

**ANNUAL REPORT REGARDING THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES**

**ISSUER'S PARTICULARS**

**END OF FINANCIAL YEAR IN QUESTION**

31/12/2017

**COMPANY TAX ID  
NO. (C.I.F.)**  
A83246314

**Corporate name:**

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

**Registered office:**

PLAZA DE LA LEALTAD, 1 (MADRID)

ANNUAL REPORT REGARDING THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A. COMPANY'S REMUNERATION POLICY FOR THE CURRENT YEAR.

A.1 Explain the company's remuneration policy. This section should include information regarding:

- General principles and fundamental bases of the remuneration policy.
- Most significant changes made to the remuneration policy with regard to that applied during the previous year, as well as the amendments made during the year to the conditions for exercising the previously awarded options.
- Criteria used and composition of the groups of comparable companies whose remuneration policies have been examined in order to establish the company's remuneration policy.
- Relative importance of the variable remuneration components compared to the fixed ones, and criteria followed to determine the different components of the directors' remuneration package (*remuneration mix*)

Explain the Directors' remuneration policy
<p><b><u>i) General principles and fundamental bases of the remuneration policy:</u></b></p> <p>The remuneration of the Directors of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (hereinafter, "BME" or "the Company") is determined by taking into consideration that established in (i) the legislation applicable to capital companies, specifically Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Ley de Sociedades de Capital (hereinafter, "Companies Act"); (ii) the Company's Articles of Association and Board of Directors Regulations; and (iii) the resolutions adopted by the General Shareholders' Meeting (hereinafter, "the Meeting" or "General Shareholders' Meeting").</p> <p>Additionally, BME takes into account the good corporate governance recommendations and best market practices when determining the Directors' Remuneration Policy (hereinafter, "the Remuneration Policy" or "the Policy").</p> <p>Taking into consideration the foregoing, the general principles and fundamental bases on which the remuneration system established for BME's Directors is based are as follows:</p> <ul style="list-style-type: none"> <li>• Transparency of information on Directors' remuneration.</li> <li>• Reasonable relationship with the Company's importance, its financial position and the market standards of similar companies.</li> <li>• Compatible with and linked to the corporate strategy, values and long-term interests of the Company and shareholders, and is designed to promote the long-term profitability and sustainability of BME.</li> <li>• For Executive Directors, the remuneration structure shows a balanced and efficient relationship between fixed and variable components, with an appropriate proportion of variable components linked to (i) the delivery of medium- and long-term objectives, and (ii) the deferred delivery of Company shares.</li> </ul> <p>Article 40 of the Articles of Association establishes that the position of Director is remunerated and determines the remuneration systems applicable to Directors in accordance with their status.</p> <p><b><u>i.a) Remuneration of Directors acting as such.</u></b></p> <p>In accordance with article 40 of the Articles of Association, the remuneration of Directors acting as such shall consist of a fixed sum and the relevant fees for attending meetings, without prejudice to the reimbursement of any expenses duly accounted for that Directors may incur when attending meetings.</p>

Following the recommendations from the Good Governance Code of Listed Companies from the CNMV (hereinafter, the Good Governance Code), the Directors acting as such do not have variable remuneration schemes.

The General Shareholders' Meeting establishes the maximum amount of annual remuneration to be received by Directors acting as such. Moreover, the Board of Directors distributes this remuneration amongst its members, on the basis of the type of Director and the offices, functions and commitment assumed by each one on the Board of Directors and its Committees.

**i.b) Remuneration of Directors with executive functions.**

Article 40 of the Articles of Association stipulates that Directors who have executive functions within the Company may receive other remuneration apart from that to which they are entitled as Director based on the aforementioned executive functions and, as appropriate, on service provision, senior management or similar contracts that may be entered into by the Company and such Directors, and may consist of fixed and/or variable remuneration, allowances, pensions or compensation of any kind.

In addition, the Articles of Association stipulate that these Directors may be remunerated by means of the delivery of shares or share option rights or any remuneration scheme linked to share value, subject to the adoption of a shareholders' resolution that must contain the particulars required by law.

In relation to this provision of the Articles of Association and in accordance with the Remuneration Policy, the remuneration of the Chairman of the Board of Directors is comprised of the following elements: (i) fixed remuneration, (ii) short-term variable remuneration in cash, (iii) medium and long-term variable remuneration linked to the delivery of the Company's shares, (iv) rights accumulated in the savings plan described in section A.5 of this Report, and (v) severance pay under certain circumstances.

In turn, the remuneration of the Chief Executive Officer can be broken down as follows: (i) fixed remuneration, (ii) short-term variable remuneration, (iii) medium and long-term variable remuneration linked to the delivery of the Company's shares, (iv) social welfare scheme under the terms described in section A.5 of this report, (v) remuneration in kind described in section A.10 of this report, and (vi) severance pay under certain circumstances.

The remuneration components in the case of Mr. Joan Hortalá i Arau, who carries out executive functions at Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., is explained in section A.12 of this report. Mr. Hortalá i Arau is one of the beneficiaries of the medium and long-term variable remuneration plans linked to the delivery of the Company's shares, (iv) referred to in section A.4 of this report.

**ii) Most significant changes made to the remuneration policy:**

As mentioned in the 2016 Annual Report on Directors Remuneration, in 2017 the Appointments and Remuneration Committee, in order to adapt remuneration schemes to good governance standards and recommendations, proposed changing the Directors' Remuneration Policy for 2017 and 2018, which it approved, for submission to the Board of Directors at its meeting on 14 March 2017.

