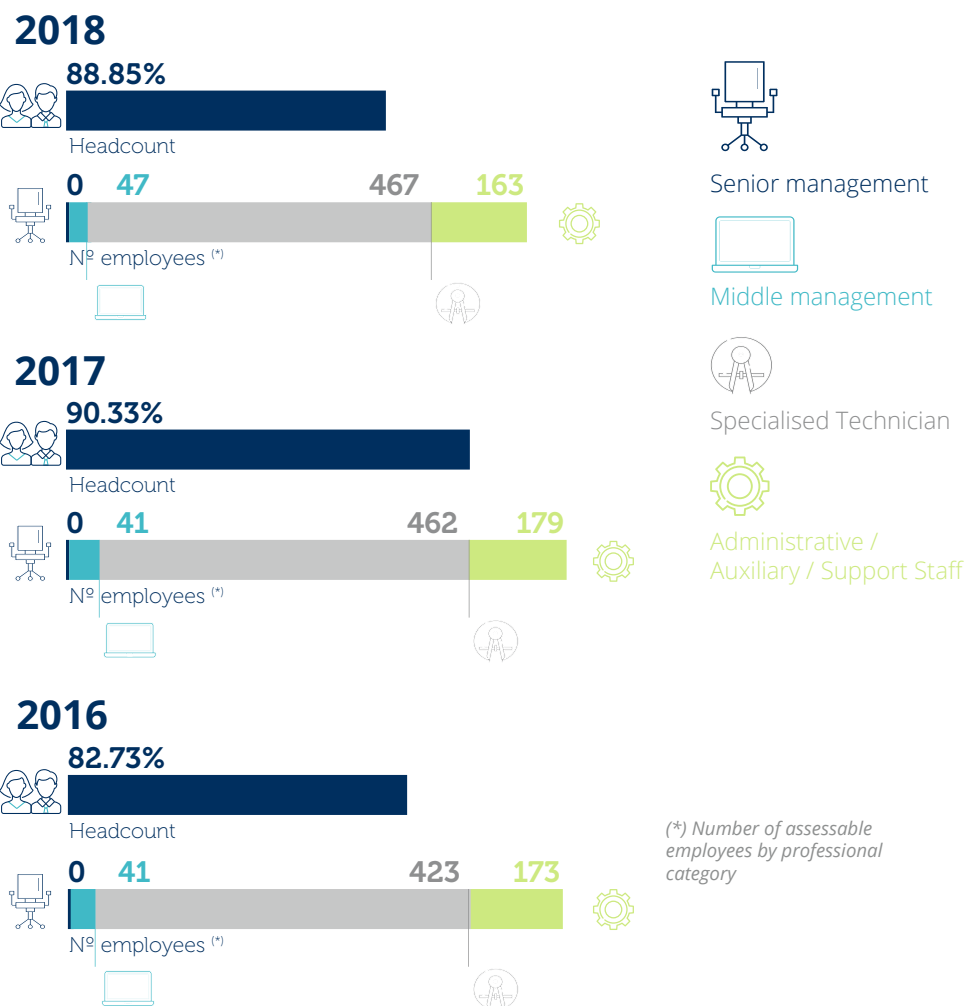
(1) Figures for performance assessment in this table were calculated for the whole workforce at 31 December each year. The calculation of the total number of employees eligible for assessment does not include employees who have been with the Company for less than one year, which at 31 December 2016, 2017 and 2018 totalled 57, 39 and 84 employees, respectively, nor senior management employees for 2016, 2017 and 2018, which totalled 7, 9 and 9 employees.

(2) The data for 2016 and 2017 has been updated in respect of that published in the Corporate Social Responsibility Report for 2016 and 2017.

(3) Figures not definitive at the date of publication of this report. The percentage of employees that have received performance evaluations has been calculated based on the total workforce at the close 2018.

PERFORMANCE ASSESSMENT

BME GROUP



ii) Remuneration policy (103: Diversity and equal opportunity, 102-36, 102-38, 102-39, 405-2)

BME Group's remuneration policy, referred to in section 2.5 of this report, responds to the objective of providing the Group suitable procedures to align the market trends concerning remuneration with the strategic objectives of the business.

The main elements of BME Group's Remuneration Policy, the concepts of which are established in the applicable Collective Agreement, ensure equal remuneration for posts with equal characteristics, namely:

- a. The fixed remuneration which comprises a base salary established in the applicable Collective Agreement and a personal compliment which remunerates, without any form of discrimination, the professional track record, the responsibility inherent in the post, the level of professionalism exercised and determined by the content of the post held.
- b. The annual variable remuneration that a group of identified professionals may receive, according to the professional level and post held and dependant on the individual and area targets achieved, the aim of which, in the medium term, is to attract, retain and obtain the commitment of mainly the directors and prominent persons of the Group, ensuring the establishment of a stable bond and with a view to remaining with the company for a long period of time.
- c. Social benefits. (401-2) The employees subject to the collective agreements of BME, Barcelona Stock Exchange and Bilbao Stock Exchange, also have a series of social benefits through which it is aimed to obtain a balance between personal and work life, mainly through financial support (aid for the physically and mentally disabled and attention to diversity, grants for the employees' children, nursery vouchers, assistance for employees' studies and their children's, baby bonus, wedding bonus, interest-free salary advances, personal loans, benefits for disabled employees).(401-2)

In 2015 the Company Set up a Committee to evaluate the pension plan for all the employees of the companies affected by the statutory Collective Agreement.

SALARY GAP (*)

BME GROUP (405-2)

	2016	2017	2018
Senior management	-	1.68	1.39
Middle management	1.19	1.19	1.20
Specialist technicians	1.10	1.10	1.12
Administrative / Auxiliary / Support Staff	1.00	1.05	1.07

(*) The salary gap has been calculated as the relationship between the average remuneration of men and the average remuneration of women, by professional category. The calculation of these averages takes into account the number of days the worker has formed part of the company during the year, the daily remuneration received for the period and the number of employees at the close of the period.

AVERAGE REMUNERATION (THOUSANDS OF EUROS)

BME GROUP

By gender

2018



2017



2016



By professional category (*)

Senior Management



Management Average



Técnico Especializado



Administrative/Auxiliary /Support staff



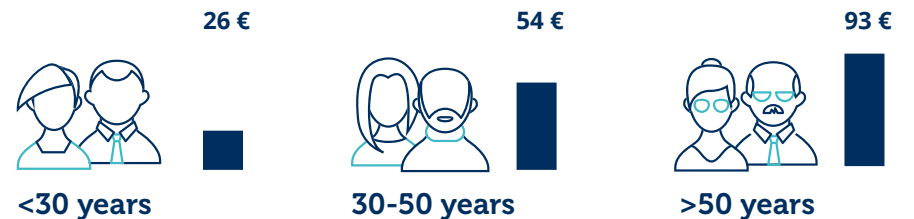
■ 2018 ■ 2017 ■ 2016

By age

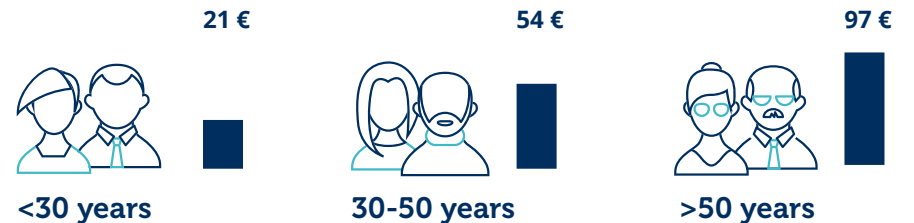
2018



2017



2016



(*) The calculation of the average remuneration takes into account the number of days the worker has formed part of the company during the year, the daily remuneration received for the period and the number of employees at the close of the period, for each one the categories included in these tables.



5.4. Best employment practices

Work-life balance policy and social benefits *(103: Employment, 401-2)*

BME promotes employment flexibility and work-life balance for its permanent and temporary workers through a number of initiatives that allow the reconciliation with personal and family life: unpaid and paid leave and working day reductions for legal guardianship and nursing mothers.

Other work/life balance measures benefiting all temporary and permanent employees include flexible start and finish times, a 5.5-hour working day on Fridays and the days before public holidays, and the possibility of requesting holidays at any time and split over different periods.