The Board of Directors, at its meeting on 21 March 2017, agreed to raise the proposed change to the Directors' Remuneration Policy for 2017 and 2018 to the General Shareholders' Meeting for approval. The goal of this change was to reflect:

- (i) the need for remunerating Directors on account of the dedication and responsibility required to perform their role, specifically, establishing fixed remuneration for the Lead independent Director based on the greater amount of availability and dedication required in the performance of the duties assigned thereto;
- (ii) the need for establishing contractual conditions, including payment conditions, for the new role of Chief Executive Officer as part of the gradual and progressive process to transform the structure of the Company's highest executive functions; and

- (iii) the improved structure of the short-term variable component of the remuneration of Directors with executive functions at the Company, i.e., the Chairman and the Chief Executive Officer, to include additional measures to strengthen the relationship between short-term variable remuneration and the Company's long-term value creation and sustainability.

The Ordinary General Shareholders' Meeting held on 27 April 2017 approved the amendment of the Directors' Remuneration Policy.

**iii) Criteria used to establish the Company's remuneration policy and remuneration mix:**

The criteria followed to determine the remuneration structure of the Directors acting as such are as follows:

- Compensate based on corporate governance standards and market circumstances, bearing in mind the Company's nature and activity.
- Compensate in accordance with the offices, functions and the commitment assumed on the Board and in its delegate bodies.
- Compensate the effective dedication, abilities and responsibilities of the position, without the remuneration becoming an obstacle to their duty of loyalty, nor affecting objectivity when defending the interests of the company.
- Compensate Directors acting as such exclusively by means of remuneration of a fixed nature for their attendance and belonging to the Board of Directors and its Committees, without incorporating variable components, following the recommendations of the Good Governance Code.

When compensating the Directors' executive functions, the purpose of the Remuneration Policy is to set up competitive remuneration packages that attract, retain and engage highly distinguished professionals, while at the same time establish a stable link and long-term commitment over time between remuneration, results, shareholders' interests and risks assumed. Thus, it is geared towards generating value for the Company, endeavouring to be aligned with shareholder interests and strict compliance with prevailing regulations on the matter.

The Policy also establishes a suitable and proportionate combination between fixed and variable remuneration and, within the latter, a balanced and efficient relationship between the remuneration received in cash and that linked to the delivery of the Company's shares. Moreover, following best practices in matters of good corporate governance, a significant part of the variable component of the remuneration is deferred over time, being derived from medium and long-term incentive plans and settled in Company shares.

**A.2 Information regarding the preparatory work and decision-making process followed to determine the remuneration policy and the role played, where appropriate, by the Remuneration Committee and other supervisory bodies when establishing the remuneration policy. This information should include, where appropriate, the mandate and composition of the Remuneration Committee and the identity of the external advisers whose services have been used to define the remuneration policy. It shall also provide the position of the directors who, if any, have been involved in establishing the remuneration policy.**

**Explain the process for determining the remuneration policy**

BME's corporate governance system is established in such a manner that the proposals submitted to the Board of Directors concerning remuneration initially originate from the Appointments and Remuneration Committee.

Pursuant to articles 529 *quindecies* of the Companies Act and 20.2.i) of the Board of Directors Regulations, the Appointments and Remuneration Committee is responsible for proposing the

Directors' Remuneration Policy before the Board of Directors, as well as the individual remuneration and other contractual conditions of the executive Directors.

As described in section A.1 above, the amendment of the Directors' Remuneration Policy for 2017 and 2018 was analysed in successive meetings of the Appointments and Remuneration Committee in 2017, which, at its meeting of 14 March 2017, raised it before the Board of Directors approval and subsequent submission before the Ordinary General Shareholders' Meeting.

At the date of the proposed amendment of the Remuneration Policy was raised before the Board of Directors, the Appointments and Remuneration Committee was made up of the following members:

Post	Name	Type	Date of first appointment as Director	Date term of office is due to expire
Chairman	Mr. Manuel Olivencia Ruiz	Independent	5 June 2006	30 April 2018 (*)
Member	Mr. Álvaro Cuervo García	Independent	5 June 2006	30 April 2018
Member	Mr. Carlos Fernández González	Other external Director	25 March 2014	30 April 2018
Member	Mr. Santos Martínez-Conde y Gutiérrez-Barquín	Proprietary	30 October 2014	30 April 2019

(\*) Mr. Manuel Olivencia Ruiz passed away on 1 January 2018.

The Appointments and Remuneration Committee received external advice from J&A Garrigues, S.L.P in the preparation and definition of the amendment of the Remuneration Policy for 2017 and 2018.

**A.3 Indicate the amount and nature of the fixed components, with a breakdown, where relevant, of the remuneration for executive directors for performing their senior management duties, the additional remuneration as chairman or member of any of the board's committees, the fees for attending the meetings of the board and its committees and any other fixed remuneration as director, as well as an estimate of the annual fixed remuneration to which they give rise. Identify other benefits that are not paid in cash and the essential parameters on which they are granted.**

**Explain the fixed components of Directors' remuneration**

Within the framework of the Directors' Remuneration Policy, the Appointments and Remuneration Committee, at its meeting held on 14 February 2018, analysed the amount of remuneration to be received by the Directors in 2018, both in their capacity as Directors and for the executive functions carried out in the Company.

**Remuneration of Directors acting as such.**

The individual remuneration to be received by the Directors acting as such in 2018 will be, if appropriate, as follows:

- Fixed remuneration per Director: Directors shall receive €50,000 when they have attended at least eight meetings of the Board of Directors over the course of the year or the corresponding proportional part depending on the date of their appointment as Director. Furthermore, the Lead independent Director shall also receive fixed remuneration of €20,000, as compensation for the performance of the additional duties attributed to this post under the Companies Act and the Board of Directors Regulations; and
- Attendance fees of the Directors for each one of the meetings of the Board of Directors, the Executive Committee, the Audit Committee, the Appointments and Remuneration Committee and the Markets and Systems Operating Procedures Committee: The sum of €1,000, with the exception of the Chairman of each of these bodies, who shall receive double that amount.

This amendment of the attendance fees shall enter into force in May 2018, by an advisory vote

at the General Shareholders' Meeting on this Annual Report on Directors' Remuneration, without affecting attendance fees received by Directors corresponding to meetings held from 1 January 2018 for the sum of €1,500, or double in the case of the Chairman of each of these bodies.

Furthermore, the Appointments and Remuneration Committee has proposed to the Board of Directors maintaining attendance fees for Directors that do not receive fixed remuneration at €1,500, or double in the case of the Chairman of each of these bodies.

The maximum amount of annual remuneration to be paid to the Directors acting as such for the year 2018, which is detailed in the Directors' Remuneration Policy, amounts to a total of €1,200,000.

In the case of Board members who attend all meetings initially established in the meeting schedule approved by the Board of Directors at its meeting on 20 December 2017, i.e. twelve meetings, the maximum amount of remuneration as Board members would amount to €64,500 per year (€50,000 in fixed remuneration and €14,500 in attendance fees). In this connection, as part of the 2018 meeting schedule, it is expected that five meetings will be held prior to May, attendance fees for which shall amount to €1,500.

The fees earned for attending any Board Committee meetings of which they are a member must be added this amount, if appropriate.

**Proposed fixed remuneration of the Chairman based on the duties carried out as Chairman of the Board of Directors and CEO of the Company.**

Regarding the fixed remuneration to be paid to the Chairman based on the duties carried out as Chairman of the Board of Directors and CEO of the Company and for all activities carried out at BME Group companies, the Appointments and Remuneration Committee has proposed to the Board of Directors that, for 2018, this amounts to €732,319, the same amount received by the Chairman since 2013.

Any attendance fees earned for attending Board of Directors and Executive Committee meetings must be added this amount, if applicable. However, the Chairman does not receive the fixed remuneration established for Directors acting as such.

The Chairman's maximum annual fixed remuneration would be composed of fixed remuneration based on his duties carried out as Chairman of the Board of Directors and CEO of the Company and the attendance fees for Board of Directors and Executive Committee meetings which he chairs, in accordance with the following terms:

Fixed remuneration based on executive functions	732.319
Attendance fees for Board of Directors meetings	36.000
<b>TOTAL</b>	<b>768.319</b>

Attendance fees for Board of Directors meetings were calculated taking into account that the Chairman will attend all twelve meetings initially set by the Board of Directors, and that the Chairman's attendance fees amount to €3,000, as he does not receive fixed remuneration as per the provisions of his contract.

Any attendance fees earned for attending Executive Committee meetings are not quantified, as a meeting schedule for this body is not defined in advance. In turn, fees for attending Executive Committee meetings held, of which he is the chair, shall amount to €3,000 per meeting.

**Proposed fixed remuneration of the Chief Executive Officer.**

The Appointments and Remuneration Committee has proposed to the Board of Directors that the fixed remuneration to be paid to the Chief Executive Officer for 2018 amount to €500,000. In addition to the fixed remuneration, the CEO shall also receive the amount deriving from the attendance fees for attending meetings of the Board of Directors as well as the fixed remuneration established for Directors acting as such, in the event that he attends the eight meetings held during the course of the year.

In terms of the maximum annual fixed sum paid to the CEO, it shall comprise the fixed remuneration, the attendance fees for attending meetings of the Board of Directors and the fixed remuneration established for Directors acting as such, under the following terms:

Fixed remuneration based on executive functions	500.000
Attendance fees for Board of Directors meetings	14.500
Fixed remuneration of Directors acting as such.	50.000
<b>TOTAL</b>	<b>564.500</b>

Attendance fees for Board of Directors meetings were calculated taking into account that the Chief Executive Officer will attend all twelve meetings initially set by the Board of Directors, and that attendance fees until May 2018 will amount to €1,500 and that thereafter, they will amount to €1,000 and he will receive the fixed remuneration established for Directors acting as such.

**A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.**

**In particular:**

- Identify each remuneration plan of which the directors are beneficiaries, their scope, approval date, implementation date, validity period and main characteristics. In the case of plans involving share options or other financial instruments, the general characteristics of the plan should include information regarding the conditions for exercising these options or financial instruments for each plan.
- Indicate any remuneration from profit sharing or bonuses, and the reason for which it was granted.
- Explain the essential parameters and grounds for any system of annual bonuses.
- The types of director (executive directors, external proprietary directors, external independent directors and other external directors) who are beneficiaries of remuneration systems or plans incorporating variable remuneration.
- The grounds for these variable remuneration systems or plans, the performance assessment criteria chosen, as well as the assessment components and methods for determining whether the assessment criteria have been met or not, and an estimate of the absolute amount of the variable remuneration resulting from the current remuneration plan, depending on the level of compliance with the assumptions or targets taken as reference.
- Where appropriate, report on the payment deferment or postponement periods established and/or the retention periods for shares or other financial instruments, if any.

**Explain the variable components of the remuneration schemes**

**Variable remuneration of non-executive Directors**

The Company's non-executive Directors do not receive any variable remuneration.

**Variable remuneration of the Chairman based on the duties carried out as Chairman of the Board of Directors and Chief Executive Officer of the Company.**

The annual variable remuneration of the Chairman and CEO will be calculated in accordance with the system for calculating the annual variable remuneration established in the Directors' Remuneration Policy for 2017 and 2018, the criteria of which for their determination and calculation are as follows:

- Maintain the maximum limits of annual variable remuneration at the amounts set for their corresponding fixed remuneration.
- Set the base of variable remuneration of the Chairman and CEO for each year as the annual variable remuneration effectively received the immediately preceding year.
- Link the annual variable remuneration of the Chairman and CEO to the fulfilment of

quantitative and qualitative variables. To this end, for the calculation of the annual variable remuneration, the metrics linked to each type of objective, and their corresponding weighting are as follows:

Target type	Weighting	Metrics
Quantitative	80%	Annual performance of consolidated EBITDA.
Qualitative	20%	Performance of income not linked to volumes.
		Efficiency ratio.
		Satisfactory performance of the Chairman's duties.