Similarly, the number of overtime hours per employee, which is voluntary, may not exceed 80 hours a year, except for those hours worked to prevent or repair accidents or other occasional and urgent damage, without this affecting their remuneration as overtime hours. BME aims to ensure the most extensive rotation possible among the workers affected by overtime hours, therefore preventing, insofar as is possible, the same persons always being affected. In addition, where justified, employees may request to fully or partially work from home through teleworking, ensuring the disconnection from work in the home of the employee linked to the use of digital devices for this purpose. Notwithstanding the above, BME at present has not approved a disconnection from work policy.

Other services and activities

i) Services for employees

BME provides its employees with various services to facilitate their access to the workplace and allow them to perform their duties more comfortably, such as a restaurant service, travel agent to organise trips and private holidays, educational activities, shows, workshops and games for the employees' children, as well as special conditions for different services provided by third parties.

In 2018, the Company launched BME Conecta, the first mobile app for employees, from which employees can access a variety of human resources functionalities online and other services aimed at employees.

ii) Sport and leisure activities

In 2018, BME organised a new edition of its Paddle Tennis Competition for employees and sponsored indoor and 11-a-side football teams and a basketball team by financing its members' registration and equipment costs. BME also participated in and sponsored the cycling club and the track and field group, which have participated in the 'Carrera de las Capacidades' organised by the Adecco Foundation and the annual Companies Race. BME also continues to organise an encounter with the Three Wise Men at the Palacio de la Bolsa for the employees' children.



BME offers its employees' children workshops organised by The Prado Museum.

5.5. Employee training (103: Training and education, 404-1, 404-2)

BME sets out its commitment to employee training in article 26, section b), of the statutory Collective Agreement, whereby "it shall foster plans to improve the training and advanced professional training of its workers, guaranteeing the possibility of training for all employees".

The Human Resources Department encourages and promotes the training of employees through the Training Plan, which is carried out both in a classroom setting and on-line, it also has specific training programmes and other complementary courses related directly to the business objectives which contribute directly to the professional and personal development of the employees.

As previously mentioned in section 2.4 of this report, BME is adhered to the system that the State Foundation for On-the Job Training makes available to all companies and which consists of financial aid for the training of its employees which is made effective by way of a Social Security contribution credits.

The Training Programme was developed following an analysis of the training needs identified in the annual performance assessments, taking into account requests from managers of Business Units and Corporate Areas, and initiatives by the Training department. A Training Plan Monitoring Committee, with the involvement of workers' union representatives, has been set up to improve the quality of the Training Plan and identify training needs.

NUMBER OF COURSES CARRIED OUT UNDER BME'S IN-HOUSE TRAINING PROGRAMME ^(*)

	2016	2017	2018
BME's In-house Training Programme is divided into the following areas:	81	102	85
User applications area	8	16	0
Skills development area	21	24	17
IT area	9	20	31
Financial markets and financial assets area	43	42	37

() These figures do not include language training or training through Master's programmes, nor personalised or specific training.*

In addition to this training under the In-house Training Programme, other courses are organised as necessary to meet ad hoc and specific business needs.

EMPLOYEE TRAINING ⁽¹⁾

BME GROUP

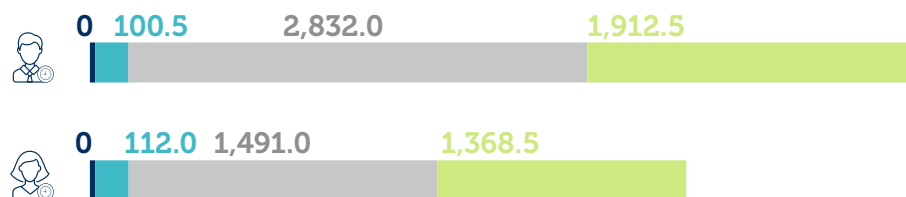
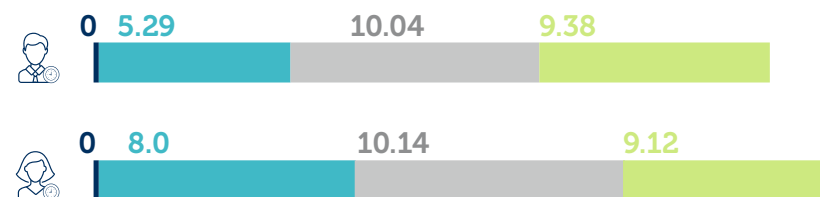
2018

■ Senior management

■ Middle management

■ Specialist technicians

■ Administrative / Auxiliary / Support Staff

Number of employee training hours
(by professional category)Average employee training hours
(by professional category)

Performance of the last 3 quarters

2016

2017

2018

	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of employee training hours (by professional category)									
Senior management	12.00	0.00	12.00	25.00	0.00	25.00	0.00	0.00	0.00
Middle management	87.50	159.50	247.00	80.00	84.00	164.00	100.50	112.00	212.50
Specialist technicians	2,364.00	1,708.00	4,072.00	3,947.00	1,566.00	5,513.00	2,832.00	1,491.00	4,323.00
Administrative / Auxiliary / Support Staff	2,544.50	1,858.50	4,403.00	1,928.00	2,426.50	4,354.50	1,912.50	1,368.50	3,281.00
Average employee training hours (by professional category) ⁽²⁾									
hrs/employee - senior management	12.00	0.00	12.00	25.00	0.00	25.00	0.00	0.00	0.00
hrs/employee - middle management	6.73	9.97	8.52	8.00	10.50	9.11	5.29	8.00	6.44
hrs/employee - specialised technician	14.24	13.56	13.95	23.92	11.60	18.38	10.04	10.14	10.08
hrs/employee-Administrative/Auxiliary/Support Staff	15.71	12.07	13.93	13.39	17.46	15.39	9.38	9.12	9.27

(1) These figures do not include language training or training through Master's programmes, nor personalised or specific training, among which is the BME's 2018 Criminal Prevention Course.

(2) The calculation of the average training hours is based on the number of hours of training given to each trained employee, by professional category.

BME also has a library service allowing employees to take out books and periodicals. This keeps employees abreast of the latest publications, legislation and documents relating to stock market issues. The library also processes requests for information. BME employees have online access to the library and documentation centre catalogue through the company's intranet. Subsequently, employees can occasionally and regularly consult information on projects and actions in different Group companies and departments, as well as on events carried out by the company.

5.6. Occupational health and safety (103: Occupational health and safety, 403-1)

BME guarantees the health, safety and risk prevention measures established in the Law on Occupational Health and Safety at all its work centres and annually analyses any risks at its installations and its employees' workplaces. With the collaboration of its employees, through their legal representatives, and of internal bodies specifically entrusted with this issue, BME draws up a programme to address the risks detected and proposes and implements the corresponding preventive measures and universal accessibility for disabled persons, such as training, information, personal protection equipment and routine checks.

Through their legal representatives and the internal and specific participation bodies, employees participate in the planning and control of the measures adopted concerning health and safety in the workplace, which are regulated in the Collective Bargaining Agreement. In this way BME has the following health and safety committees that control and advise on safety and health programmes in the workplace, which represent 100% of the staff, and are composed of both managers and employees: Security and Hygiene Committee, Evacuation Team, Emergency Team and First Aid Team. In particular, the Security and Hygiene Committee has a mailbox associated with BME's prevention, health and hygiene delegates, as a mechanism for making complaints and / or suggestions regarding those aspects related to health, comfort and ergonomics in the workplace as well as other security aspects.

Workplace safety

BME draws up its workplace safety policy on a yearly basis, carrying out the necessary studies and projects to define the most significant risks, either in terms of seriousness or frequency, and implements effective prevention and protection systems. In addition, the Online Human Resources tool lists the names of the members of the Evacuation, Emergency and First Aid teams, and includes the Health and Safety in Offices Manual.

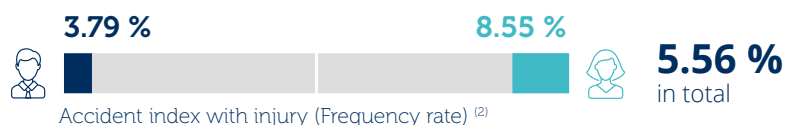
Workplace risk prevention programmes are implemented at all BME centres, and regular testing, as well such as fire drills, is carried out in order to prevent workplace risk.