The evaluation of the performance is conducted through the reports on the performance of the Chairman and CEO and the functioning of the Board of Directors.

80% of the variable remuneration of the Chairman and CEO will therefore be linked to the performance of the Company's consolidated EBITDA compared to the immediately preceding year, increased or decreased by the same proportion that the Company's consolidated EBITDA increases or decreases relative to the immediately preceding year. The remaining 20% shall be linked to the aforementioned qualitative criteria.

The Chairman and CEO shall retain no right to receive the annual variable remuneration in cash when the consolidated EBITDA of the Company decreases by more than 20% compared to the previous year.

Thus, the annual variable remuneration corresponding to 2018 shall be determined in accordance with the following formula:

$$\text{AVR} = \text{Target Bonus} \times \% \text{DAI}$$

Where:

- AVR= Annual variable remuneration in cash (variable short-term remuneration) to be received by the Chairman/CEO.
- Target Bonus= Annual variable remuneration corresponding to 2017 of the Chairman and CEO, respectively.
- DAI= Degree of Achievement of the Incentive which shall be calculated as follows:

$$\text{DAI} = 80\% \times \text{DAT}_{\text{EBITDA}} + 20\% \times \text{DAT}_{\text{Qualitative}}$$

- $\text{DAT}_{\text{Qualitative}}$ = Degree of achievement of the qualitative targets.
- $\text{DAT}_{\text{EBITDA}}$  = Degree of achievement of the EBITDA target, in accordance with the following table:

Performance of consolidated EBITDA	% DAT
Performance of EBITDA <sub>n</sub> compared to EBITDA <sub>n-1</sub>	% (EBITDA <sub>2018</sub> / EBITDA <sub>2017</sub> )

In any event, the maximum annual variable remuneration established by the Remuneration Policy is the amount corresponding to the fixed remuneration of the Chairman and CEO, €732,319 and €500,000, respectively.

#### Medium and long-term remuneration plans that include executive Directors.

Pursuant to the provisions of article 40 of the Articles of Association, the remuneration system of the Executive Directors may include, following the agreement of the General Shareholders' Meeting, schemes based on the delivery of shares, rights to an option on shares or referenced to the share value.

In this regard, the Directors' Remuneration Policy for 2017 and 2018 includes, amongst the remuneration elements of the executive Directors, a medium and long term variable remuneration linked to the delivery of BME shares.

As in 2017 a single allocation of shares corresponding to the Variable Remuneration Plan was approved at the Ordinary General Shareholders' Meeting on 27 April 2017, the Appointments and Remuneration Committee, at different meetings held in 2017 and 2018, has analysed the proposed



creation of a new medium and long-term Variable Share-Based Remuneration Plan linked to share performance, aimed at members of senior management, including executive Directors. In principle, the creation of a Plan with allocations in three years and linked to the performance of *Total Shareholders Return* (TSR) in terms of its evolution at five reference entities is being analysed.

**Clawback clause in the CEO's variable remuneration**

As mentioned in Section A.7, a *clawback* clause is one of the main characteristics of the CEO's contract set out in the Directors' Remuneration Policy, which affects the settlement and payment of any annual variable remuneration or delivery of shares as part of the medium and long term remuneration plan.

**A.5 Explain the main characteristics of the long-term savings schemes, including retirement and any other survivor benefits, partially or fully financed by the company, whether provided internally or externally, with an estimate of their amount or equivalent annual cost, indicating the type of plan, if it is a defined contribution or benefit, the conditions for the consolidation of the economic rights in favour of the directors and its compatibility with any type of compensation for early termination or discontinuance of the contractual relationship between the company and the director.**

**Also indicate the contributions on behalf of the director to defined contribution pension plans; or the increase in the directors' consolidated rights, when dealing with contributions to defined benefit plans.**

**Explain any long-term savings schemes**

Directors acting as such do not receive any type of remuneration other than fixed remuneration and attendance fees, and the Company does not make any contributions to pension plans or any other long-term savings schemes.

**Savings schemes in place for the Chairman of the Board of Directors.**

As stipulated in article 40 of the Articles of Association and based on the functions that the Chairman has attributed thereto as Chairman of the Board of Directors and CEO of the Company, the Ordinary General Shareholders' Meeting held on 30 April 2008 approved, at the request of the Board of Directors and following a favourable report from the Appointments and Remuneration Committee, the establishment of a pension plan in cases of death, disability or retirement of the Chairman, a commitment that was outsourced on 18 December 2008 by taking out a specific insurance policy. This pension obligation consisted of a defined contribution insurance policy, in which three annual premiums were paid in 2008, 2009 and 2010.

In accordance with that established in this resolution, no contributions have been made to this pension obligation since 2011.

The right to collect any retirement benefits arising from this obligation is incompatible with the right to collect any termination benefits to which Mr. Zoido Martínez may be entitled as a result of ceasing to discharge his duties in the Company, as detailed in section A.7 below.

The total amount of the accumulated funds deriving from this insurance policy is detailed in section D.1 a) iii) of this Report.

**Social benefit schemes for the Chief Executive Officer.**

The Remuneration Policy establishes that the participation of the CEO in a social welfare scheme is one of the elements of remuneration paid for serving in this post, under the same terms applicable to managers with a working relationship at the Company and by the amount considered appropriate concerning the level of responsibility assumed as the Chief Executive Officer.

The Directors' Remuneration Policy delegated responsibility for adopting the resolutions relating to the annual contribution to a welfare scheme to the Appointments and Remuneration Committee in accordance with his/her level and responsibility within the Company and within the limits

established, if any, by the Board of Directors.

Under the Directors' Remuneration Policy, the Appointments and Remuneration Committee, at its meeting of 20 December 2017, approved the conditions of the life insurance contract covering retirement, disability and death against which the social welfare scheme for the Chief Executive Officer was formally arranged. This pension obligation consists of a defined contribution insurance policy.

In line with the corporate good governance recommendations, the inclusion of two circumstances concerning the non-acquisition or consolidation of rights under the aforementioned scheme has been approved.

- Termination as Director with executive functions as a result of the breach of his/her rights as such, when a final ruling is handed down by a Court of Law or Court of Arbitration, accordingly; or
- Termination as Director with executive functions as a result of the enforcement of corporate liability action, when a final ruling is handed down by a Court of Law or Court of Arbitration, accordingly.

At the same meeting, the Appointments and Remuneration Committee agreed that the annual contribution for the CEO would amount to €58,500 for 2018.

**A.6 Indicate any compensation agreed or paid in the case of terminating their duties as director.**

**Explain any termination benefits**

There are no guarantee or golden parachute clauses in the event of termination of the duties of the Directors acting as such.

**A.7 Indicate the conditions that must be respected by the contracts for those exercising senior management duties as executive directors. Amongst others, report on the duration, limits to the compensation amounts, commitment clauses, notice periods, as well as the payment instead of the aforementioned notice period, and any other clauses relating to golden hellos, as well as indemnity or golden parachute payments due to the early termination or discontinuance of the contractual relationship between the company and the executive director. Include, amongst others, the non-competition, exclusivity, long-term service or loyalty and post-contractual non-competition agreements.**

**Explain the employment contract conditions of the executive Directors**

**Contractual conditions of the Chairman of the Board of Directors.**

The Chairman exercises senior management functions at BME as the Chairman of the Board of Directors and CEO of the Company, and has entered into a service agreement with the Company, the terms and conditions of which were unanimously approved by the Board of Directors, following a report from the Appointments and Remuneration Committee.

The term of this service agreement was conditional on Mr. Antonio Zoido Martínez maintaining the position of Chairman.

During the period in which Mr. Zoido holds the post of Chairman he assumes the obligation of not engaging in any activity that may give rise to competition with the Company or any of the companies of its Group, either directly or indirectly, through any persons, companies or investments made in any manner, and must provide his services to the Company and the companies of its Group exclusively and with absolute dedication.

This service provision contract also contains the Chairman's termination conditions agreed by the extraordinary General Shareholders' Meeting held on 5 June 2006, which granted the right to a payment of an amount equivalent to three times the annual fixed remuneration at the moment this termination occurs.

The payment of this amount shall require the Chairman, during a three-year period, to not engage in any activity that may be classed as competition with the Company or any of the companies of its Group, either directly or indirectly, through any persons, companies or investments or in any other manner, and to not hold any post, or be employed or provide services at companies not included in the Company's Group that have an identical or similar corporate purpose or activity as the Company or any of the companies of its Group. Should Mr. Zoido Martínez fail to comply with this duty of non-competition during the three years following his termination as Chairman, he will lose his right to the termination benefits mentioned above and, consequently, will be required to return any amount received until this date relating to this concept.

If the Chairman voluntarily leaves the post, fails to fulfil his duties or if any of the cases needed for BME to be able to take corporate action against him for liability concur, the Chairman shall not receive the aforementioned amount.

#### **Contractual conditions of the CEO.**

Following his appointment as Chief Executive Officer, Mr. Hernani Burzako signed a "Contract of Director with executive functions" at the Company, the terms of which were approved unanimously by the Board of Directors, with no involvement by Mr. Hernani Burzako, at the behest of the Appointments and Remuneration Committee. This contract sets out the conditions established in the Directors' Remuneration Policy in force, as summarised below.

The term of the "Contract of Director with executive functions" has been linked to Mr. Javier Hernani Burzako maintaining the position of CEO.

During the period in which Mr. Hernani Burzako holds the post of CEO he assumes the obligation of not engaging in any activity that may give rise to competition with the Company or any of the companies of its Group, either directly or indirectly, through any persons, companies or investments made in any manner, and must provide his services to the Company and the companies of its Group exclusively and with absolute dedication.

The "Contract of Director with executive functions" establishes that, in the event of the removal of the CEO, the revocation of his powers, or the termination of the existing contract on the initiative of the CEO due to a non-fulfilment of the obligations assumed by the Company, the CEO shall retain the right to resume the suspended employment relationship or receive the higher of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Employment Statute at that time for any dismissal considered unfair.

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

In the event of voluntary resignation of the CEO, he will retain the right to resume his suspended employment relationship, calculating the length of time of service as CEO as if it had been an ordinary employment relationship for relevant legal purposes.

In the event that during the two years following (i) the settlement and payment of any amount of the annual variable remuneration or (ii) the delivery of shares deriving from the medium- and long-term remuneration plan, any of the circumstances detailed below arise, BME shall have the right to demand from the responsible party the return of the aforementioned remuneration, or even compensate said return with any other remuneration of any nature that the CEO has a right to receive. These circumstances are the following:

1. When it is demonstrated that the settlement and payment of the annual variable remuneration or the delivery of shares deriving from the medium- and long-term remuneration plan have been fully or partially made based on:
  - a) information whose falsification or gross inaccuracy is subsequently and duly demonstrated, or
  - b) in the case that other significant factors arise that were not foreseen, or known, or

evaluated by the Company at the time of the payment of the variable remuneration or the delivery of the shares, that have a negative material effect on the balances or income statements of any of the years from the period to which the recovery or “*clawback*” refer.