Employee health (403-2)

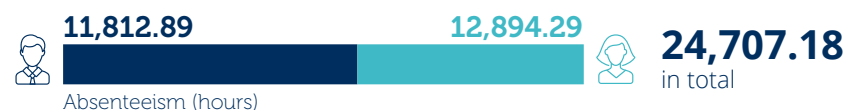
Despite the professions of BME employees, with the exception of maintenance, not having a high occurrence or risk of disease, BME provides its employees with a healthy working environment. To that end, BME has a Health Monitoring Programme through which it provides information and training on how to act in the event of accidents or serious health problems occurring at work, as well as on other matters. There are also First Aid Kits located in the work centres with up-to-date instruments for providing immediate care in the case of a cardiac arrest (Automated External Defibrillators) and a Nurse Station, located in Las Rozas which is complemented by a telephone service which allows video-conference type calls to be made at all work centres.

In addition, BME provides workers with annual physical check-ups, and has contracted health insurance for all employees and their family members. These insurance plans cover medical care, surgery and hospital care in cases of illness or injury, in accordance with the terms and conditions and in respect of the insured risks. BME also organises yearly influenza vaccination campaigns.

AT 31 DECEMBER 2018



Occupational disease rate **0.00 %** 

**2018** ⁽¹⁾

	Breakdown by region				Breakdown by gender				
	Madrid	Barcelona	Bilbao	Valencia	Total	Men	Women	Total	
Accident index with injury (Frequency rate) ⁽²⁾	6.77%	0.00%	0.00%	0.00%	5.56%	3.79%	8.55%	5.56%	
Severity index	0.39%	0.00%	0.00%	0.00%	0.32%	0.26%	0.42%	0.32%	
Occupational disease rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Days lost rate ⁽³⁾	39.08%	0.00%	0.00%	0.00%	32.08%	26.41%	41.67%	32.08%	
Absenteeism	Nº hours	18,539.55	4,490.55	1,085.98	591.10	24,707.18	11,812.89	12,894.29	24,707.18
	Rate	1.79%	3.04%	2.14%	2.21%	1.96%	1.49%	2.76%	1.96%

(1) The definitions considered in the calculation of the health and safety indices and are established in accordance with GRI Standards:

- Accident: Fatal and non-fatal accidents in the workplace.
 - Occupational disease: Disease deriving from an employment related situation or activity.
 - Days lost: Sick leave of an employee due to an accident or occupational disease.
 - Absenteeism (hours): Number of hour absent from work of an employee due to a disability of any type, not only due to an accident or occupational disease.
- The formulas used for the calculation of the health and safety indices are as follows:
- Accident index with injury (Frequency rate): No. accidents x 10⁶/No. total hours work scheduled.
 - Severity index: Days lost x 10³/No. total hours work scheduled.
 - Occupational disease rate: No occupational diseases x 10⁶/No. total hours work scheduled.
 - Days lost rate: Days lost x 10⁵/No. total hours work scheduled.
 - Absenteeism rate: No. absenteeism hours x 10²/No. total hours work scheduled.

(2) The accidents with injury that have occurred total six accidents on the way to or from work due to traffic accidents and one fall on the stairs in the workplace.

(3) The seven accidents occurring during 2018 represented a loss of 404 working days, resulting in an increase in the days lost rate for said period.

Health and safety training

The company ensures that its workforce receives the appropriate training in health and safety matters. All new employees take an online training course on workplace risk prevention measures and rules, which was updated during 2018.

The First Aid Service, in partnership with the Human Resources and Corporate Communication Departments, informs regarding current blood donation campaigns and publishes informative Health Bulletins, in addition to offering theoretical/practical emotional welfare workshops to employees.

The personnel of the security companies hired by BME to manage the security of its buildings comply with all requirements under prevailing legislation governing the provision of security services and the protection of property, people and auxiliary services, and hold the quality certifications for their services issued by SGCS ICS Ibérica, S.A. and AENOR. In 2018, the security companies hired by BME continued running refresher courses for its employees.



6. Suppliers



(103: Procurement practices)

Suppliers are an essential aspect for BME as they provide the equipment, technical assistance and essential services for the efficient and sustainable performance of its activities.

BME has an objective of sustainable management in its supply chain through several processes with the aim of positively contributing to a respectful relationship with the natural environment and the elimination of forced or compulsory labour and to the abolition of child labour in the environment in which BME Group companies carry out their activities.

6.1. Supplier profile (102-48)

BME is committed to supporting suppliers located in Spain (local suppliers) operating in the geographic location where the supplies and services are purchased and invoiced, maintaining a commitment to local employment and the procurement of locally sourced products and services. In 2018, the Company managed a total of 1.460 suppliers, of which 89.51% are local.

SUPPLIERS

2018



2017 (*)



2016 (*)



Local suppliers

Non-local suppliers

(*) The data relating to local and non-local suppliers for 2016 and 2017 have been amended due to the establishment of new reporting criteria with regards the categories of suppliers to be reported.

Of the 1,460 suppliers managed by the Company during 2018, 107 have been registered as new suppliers which belong to different sectors and represent 7.33% of the total.

BME's suppliers can be classified into the following categories: technological services (supply of IT equipment and solutions), support (consultancy, auditing, travel agencies) and maintenance (improvement and management of properties and facilities)

A) Volume of procurements (204-1)

BME possesses a supplier contracting system (SI3), through which the total volume of goods and services managed in 2018 amounted to 54.778 million euros, 13.52% up on the previous year.

Of the total volume of procured goods and services, local suppliers account for 78.36% of the total for 2018, a change of 7.59% compared to the previous year.

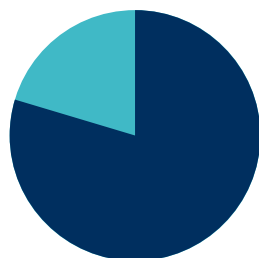
INVOICING FOR SERVICES SUPPLIED BY EXTERNAL SUPPLIERS

AT 31 DECEMBER 2018



21.64%

Non-local suppliers



78.36%

Local suppliers

Performance of the last 3 quarters	2016	2017	2018
Supplier invoicing (thousands of euros)	44,623	48,255	54,778
Local suppliers (%)	88.63	84.80	78.36
Non-local suppliers (%)	11.37	15.20	21.64

() The data relating to volume invoiced by suppliers for 2016 and 2017 have been amended due to the establishment of new reporting criteria with regards the categories of suppliers that must be included.*

B) Average supplier payment period

As in previous years, BME settled the payments of its suppliers' invoices within the legally-established period. In 2018, the average payment period by BME was 43 days. In compliance with prevailing legislation to combat late payment in commercial transactions and corporate governance regulations, this information can be found on the Company's corporate website (www.bolsasymercados.es).

AVERAGE PAYMENT PERIOD TO SUPPLIERS, DAYS

	2016	2017	2018
BME	30	37	43
Other group companies	35	35	37

6.2. Supply chain

(103: Supplier social assessment, 102-9, 102-10, 308-1, 414-1)

BME's activity is governed by a series of corporate values and ethical and socially responsible commitments, which BME seeks to encourage all suppliers in its supply chain to adopt. In this regard, the Company has implemented within its goods and services procurement process a series of mechanisms that aid the Company to continue developing a sustainable and responsible management of its own supply chain, which has not suffered any significant changes throughout 2018.

BME's supply chain – the activities through which the company procures goods and services – is orchestrated through an organised and centralised system for contracting and managing the services of external suppliers: the Order Approval System (SI3). This system underpins all the phases of the procurement process for products and services from external suppliers: requests, approval, budget control and payment management.

The Order Approval System (SI3), through which all the orders of the BME Group are processed, comprises a technological platform for the registration and assessment of suppliers that.

- makes the procurement process more efficient and automated.
- Enhances the Company's cost control, by providing department heads and managers of corporate areas with an effective mechanism for controlling spending on external services.
- enables the source and geographic location of procurement to be determined, whereby CO2 emissions can be kept down through local procurement (which accounts for practically all purchases).
- identifies and minimises potential supply chain risks, ensuring suppliers are compliant with social, environmental and economic regulations.
- enables information to be continuously and directly shared and exchanged by officers in different companies requiring the same product or service. This is a useful tool for the group as information is standardised and recorded.