2. There is a significant reformulation of the financial statements of the Company, unless such reformulation is due to an amendment to the applicable accounting rules, provided that such a reformulation refers to any of the periods taken into consideration for the determination of the annual variable remuneration or the shares to be delivered in accordance with the medium-and long-term remuneration plan.

**Mr. Joan Hortalá i Arau**

Mr. Joan Hortalá i Arau does not have any senior management duties at BME. His qualification as executive Director arises from his status as Chairman of Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.

- A.8 Explain any supplementary remuneration accrued by the directors as a reward for any services provided which are different to those inherent to their position.**

**Explain any supplementary remuneration**

The Company's Directors do not receive any remuneration for services provided other than that inherent to their position.

- A.9 Indicate any remuneration in the form of advances, loans and guarantees granted, outlining the interest rate, their essential characteristics and any amounts eventually repaid, as well as the obligations assumed on their behalf by way of security.**

**Explain any advances, loans and guarantees granted**

The Company has not granted any advances, loans or guarantees to any members of the Board of Directors.

- A.10 Explain the main characteristics of the remuneration in kind.**

**Explain any remuneration in kind**

The sole Director at the Company that receives remuneration in kind is the Chief Executive Officer. This remuneration takes on the form of the payment of life insurance premiums and a health insurance policy under the same terms and for the same coverage applicable to BME employees.

- A.11 Indicate the remuneration accrued by the Director by virtue of payments made by the listed company to another entity in which the Director provides services, when these payments are intended to pay for their services at the company.**

**Explain remuneration accrued by the Director by virtue of payments made by the listed company to another entity at which the Director is employed**

The Company's Directors do not accrue any remuneration for this item since the Company does not make payments to third parties for the purpose of compensating any services provided by its Directors at these companies.

- A.12 Any remuneration component different to those outlined above, regardless of its nature or the group company that pays it, especially when it is considered a related transaction or its issuance distorts the true and fair view of the total remuneration accrued by the Director.**

**Explain any other compensation**

Regardless of the remuneration received as Directors of the Company, four members of the Board of Directors receive remuneration from other Group companies based on the positions held at said companies.

Mr. Antonio Zoido Martínez

Mr. Zoido Martínez is Chairman of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. (Bolsa de Madrid) and member of the Board of Directors of Sociedad de Bolsas, S.A., company where he has held the position of Director.

Due to forming part of these corporate bodies, Mr. Zoido Martínez shall receive the attendance fees that are agreed annually by the competent bodies of these companies.

In this regard, it is initially forecast that in 2018 Mr. Zoido Martínez, as Chairman of the Board of Directors of Bolsa de Madrid will receive the amount of €3,000 for each of the Board meetings he attends, and as Director of Sociedad de Bolsas, S.A., the corresponding attendance fees for the sessions of said body, this being €1,500 per session.

Mr. Javier Hernani Burzako

Mr. Hernani Burzako is a member of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. and as a result of belonging to this corporate body will receive the attendance fees that are annually agreed by the competent body and which initially amount to €1,500.

Mr. Carlos Fernández González

Mr. Fernández González is a member of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. and as a result of belonging to this corporate body will receive the attendance fees that are annually agreed by the competent body and which initially amount to €1,500.

Mr. Fernández González is also the Investor Ombudsmen of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. and will receive annual gross remuneration in the amount of €60,000 for the services provided.

Mr. Joan Hortalá i Arau

Mr. Hortalá i Arau is Chairman of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U. (Bolsa de Barcelona) and a member of the Board of Directors of Sociedad de Bolsas, S.A., both of which are BME Group companies.

As Chairman of the Board of Directors of Bolsa de Barcelona, Mr. Hortalá i Arau receives the attendance fees agreed upon by the competent body, i.e. €3,000 per meeting.

In addition to this amount, as stipulated in article 26 of the Articles of Association of Bolsa de Barcelona, and based on the executive powers attributed in this company, Mr. Hortalá i Arau receives fixed remuneration and variable remuneration, the amounts of which are set annually, based on the same criteria of prudence and moderation that govern the remuneration of the Group's Directors.

Specifically, the amount corresponding to fixed remuneration to be received by Mr. Hortalá i Arau in 2018 shall be the same amount paid for this component since 2013, this being €229,280.

Likewise, Mr. Hortalá will also receive variable remuneration which will be linked to the amount received for this component in 2017 and to the performance of BME's results in 2018.

Accordingly, given that Mr. Hortalá i Arau is a Director of Sociedad de Bolsas, S.A., he will receive the corresponding attendance fees for the sessions of said body, which are initially expected to amount to €1,500 per session.

- A.13 Explain the actions taken by the company with regards to the remuneration system in order to reduce exposure to excessive risks and adjust it to the long-term objectives, values and interests of the company, which shall include, where appropriate, a reference to: measures taken to ensure that the remuneration policy reflects the company's long-term results,**

measures that establish a suitable balance between the fixed and variable remuneration components, measures taken with regards to the categories of staff whose professional activities have a material impact on the entity's risk profile, recovery formulas or clauses to be able to reclaim the variable components of remuneration based on results when these components have been paid on the basis of data whose inaccuracy has later been manifestly demonstrated and measures taken to avoid conflicts of interest, if any.

**Explain actions taken to reduce risks**

Under no circumstances does the design of the Directors' remuneration scheme encourage the taking of excessive risks by the Company, given that this is limited to attendance fees and fixed remuneration, with the express purpose of not tying this remuneration to targets and variable components.

Generally speaking, it should be noted that the annual variable remuneration of the Chairman based on the his executive functions and CEO of the Company, in addition to their participation in the medium and long-term variable remuneration plans, aimed at members of the management team, including the Company's executive Directors, which is described in section A.4, is established based on the Company's performance as a whole.

The amendment of the Remuneration Policy submitted to the Ordinary General Shareholders' Meeting of 27 April 2017 has included additional measures in order to strengthen the relationship between annual variable remuneration and the Company's long-term value creation and sustainability.

Thus, it has been established that both the Chairman and Chief Executive Officer shall retain no right to receive the annual variable remuneration in cash that they would be entitled to when the Company's consolidated EBITDA falls by more than 20% compared to the immediately prior year, and other criteria have been established for the calculation of the annual variable remuneration in the year following that in which no annual variable remuneration has been received.

Furthermore, when establishing the basic conditions of the Chief Executive Officer's contract, a "clawback" clause has been included, under which the Company may request the return of the annual variable remuneration or the delivery of shares and, even, compensate said return with any other remuneration of any nature that the CEO has a right to receive in the event that any of the circumstances set out in Section A.7 are fulfilled.

The above notwithstanding, it must be noted that BME does not engage in any lending or investment banking activities. BME does not engage in business activities that entail balance sheet risks associated, for example, with changes in the price of assets, whose volatility could give rise to profits one year and losses the next. Clearing house activities obtain funds from the total volume of instruments arranged to which it provides service and from the balance thereof. This is not an investment activity subject to price volatility.

In the Company's opinion, the absence of volatility in the Company's results linked to the assumption of balance sheet risks, as a result of the nature of the activities carried out by BME, justifies the fact that the variable remuneration received by the Chairman and CEO is not subject to deferred payments and that it has not been considered necessary to amend the conditions of remuneration concerning the Chairman to establish clauses allowing the Company to claim repayment.

Furthermore, remuneration structure of the Chairman and CEO has been designed to meet the objectives of creating long-term value, in the interest of the Company and its shareholders, in such a way that:

- The variable components of the remuneration are sufficiently flexible to allow its modulation to the point where it is possible for its value to be non-existent. In a scenario where the targets linked to annual variable remuneration or to medium and long-term variable remuneration are not achieved, the Chairman and CEO shall only receive fixed remuneration.

- There is a suitable balance between the fixed and variable components, consistent with market practice.
- To determine the annual variable remuneration, both quantitative and qualitative metrics are taken into account.
- The medium and long term variable remuneration linked to the delivery of shares forms part of a multi-annual framework and includes a mechanism so that shares are not received all at once by beneficiaries, but rather over a prolonged and extensive period of time.
- The medium and long-term variable remuneration linked to the delivery of shares is fully paid with the Company's shares. This formula links the Directors' remuneration to the interests of the shareholders.

Likewise, the beneficiaries of these variable remuneration schemes linked to the delivery of shares may not carry out, either directly or indirectly, any hedging transactions on the value of any shares which, where applicable, they may receive, as a result of their participation therein.

The remuneration of the Chairman and the Chief Executive Officer therefore reflects the long-term values and interests of the Company.

**B. REMUNERATION POLICY PLANNED FOR FUTURE YEARS**

REVOKED



**C. OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST YEAR.**

**C.1 Explain the main characteristics of the structure and components of the remuneration policy applied during the last year, which includes the breakdown of the individual remuneration accrued by each director that is reflected in section C of this report, as well as a summary of the decisions taken by the board to apply these components.**

**Explain the remuneration structure and concepts of the remuneration policy applied during the year**

Summarised below is the implementation in 2017 of the Directors' Remuneration Policy approved by the ordinary General Shareholders' Meeting.

**Remuneration of Directors acting as such:**

On 24 May 2017 the Board of Directors, in accordance with that established in the Directors' Remuneration Policy, approved the amount of remuneration to be received by the Directors acting as such in 2017 under the following terms:

- Fixed remuneration per Director: Directors shall receive €30,000 each year when they have attended at least eight meetings of the Board of Directors over the course of the year or the corresponding proportional part depending on the date of their appointment as Director. The Lead independent Director shall also receive fixed remuneration of €20,000, as compensation for the performance of the additional duties attributed to this post under the Companies Act and the Board of Directors Regulations.
- Attendance fees: €1,500 for Directors attending each of the Board of Directors, Executive Committee, Audit Committee, Appointments and Remuneration Committee and Markets and Systems Operating Procedures Committee meetings. The Chairman of each of these bodies received €3,000.

**Fixed remuneration of the Chairman and the Chief Executive Officer:**

Pursuant to the aforementioned Board of Directors agreement, in 2017 the Chairman and CEO received €732,319 and €298,810.98 in fixed remuneration, respectively.

**Annual variable remuneration of the Chairman and the Chief Executive Officer:**

The Board of Directors, in its meeting held on 24 May 2017, in accordance with that established in the Directors' Remuneration Policy, approved that the annual variable remuneration corresponding to 2017 of the Chairman and CEO would be determined according to the following formula:

$$\text{AVR} = \text{Target Bonus} \times \% \text{DAI}$$

Where:

- AVR= Annual variable remuneration in cash to be received by the Chairman/CEO.
- Target Bonus = Annual variable remuneration corresponding to 2016.
- DAI= Degree of Achievement of the Incentive, which shall be calculated as follows:

$$\text{DAI} = 80\% \times \text{DAT}_{\text{EBITDA}} + 20\% \times \text{DAT}_{\text{Qualitative}}$$

- $\text{DAT}_{\text{Qualitative}}$ = Degree of achievement of the qualitative targets (performance of revenue not linked to volumes; efficiency ratio; and satisfactory performance of functions).
- $\text{DAT}_{\text{EBITDA}}$  = Degree of achievement of the EBITDA target, in accordance with the following table:

Performance of consolidated EBITDA	% DAT
Performance of EBITDA <sub>n</sub> compared to EBITDA <sub>n-1</sub>	% (EBITDA <sub>2017</sub> / EBITDA <sub>2016</sub> )

Both the Chairman and CEO shall retain no right to receive the annual variable remuneration in

cash when the consolidated EBITDA of the Company decreases by more than 20% compared to the previous year.