In this manner, BME's suppliers must meet different quality standards depending on the type of products and services they offer, and must be responsible in their business practices and comply with all regulations governing their activity. Subsequently, during the initial phase of the management of the order, new suppliers sign a declaration stating that they comply with all the financial and technical requirements necessary to be contracted, as well as the environmental, social, employment, occupational health and safety, and human rights legislation. In 2018, 107 of new suppliers signed the abovementioned declaration. The Company has not rejected any supplier or cancelled any contract due to a breach of any of the technical, professional or financial criteria set down in the declaration.

Internal process for the purchase of goods and the supply of services, selection and evaluation of suppliers

BME has an internal procedure for purchases of goods and services, selection and assessment of suppliers applicable to all Group companies, which although does not expressly include any environmental, social or diversity criteria it is developed based on such specific actions and measures as listed below and which, among other issues, incorporate environmental and sustainability aspects into the supply as detailed in the aforementioned process.

Accreditation and Evaluation

With the support of the SI3 system an initial accreditation and assessment can be performed of the level of compliance of new suppliers with whom BME has placed an initial order in excess of €10,000 or where the goods or services are deemed critical, i.e. they represent a high risk given the size of the purchase and/or their direct impact on BME's activities or services to its clients.

This accreditation process considers criteria that ensure that suppliers can comply with the commitments undertaken, including their economic and financial solvency, technical and human infrastructure, supply capacity, quality and after-sales service and warranties, previous experience with BME Group companies, or recognition on the market.

Within the framework of the above-mentioned initial accreditation and evaluation process, measures are adopted to prevent fraud and corruption between the Company and the intermediaries, such as requesting alternative quotations from other suppliers.

As part of its commitment to the environment, the Company includes environmental and sustainability criteria throughout its supply chain. In this regard, those suppliers of services which may cause a greater environmental impact, such as companies providing maintenance services and suppliers of IT office equipment have environmental and energy-efficiency certification.

Supplier Monitoring

This initial accreditation and evaluation process is followed by an on-going monitoring of suppliers once they are registered, through regular reviews to ensure that the initial commitments undertaken remain in effect throughout the contractual relationship, and that the expected quality of the products or services is maintained.

This second process entails the following actions:

1. Completion of a supplier assessment questionnaire for each product or service delivered.
2. Detection, logging and follow-up of any incidents, delays, returns or claims that may arise.

In 2018, 2,567 orders were placed with 434 suppliers eligible for assessment. The result of the evaluations performed on the 1,940 orders fulfilled by the above-mentioned 434 suppliers that were assessable, only four of the orders provided had a negative evaluation.



7. Society

(103: Indirect economic impact) (413-2)



With the aim of strengthening its commitment with the society in which it provides its services and to improve the social and institutional relationships it maintains within its environment, BME complements its main activity by developing diverse actions and initiatives with the aim of disseminating financial knowledge and the informative activity on the financial markets and the services provided by BME Group to listed companies and SMEs.

Notwithstanding the above, BME does not have a negative impact on the local communities in which it operates in the performance of the activities, the companies of the Group set into motion the necessary actions to ensure legal compliance and evaluate and mitigate all the negative impacts that its activity may have on local communities.

BME also carries out other activities in support of the community, such as the promotion of institutions and cultural events and driving encouraging social actions that benefit the local community. (103: Indirect economic impact)



Pre-Market Environment presentation.

7.1. BME in institutions ⁽¹⁰²⁻¹³⁾

	BME GROUP (1)	BME GROUP (2)	BME GROUP (3)	BME GROUP (4)
SPANISH AND ASSOCIATIONS AND INSTITUTIONS				
Spanish Association of Accounting and Business Administration	-	-	YES	-
Spanish Association of Financial Managers and Company Treasurers	-	-	YES	-
Financial Markets Association	-	YES	YES	-
European Finance Centre, Barcelona	-	-	YES	-
Círculo de Economía	-	-	YES	-
Catalan Institute of Economists	-	-	YES	-
Institute of Internal Auditors (IAI)	-	-	YES	-
SUPRANATIONAL ASSOCIATIONS AND INSTITUTIONS				
World Federation of Exchanges (WFE)	-	YES	YES	YES
Federation of European Stock Exchanges (FESE)	YES	YES	YES	YES
Ibero-American Stock Exchange Federation (FIAB)	YES	YES	YES	YES
European Capital Markets Institute (ECMI)	YES	YES	YES	-
International Organization of Securities Commissions (OICV-IOSCO)	-	YES	YES	-
Centre for European Policy Studies (CEPS)	-	YES	YES	-
Futures Industry Association (FIA)	-	YES	YES	-
Spanish SWIFT Users Group (SWIFT GNUSE)	-	YES	YES	-
International Securities Services Association (ISSA)	-	-	YES	-
European Central Securities Depositories Association (ECSDA)	YES	YES	YES	-
Extensible Business Reporting Language (XBRL) Association	-	-	YES	-
Financial Services in Europe (EUROFI)	-	YES	YES	-
AFME – Securitisation Division (previously: European Securitisation Forum)	-	-	YES	-
European Covered Bonds Council (ECBC)	-	-	YES	-
Financial Information Services Association of SIIA (FISD)	-	-	YES	-
European Association of CCP Clearing Houses (EACH)	YES	YES	YES	-

BME group:

Domestic and international associations and institutions in which BME, directly or indirectly:

(1) holds a position on the governance body.

(2) participates in its projects or committees.

(3) views membership thereof as a strategic decision.

(4) provides substantive funding beyond routine membership dues.

7.2. Dissemination of financial knowledge.

(103: Indirect economic impact, 203-2)

BME is committed to the dissemination of financial knowledge and the increase in the access to the financial culture of economic agents whatever their condition, aspects that will improve the protection of investor rights, given that a higher level of financial culture among the public favours decision-making, as being well informed and having an adequate identification of the risks also permits the sustainable growth of the business of the companies.

BME's commitment in this regard is evident with the existence in the BME Group of an educational centre, Instituto BME, whose activity is focused on the organisation of different educational services related to the financial markets, and which are aimed at all types of groups. Special mention should be made of BME's Shareholder's Training Plan mentioned in Chapter 3.4.

The main positive impact of this dissemination of financial knowledge is that it allows Spanish households and all the groups that form society to improve their understanding of the products, concepts and financial risks and, through information, instruction and assessment, they can develop the skills and confidence to become more aware of the financial risks and opportunities.

BME INVESTMENT IN SOCIAL INITIATIVES

(THOUSANDS OF EUROS)

	2016	2017	2018
Financial culture and training	975	995	1,085
Socio-economic development (Awards)	30	30	20

Financial Education Day

As part of its commitment to the dissemination of the financial culture, BME regularly assists in the organisation and development of the "Financial Education Day", an initiative that forms part of the Financial Education Plan promoted by the Banco de España, the CNMV, the Directorate-General for Insurance and Pension Funds and the General Secretariat of the Treasury and International Finance.

Within the framework of the free training activities that it carries out, Instituto BME has delivered several sessions on "Financial Planning and Savings Management", during which it has transmitted to the attendees the basic principles and procedures to take into consideration to carry out the most efficient savings management possible, and on "education and future of family finances", which discusses the financial behaviour of the general public, with speakers from the CNMV, Banco de España and the University.

Collaboration in financial education with universities, educational centres and other relevant parts of society

In the field of the dissemination of the financial and stock exchange culture, the professionals of BME participate in educational projects associated with the securities market aimed at all groups.

BME, either directly or through Instituto BME and the four Stock Exchanges, collaborates on numerous training projects, delivering specialised courses at different private and public national universities (such as the Universities of Alcalá de Henares, Carlos III, Malaga, Basque Country, Pontificia de Comillas, San Pablo CEU, Santiago de Compostela, Valencia, Oviedo, Cantabria, Castilla la Mancha), international universities (Sergio Arboled, in Colombia) and training institutions (*Institut d'Estudis Financiers*, Instituto de Estudios Bursátiles, Colegio Universitario de Estudios Financieros, Escuela de Finanzas, *EAE Business School* or the Fundación de Estudios Financieros).

BME once again organised free training seminars on the workings of financial markets and the products traded on them, targeting groups outside the sector who would be able to better perform their jobs with this knowledge, such as members of the General Council of the Judiciary, the National Police, the Civil Guard, and the Centre for Legal Studies (CEJ).

Financial awards promoted and sponsored by BME

Within the scope of the dissemination of financial knowledge, BME has continued with the promotion of the Base IBEX 35, Base ETF and Finance Forum awards, the sponsorship of Financial Excellence and Expansion, the co-sponsorship of the X Economics Olympics of Madrid and Robotrader 2018, as well as participating in the CFA Spain award. In 2018, BME also took part in initiative for the 1st Carlos Humanes Economic Journalism Award, celebrated at Palacio de la Bolsa.



Carlos Humanes Award for Financial Journalism Ceremony.

Sponsorship of financial publications (2013-2)

BME contributes to the study and knowledge of the Spanish financial economy, encouraging the dissemination of finance and the stock markets through the direct publication of books and magazines and through the sponsorship of various publications.

The BME Studies Service has personnel at the four stock exchanges, which prepare, filter, select and distribute statistics on the markets and systems of the BME Group, reports and documentation on what is happening in the national and international financial markets through the BME's digital publications service (BME Ediciones Digitales).

BME also has libraries and documentation centres at all its offices with more than 30,000 titles on economics and finance available to employees and non-BME personnel.



FEF Awards.

7.3. Financial informative activity (203-2) (103: Indirect economic impact)

BME has been helping Spanish businesses to make the most of market opportunities and assisting them with funding, growth, training, visibility and efficiency.

Financial informative activity (203-1)

This informative activity carried out by BME for its users and society in general is performed through a series of forums, seminars, trade fairs and other activities related to the securities market, such as the participation in *Spain Investors' Day*, the *Forinvest* trade fair, the SIBOS trade fair, the *Spring European Midcap Event* seminars, annual meeting of the Federation of European Stock Exchanges, the annual meetings of the "Geneva MidCap Event", the "Spanish Small & MidCaps Conference" and the "Spain All Caps Conference" and the organisation of the *MedCap Forum* and the *Latibex Forum*.

Within the scope of this informative activity, the Madrid Stock Exchange was the stage chosen by the Business Financing Guide to organise, in partnership with BME, "The challenge of green bonds" seminar, which took place on 7 February, with the aim of informing on the attractiveness of these investments and their good reception by investors, as well as describing the measures that would be necessary to favour these issues and which would facilitate companies and other institutions complying with the United Nations Sustainable Development Goals.

BME and the Royal Academy of Jurisprudence and Legislation also have a cooperation agreement, through which BME contributes to efforts to promote the culture of finance that this Royal Academy fosters as part of its work to promote financial-sector and securities-market law.

Due to the interest in the historical and artistic heritage of Palacio de la Bolsa in Madrid, the Madrid Stock Exchange offers free guided tours, during which the importance of the activity carried out by BME is made apparent. In celebration of the sixth edition of "Madrid, Otra Mirada" (Madrid, Another Perspective) organised by the Madrid City Council, BME joined this informative event by opening the doors to the Palacio de la Bolsa in Madrid, which celebrated its 125th anniversary in 2018. The other stock exchanges in Barcelona, Bilbao and Valencia also offer guided tours, promoting education and information about stock markets.

Promotion of added value services to listed companies

(103: Indirect economic impacts)

BME provides information on and promotes added value services to listed companies, intermediaries and other investment services companies, understanding as such the group of services that accompany the sale/purchase cycle of negotiable financial assets, which are performed through the Information and Added Value Services Unit.

Within this context, BME, through the dissemination and provision of these services strengthens the transparency of the markets, investor protection and security, the non-discriminatory participation in the markets and the participation in the channelling of savings towards productive investment, as well as, ultimately, provide value to the whole national economy in terms of economic growth and the generation of employment.

Support for small and medium-sized enterprises (103: Indirect economic impacts)

BME's prime objective is to provide the highest number of companies access to financing through the securities market, particularly small- and medium-sized companies. To do so, the Alternative Equity Market (MAB) and the Alternative Fixed Income Market (MARF) created by BME aim to cover the financing needs of the Spanish small- and medium-sized companies.

Companies also enjoy the comprehensive solutions offered by BME4Companies created by BME, which allows entrepreneurs to reap the benefits of the securities market through an extensive and competitive range of services, as well as the Pre-Market Environment, a joint initiative between BME and *Big Ban Angels*, to facilitate the access of *start-ups* to the capital markets and assist them in the search for new investors, and which in 2018 held its third *Investor Day*.

Once again, this year BME participated alongside the Confederación Española de la Pequeña y Mediana Empresa [Spanish Confederation of Small and Medium-sized Enterprises] in the CEPYME 500 project, aimed at driving growth and promoting the resizing of the top 500 SMEs leading business growth in Spain.

7.4. Other activities supporting the community

(102-13; 413-1; 103: Local communities)

Cultural activities

BME continues to maintain its commitment to supporting the local community, in particular with regard to the world of culture: it is a member of the Friends of the Prado Museum Foundation, a sponsoring partner of the Reina Sofia Museum in Madrid, a partner of the Teatro Real in Madrid, a trustee of the Naval Museum Foundation and the National Archaeological Museum, and a patron of the Guggenheim Museum in Bilbao, as well as other institutions.

BME INVESTMENT IN SOCIAL INITIATIVES (THOUSANDS OF EUROS)

	2016	2017	2018
Financial sponsorship and promotion of cultural activities	250	300	235

Social action

In 2018, BME reaffirmed its commitment to the Madrid and Barcelona Food Banks, and has continued to carry out other initiatives of social value that benefit society and the local community.



Food Bank 2018.



8. Environmental Performance



8.1. Environmental management

(103: Environmental compliance, 103: financial performance, 102-11, 305-3,307-1)

In this regard, after the materiality analysis performed to which this report refers, the Company concluded that the activity of the BME office and the urban areas in which it is performed do not generate a significant direct impact on the environment, therefore the Company does not consider the aspects associated with the management of its waste and materials, biodiversity and sources of water collection within the environment of its facilities, nor the acoustic and light contamination that its facilities may generate, nor the emission of substances that deplete the ozone layer (SAO), nitrogen oxides (NOx), sulphur oxides (SOx) and other emissions to be of material significance.

In spite of the above, BME contributes to protecting the environment and dedicates economic resources to the sustainable management of its activities with the goal of minimising any environmental impacts that might arise from its operating processes and facilities, and the services it contracts.

A) Environmental Management

The Company reports its commitment to the environment following the precautionary principle defined by the GRI Standards and Principle 15 of the Rio Declaration on the Environment and Development of the United Nations in 1992, indicating how it conducts its activities, as well as the intention to mitigate the possible environmental impacts derived from them through the environmental management that is included in this report and which is approved annually by the Board of Directors on the occasion of the approval of this report.

In this sense, given the activities of the Group, BME has analysed the risk factors related to its environmental performance within the framework of risk management and has concluded that today the environmental risk is not significant and therefore it does not have responsibilities, expenses, assets, or provisions or contingencies of an environmental nature that could be significant in relation to the Group's assets, financial situation and consolidated results.

Notwithstanding that BME has verified the nonexistence of risk factors associated with its responsibilities within the risk management framework and given its commitment to the environment, BME has adopted a series of measures to mitigate the possible environmental impacts:

- comply with prevailing national, regional and local legislation, as well as with BME's own commitments to minimise the environmental impact of its activities
- foster measures to reduce the use of the resources consumed directly and indirectly by BME
- Encourage the recycling of waste in order to minimise the company's environmental impact. BME fosters compliance with the three "R" approach to environmental protection: Reduce, Reuse, Recycle
- encourage an environmentally-responsible behaviour by BME employees through the implementation of best environmental practices
- contribute to the advancement of corporate social responsibility in Spain through projects that promote socially responsible business practices.

As in previous years, in 2018 BME did not receive any significant fines or sanctions relating to the environment.

The environmental impacts deriving from transport are solely due to the transport of employees during corporate trips and travelling to their place of work, therefore there are no significant environmental impacts.

B) FTSE4Good IBEX index

In 2006, BME together with *FTSE Group* created the FTSE4Good IBEX comprising securities belonging to BME's IBEX 35® index and the *FTSE Spain All Cap* index, which comply with the best practices in corporate social responsibility. The FTSE4Good IBEX index is a tool which allows responsible investors to identify and invest in those companies that work towards environmental sustainability with the global standards of corporate responsibility, thereby providing asset managers with a socially responsible investment indicator and which encourages the idea of being socially responsible among companies.

8.2. Energy consumption (103: Energy)

As part of its drive to protect the environment and sustainability, the company implements internal measures to reduce energy consumption at its facilities and minimise the environmental impacts of the services managed at the Group's work centres, and externally through environmental support initiatives.

By consuming energy, BME generates greenhouse gas emissions directly (consumption of natural gas and the corporate shuttle service) and indirectly (consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle).

A) Internal energy consumption (102-48, 302-1, 302-3, 302-4, 302-5)

The internal energy consumption is that contracted by BME (electricity and gas) for the performance of internal activities. BME's facilities have a substantial electricity usage, its main sources of energy from its supplier being hydroelectric, nuclear, thermal, wind and solar. Natural gas is only consumed in the employee canteen in the Las Rozas premises in Madrid, where the services are outsourced.

BME promotes different measures with the aim of reducing its electricity consumption, mainly due to lighting, climate control and IT equipment and thus reduce the emissions deriving from its activity. Of particular significance are the night-time and smart low consumption lighting systems, the replacement of HVAC systems or maintenance activities and the replacement of the IT equipment for more energy-efficient equipment with the *Epeat Energy Start 6.0* certification accrediting higher energy efficiency, all in the interests of reducing the environmental impact it generates.

ELECTRICITY CONSUMPTION INDICATORS BY GEOGRAPHIC AREA ⁽¹⁾

Madrid	2016	2017	2018
Change in total consumption (GJ)	28,554.66	26,653.71	25,371.06
Number of employees	614	610	638
Consumption per employee (GJ/employee)	46.51	43.69	39.77
Barcelona	2016	2017	2018
Change in total consumption (GJ)	4,807.76	4,680.24 ⁽²⁾	4,448.74 ⁽³⁾
Number of employees	95	94	87
Consumption per employee (GJ/employee)	50.61	49.79 ⁽²⁾	51.13 ⁽³⁾
Bilbao	2016	2017	2018
Change in total consumption (GJ)	2,569.84 ⁽⁴⁾	2,676.48	1,471.61
Number of employees	32	31	30
Consumption per employee (GJ/employee)	80.31 ⁽⁴⁾	86.33	49.05
Valencia	2016	2017	2018
Change in total consumption (GJ)	1,087.28 ⁽⁴⁾	936.36	958.68
Number of employees	21	20	15
Consumption per employee (GJ/employee)	51.78 ⁽⁴⁾	46.82	63.91

(1) Electricity consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh = 0.0036 GJ.

(2) The energy consumption for the Barcelona office for 2017 and the consumption per employee for this period has been amended to include the data on estimated electricity consumption of the second half of 2017 in the Corporate Social Responsibility Report for 2017.

(3) Includes electricity consumption figures for the first six months of 2018 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2018.

(4) The energy consumption and energy intensity for the Bilbao and Valencia offices for 2016 and the consumption for this period have been amended as they were incorrectly stated in the BME Corporate Social Responsibility Report for 2016.

GAS CONSUMPTION INDICATORS ^(302-1, 302-3)

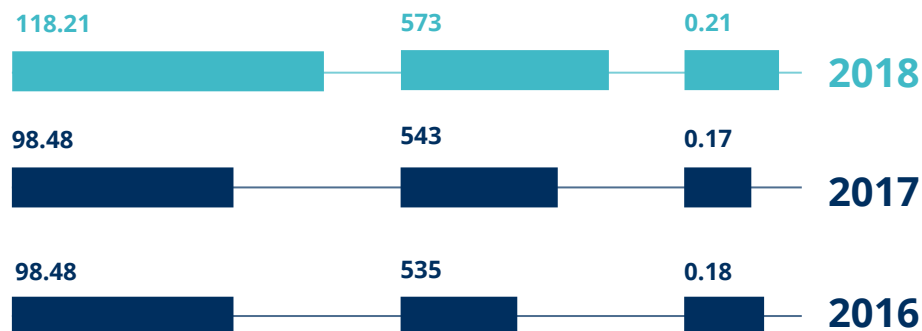
Change in total
consumption
Madrid
(Las Rozas)(GJ)



Number of
employees
(Las Rozas)



Consumption
per employee
(Gj/employees)



(1) In Madrid, only the Las Rozas building uses this type of energy.

(2) Gas consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh = 0.0036 GJ.

GENERAL ENERGY INDICATORS FOR BME ^{(1) (2)} ^(302-1, 302-3)

	2016	2017	2018
Total internal energy consumption (Gj)	37,019.54 ⁽³⁾	35,045.27 ⁽⁴⁾	32,368.30 ⁽⁵⁾
Total number of employees	762	755	770
Total internal energy intensity (Gj/employee)	48.58 ⁽³⁾	46.42	42.04

(1) Total electricity and gas consumption figures in gigajoules (GJ) as per GRI4 criteria. 1 kWh = 0.0036 GJ.

(2) The company's total internal energy intensity per annum is calculated by dividing total internal energy consumption (electricity and gas) by the number of employees in the Group.

(3) The energy consumption and energy intensity for the Bilbao and Valencia offices for 2016 have been amended as they were incorrectly stated in the BME Corporate Social Responsibility Report for 2016.

(4) Includes total electricity consumption figures for the Madrid, Barcelona, Bilbao and Valencia offices. The consumption data for Barcelona has been amended as this included estimated data on the electricity consumption for the second half of 2017 in the Corporate Social Responsibility Report for 2017.

(5) Includes total electricity consumption figures for the Madrid, Bilbao and Valencia offices. This includes electricity consumption figures for the first six months of 2018 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2018.

B) External energy consumption ⁽³⁰²⁻²⁾

With regard to external energy consumption – energy consumption outside BME not bought directly by the Company – primarily derives from employees' commutes to and from work, (corporate shuttle service and private vehicle) and business trips (air and rail).

Although BME does not monitor its external energy consumption, it does implement measures to reduce the emissions generated in the performance of its activity, such as encouraging sustainable travel by using public transport instead of private transport (extension of the shuttle service) and financial assistance to use urban and interurban transport), prioritising the use of trains over airplanes for short distance business trips, promotion of technological tools as a means to holding meetings and the development of teleworking.

8.3. Greenhouse gas emissions (103: Emissions)

The Company invests time and effort in reducing the greenhouse gas emissions it generates through the monitoring of its emissions and the adoption of energy saving measures with the final objective of maintaining its greenhouse gas emissions at a stable level.

A) Greenhouse gas emission indicators (102-48, 305-1, 305-2, 305-3, 305-4, 305-5)

GREENHOUSE GAS EMISSIONS			
TONNES CO ₂ EQUIVALENT ⁽¹⁾			
	2016	2017	2018
TOTAL EMISSIONS OF CO₂	3,144.76	3,918.47	3,164.34
Total direct emissions	78.81	81.14	106.34
Fuel consumption (natural gas)	5.60	5.60	6.72
Staff transport (corporate shuttle bus) ⁽²⁾	73.21	75.54	99.62
Total indirect emissions	3,065.95	3,837.33	3,058.53
Electricity consumption	2,200.61	2,504.52 ⁽³⁾	1,961.88 ⁽⁴⁾
Business trips (by air)	317.15	735.27	511.28
Business trips (by train) ⁽⁵⁾	27.19	67.54	37.37
Staff commutes to and from work (own vehicle) ⁽⁶⁾	521	530	548
TOTAL NUMBER OF EMPLOYEES	762	755	770
TOTAL CO₂ EMISSIONS PER EMPLOYEE ⁽⁷⁾	4.13	5.19	4.11

⁽¹⁾ In 2017, the Company used the CO₂ equivalent emission factors provided by DEFRA as the methodology for calculating the CO₂, CH₄ and N₂O emissions. For comparative purposes, the emissions for natural gas, electricity and employee transport (own vehicle and corporate shuttle bus) for 2015 and 2016 have been adjusted in line with this new methodology.

⁽²⁾ In accordance with the methodology described in footnote 1 above, this includes direct CO₂ emissions from the company's shuttle bus service.

⁽³⁾ The CO₂ emissions for electricity have been calculated by applying the estimated value of the gross generation mix of electricity for 2017 (0.258 Kgs CO₂ per kWh).

⁽⁴⁾ Includes, in accordance with the methodology described in footnote 1 above, indirect emissions relating to business trips made by employees by train (does not include trips made by employees by train to the Majadahonda railway station to take the company shuttle service to the Las Rozas headquarters).

⁽⁵⁾ Includes, in accordance with the methodology described in footnote 1 above, indirect CO₂ emissions relating to trips made by employees to their place of work using their own vehicles.

⁽⁶⁾ Annual CO₂ emissions per employee were calculated by dividing total CO₂ emissions by the total number of employees in the Group each year.

GREENHOUSE GAS EMISSIONS BY SCOPES 31 DECEMBER 2018

TONNES OF CO₂ (305-1, 305-2, 305-3)



6.72

Fuel consumption (natural gas)
(+20% vs 2017)



99.62

Staff transport (corporate shuttle bus)
(+31.9% vs 2017)



1,961.88

Electricity consumption
(-21.7% vs 2017)



548

Staff commutes to and from work (own vehicle)
(+3.4% vs 2017)



548.65

Business trips (by air and rail)
(-31.7% vs 2017)

Performance of the last 3 quarters ⁽¹⁾

Scope	Item	2016	2017	2018
Scope 1	Fuel consumption (natural gas)	5.60	5.60	6.72
	Employee transport (corporate shuttlebus)	73.21	75.54	99.62
Scope 2	Electricity consumption	2,200.61	2,504.52 ⁽²⁾	1,961.88
Scope 3	Business trips (by air and rail)	344.34	802.80	548.65
	Staff commutes to and from work (own vehicle)	521	530	548

(1) Due to the change in the calculation of the gas emissions, the consumption of natural gas, electricity and employee transport (own vehicle and corporate shuttle bus) for 2016 have been amended.

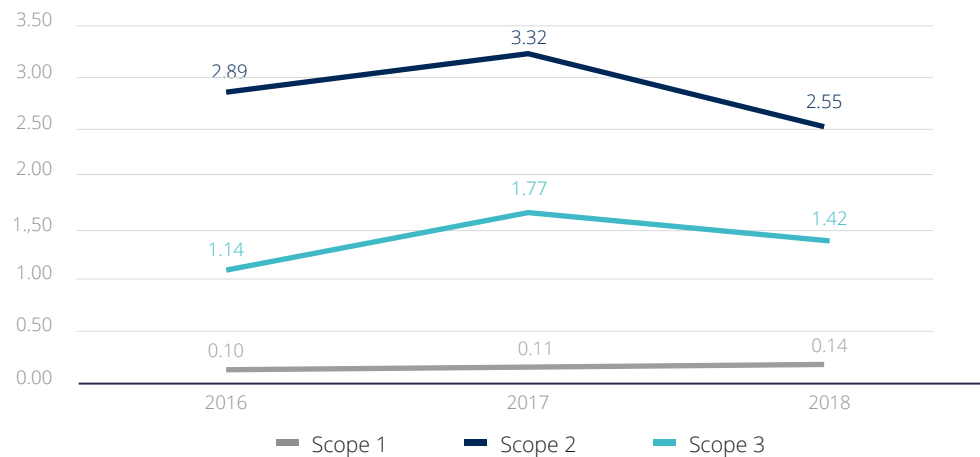
(2) The emissions deriving from energy consumption for 2017 have been amended to update the estimated emissions data on electricity consumption for the second half of 2017 for the Barcelona office stated in the Corporate Social Responsibility Report for 2017.

□ Scope 1 □ Scope 2 □ Scope 3

Annual figures are also presented for the intensity of the company's greenhouse gas emissions for each scope. These figures are calculated by dividing total CO₂ emissions by the total number of employees in the group. The intensity of emissions can be used to determine the organisation's environmental efficiency and performance.

INTENSITY OF GREENHOUSE GAS EMISSIONS

TONNES OF CO₂ / EMPLOYEE (305-4)



B) National Registry for Greenhouse Gas Emission Allowances (201-2)

BME considers that the management through Iberclear of the National Registry of Greenhouse Gas Emission Rights (RENADE) is an opportunity derived from climate change, which supports the National Administrator of Emission Rights, meeting all the requirements of the European Commission and the United Nations through the Spanish Office for Change Climate (OECC).

RENADE is the instrument which ensures the publicity and constant updating of the ownership and control of the greenhouse gas emission allowances of companies in Spain.

In this regard, RENADE provides industrial facilities with the technical and human resources necessary to comply with their annual obligation of turning over to the government allowances in an amount equivalent to CO₂ emissions made during the prior year.



Materiality of the Report



[Scope of the information and standards used in the report](#)

This non-financial information report (Corporate Social Responsibility Report) includes information relating to 2018 for all the activities and services provided by the Company. Where deemed appropriate, it also includes information from previous years for comparison.

It has been prepared in accordance with the content established for the preparation of the Sustainability Reports by the GRI Standards and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts, regarding non-financial information and diversity, which has resulted in changes in the information presented in this report compared to previous years without such having been restated.

[GRI principles for gathering content](#)

The structure and content of this report is based on the principles established by GRI for the preparation of sustainability reports, as indicated below:

- **Stakeholder engagement.** The preparation of this report has been carried out attending to the interests and expectations of the stakeholders in relation to the functioning of BME, which has been received, via the managers of the Company that interact with them.
- **Context of Sustainability.** An evaluation has been carried out of the relationship between the activities and services provided by BME with the social, economic and environmental context in which the Company operates.
- **Materiality.** A materiality analysis has been performed to define and identify the most significant aspects for BME with regard to sustainability, the methodology of which is detailed below.
- **Thoroughness.** After the identification of the material aspects for BME, information regarding these has been included with a view to facilitating the stakeholders' evaluation of the economic, social and environmental performance of the Company in recent years.

[GRI Principles for the processing and quality of the information](#) (102-46)

The principles established by GRI to guarantee the quality of the information have also been taken into account in the preparation of the report:

- **Balance.** According to this principle, the sustainability reports must reflect both the positive and negative aspects of the Company's performance. Through its application, an objective and complete view is obtained of the general performance of BME.
- **Comparability.** The Company has gathered information on a regular basis and it has been included in the contents with the aim of its stakeholders being able to analyse the progress of its performance in recent years, and compare it to that of other organisations.
- **Accuracy.** The information provided is stated in sufficient detail to cover the expectations indicated by the stakeholders.
- **Punctuality.** Following the same pattern as in recent years, BME will continue updating the content of its non-financial information report (Corporate Social Responsibility Report) annually with the aim of facilitating regular information to its stakeholders.
- **Clarity.** The Company wishes to present information on its performance in a manner that is accessible and clear for all stakeholders.
- **Reliability.** This report details the process followed for its preparation. With this, BME guarantees that the content of the report may be subjected to external evaluation to judge the quality and materiality of the information.

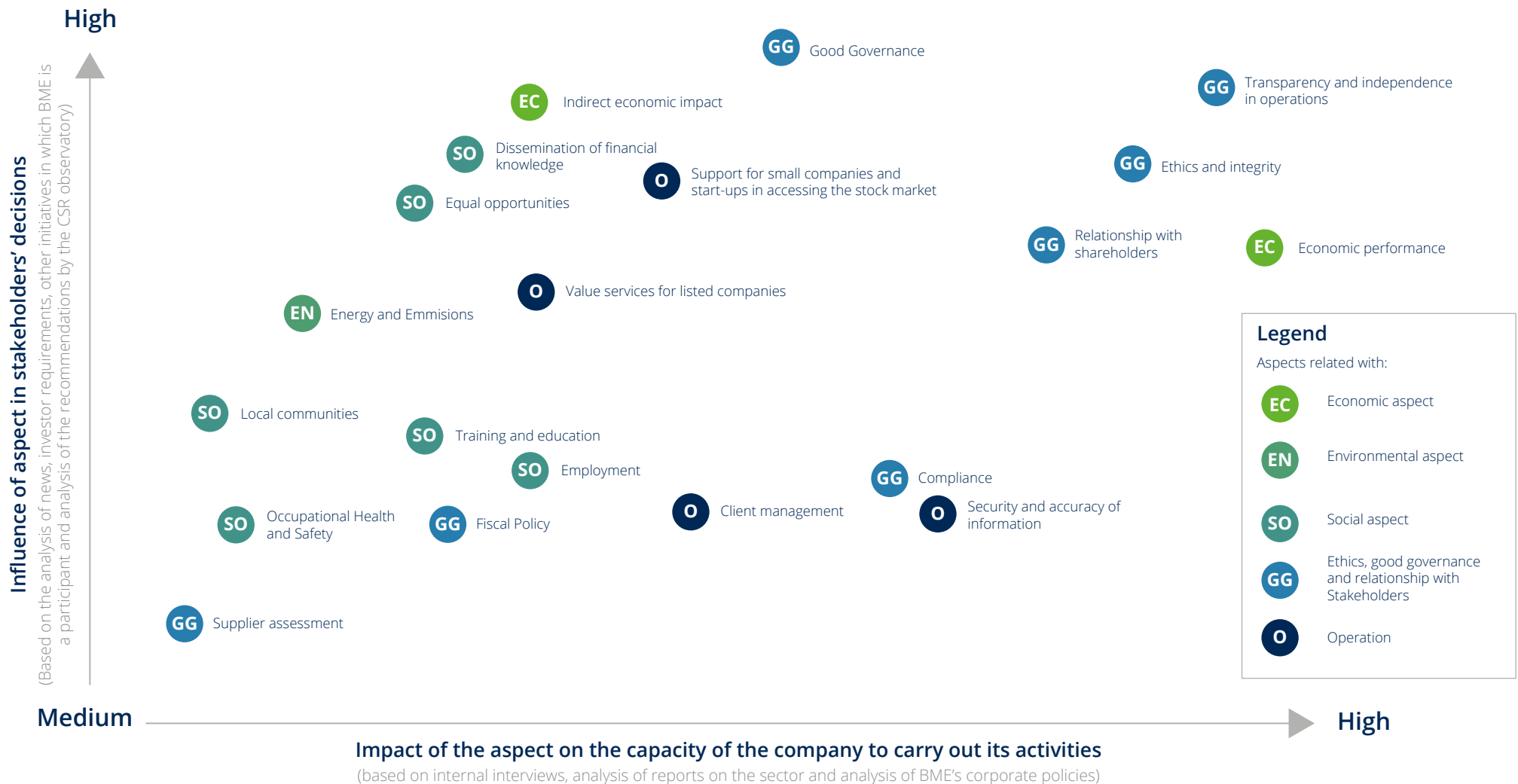
[Materiality analysis](#) (102-46)

Pursuant to that established in the GRI Standards, this document contains information on the indicators corresponding to those aspects of sustainability deemed as material. For this, a specific analysis has been performed in which BME has identified the key issues, either because they affect the decisions that its stakeholders may make or because they are critical to the long-term success of the Company.

The activities carried out for this materiality analysis consist of:

- **Meetings** with managers and directors in key areas of the Company.
- **Benchmarking** of other international companies in the stock exchange sector.
- **Analysis of investor requirements with regard to corporate social responsibility** based on the analysis of contents/indicators requested through initiatives such as the *Dow Jones Sustainability Index (DJSI)*, *Carbon Disclosure Project – Climate Change (CDP)*, *FTSE4Good*.
- **Analysis of key aspects with regard to corporate social responsibility in other initiatives in which BME participates**, such as *Sustainability Stock Exchange (SSE)* and the United Nations Global Compact.
- **Analysis of the recommendations for the Company's reporting made by the Corporate Social Responsibility Observatory**.
- **Analysis of press dossiers** compiled by the Company over the last year.
- **Analysis of BME's Corporate Policies**, including, the Code of Conduct, Crime Prevention Guidelines, Tax policies and principles, and Policies for the processing and transmission of insider information.

The result of these actions has allowed the following materiality matrix to be created for the Company:



The following table specifies the specific coverage of each one of these material aspects.

Coverage ⁽¹⁾

Material aspect <small>(102-47, 103-1)</small>	Coverage ⁽¹⁾	
	Organisation	Outside of the organisation
Economic performance	✓	✓
Indirect economic impact		✓
Energy and emissions	✓	✓
Health and safety in the workplace	✓	
Local communities		✓
Training and education	✓	
Employment	✓	
Equal opportunities	✓	
Dissemination of financial knowledge		✓
Supplier appraisals	✓	✓
Fiscal policy	✓	
Regulatory compliance	✓	
Good governance	✓	
Relationship with shareholders		✓
Ethics and integrity	✓	
Transparency and independence in operations	✓	✓
Value services for listed companies	✓	✓
Client management		✓
Support for SMEs and start-ups in accessing the stock market	✓	✓
Security and accuracy of information	✓	✓

(1) BME's activities generate positive and negative impacts on sustainability. The coverage of each aspect refers to the place where these impacts occur (within the organisation and/or outside), with a description of their nature throughout the report

Once these material aspects were identified and their coverage determined, the collection of information to prepare the report was performed based on interviews and sending information gathering sheets to managers within the Company.

Having received this data and the contextual information obtained through the activities carried out in the materiality analysis, BME has prepared the final version of this report. The sections where the information relating to each one of the indicators required by the said international standard are identified on the GRI table of contents included in the following section.

In those cases in which it has not been possible to cover all the requirements of the guidelines when reporting on a specific indicator, this has been detailed on the aforementioned table. The Company also undertakes to improve its information systems with the aim of having all the data required for future reports.

[Further information](#) (102-53)

If you would like additional clarification regarding the information included in this document, or on the Company's activities concerning sustainability, you may contact BME at the following address: sconsejo@grupobme.es



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Air pollution	103	Management approach: Emissions	8.3	405-407
	305-6	Emissions of ozone-depleting substances (ODS)	The Group's activities do not generate significant emissions of greenhouse gasses.	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
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	305-4	GHG emissions intensity	8.3.A)	407
	305-5	Reduction of GHG emissions	8.3.C)	405-406
	305-6	Emissions of ozone-depleting substances (ODS)	The Group's activities do not generate significant emissions of greenhouse gasses	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions			
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Occupational illness rate	403-3	Employees with a high incidence or risk of diseases associated with their activity	The professions of BME workers do not have a high incidence or high risk of diseases associated with their occupation	
Workforce relations				
Dialogue with workers	103	Management approach: Freedom of association and collective bargaining	BME guarantees all of its employees the right to form trade unions for the defence and promotion of their economic and social interests. Trade union workers' representation bodies and the technical committees deriving from the Collective Agreement in which the employees participate provide a constant channel of dialogue between the company and its employees, not only for collective bargaining but also to resolve any potential conflicts. There are no risks of violations of, or threats to, the freedom of association and collective bargaining at any of the Company's locations or suppliers.	
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
Employees covered by collective bargaining agreement	102-41	Collective bargaining agreements	5.2	377-378

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Universal accessibility for people with disabilities	103	Management approach: Diversity and equal opportunity	5.3	378
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	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	5.3	378
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	205-2	Communication and training about anti-corruption policies and procedures	2.3.B)	341-343
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	102-27	Collective knowledge of highest governance body	This company Report includes the most recent materiality analysis in which the most relevant aspects for the company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues.	
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Stakeholder engagement				
	102-40	List of stakeholder groups	1	329
	102-21	Consulting stakeholders on economic, environmental, and social topics	The Board of Directors is informed on all relevant economic, environmental and social matters that arise in the dialogue between the Company with its stakeholders and the areas, units and departments involved in relation to the former.	
Stakeholder engagement	102-42	Identifying and selecting stakeholders	The stakeholders have been selected according to the relevant criteria for the Company and its activities.	329
	102-44	Focal areas for the participation of stakeholders Key topics and concerns mentioned	The report only includes information concerning the satisfaction questionnaires relating to the educational activities.	
		Key topics and concerns raised	The contents of the report respond to the main expectations detailed by BME stakeholders. Result of the interaction with the interest groups, no problems detected that the company considers as key.	344
Other useful information on the preparation of the document				
	103	Management approach: Explanation of the material topic and its Coverage		409-412
Other useful information on the preparation of the document	102-46	Defining report content and topic Boundaries	Materiality of the report	
	102-47	List of material topics		412
			6.1	390-391
	102-48	Restatement of information.	8.2.A	403-404
			8.3.A)	405-407

Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Other useful information on the preparation of the document	102-49	Changes in reporting	There are no significant changes in relation to the scope and coverage of the material aspects identified in this report compared to the Sustainability Reports published in previous years.	
	102-50	Reporting period	2018	
	102-51	Date of most recent report	2018	
	102-52	Reporting cycle	Annual	
	102-53	Contact point for questions regarding the report	Materiality of the report	412
	102-55	GRI content index	Non-financial information content index	
	102-56	External assurance	The Company has requested and independent review of the non-financial information statement (Corporate Social Responsibility Report).	

No relevant omissions have been identified in the information required by the GRI standards.