In accordance with the foregoing, the Appointments and Remuneration Committee, at its meetings of 14 and 20 February 2018, determined and evaluated the degree of achievement of the qualitative targets, for the purposes of proposing the annual variable remuneration of the Chairman and CEO to the Board of Directors.

In terms of the annual variable remuneration paid to the Chairman in 2017, based on the aforementioned system, the sum of €412,610.40 was proposed to the Board of Directors.

In terms of the variable remuneration paid to the CEO, pursuant to the provisions of the Directors' Remuneration Policy approved by the General Shareholders' Meeting on 27 April 2017, the Appointments and Remuneration Committee proposed changing the basis for calculating the variable remuneration of the CEO to the Board of Directors given that the variable remuneration for 2016 which, otherwise, would serve as the basis for performing the calculation, took into account his previous responsibilities as General Manager and in 2017 he assumed additional responsibilities following his appointment as Chief Executive Officer on 27 April 2017. As a result of this review of the calculation basis, the proposal made by the Appointments and Remuneration Committee to the Board of Directors recommended paying variable remuneration of €281,700.

These amounts were approved by the Board of Directors in its meeting on 27 February 2018.

#### **Medium and long-term variable remuneration plans established for executive Directors.**

- Variable Remuneration Plan in shares approved at the 2014 Ordinary General Shareholders' Meeting

On 31 December 2017, the second period of the calculation of shares to be delivered under the aforementioned Share-based Variable Remuneration Plan, the settlement of which will be performed during 2018, came to an end.

This Plan was based on assigning a number of theoretical units to beneficiaries in 2014, 2015 and 2016, as the basis for calculating the shares to be delivered to the beneficiaries, if appropriate, and subject to fulfilment of the plan's objectives in 2017, 2018 and 2019.

At the date of this report, the Appointments and Remuneration Committee did not have the information on *Total Shareholder Return* (TSR) or the efficiency ratio of the five companies that form part of the benchmark group necessary to ensure compliance with the objectives established in the plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors, upon the second maturity period of the abovementioned Plan.

The number of shares to deliver shall be calculated by dividing the number of theoretical units assigned in each year into two parts, linked to each of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to the BME's final ranking amongst the benchmarked companies.

Without prejudice to the foregoing, the estimated number of shares to be delivered to Messrs. Zoido Martínez, Hernani Burzako and Joan Hortalá i Arau in 2017 at the end of the second maturity period of the Share-based Variable Remuneration Plan will amount to 12,633, 5,151 and 1,028 respectively.

- Variable Remuneration Plan in shares approved at the 2017 Ordinary General Shareholders' Meeting.

The Ordinary General Shareholders' Meeting held on 27 April 2017 approved the creation of a Variable Remuneration Plan in shares with the sole allocation of theoretical units, which will be converted into BME shares in 2020 on the provisions that the objectives set out in the Plan for the period running from 1 January 2017 to 31 December 2019 are met.

The number of shares to be delivered shall be based on the efficiency ratio and the TSR

performance of BME compared to the performance of these indicators at 5 benchmarked entities during the period, and shall be calculated by dividing in two the number of theoretical units assigned, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking amongst the benchmarked companies. The corresponding number of shares, as applicable, shall be delivered in 2020 at the end of the three year period of the Plan.

Based on this Plan, the Appointments and Remuneration Committee, at its meeting on 24 May 2017, allocated the theoretical units corresponding to the sole maturity period of the Plan under the following terms

	Theoretical units assigned	Maximum number of theoretical shares
Mr. Antonio Zoido Martínez	16.034	24.051
Mr. Javier Hernani Burzako	6.802	10.203
Mr. Joan Hortalá i Arau	1.700	2.550

The maximum number of theoretical shares relates to the maximum number of shares that Mr. Zoido Martínez, Mr. Hernani Burzako and Mr. Hortalá i Arau may receive in 2020.

Any shares that may be received by beneficiaries under the aforementioned Plan will be delivered by the Company over several years. The Plans therefore include a mechanism so that shares are not received all at once by beneficiaries, but rather over a prolonged and extensive period of time.

Plan beneficiaries may not carry out, either directly or indirectly, any hedging transactions on the value of any shares they may receive under such plan.

**"Clawback" clause in the CEO's variable remuneration**

Moreover, a *clawback* clause has been included in the Directors' Remuneration Policy and "*Contract of Director with executive functions*" regarding the Chief Executive Officer which may affect the annual variable remuneration or the delivery of shares derived from the Medium and long-term remuneration plan, whose conditions are detailed in section A.7 of this report.

**D. BREAKDOWN OF THE INDIVIDUAL REMUNERATION RECEIVED BY EACH DIRECTOR**

<b>Name</b>	<b>Type</b>	<b>Accrual period 2017 financial year</b>
Mr. Antonio J. Zoido Martínez	Executive	From 01/01/2017 to 31/12/2017
Mr. Javier Hernani Burzako	Executive	From 27/04/2017 to 31/12/2017
Mr. Ignacio Garralda Ruiz de Velasco	Independent	From 01/01/2017 to 31/12/2017
Ms. Margarita Prat Rodrigo	Independent	From 01/01/2017 to 31/12/2017
Mr. Manuel Olivencia Ruiz	Independent	From 01/01/2017 to 31/12/2017
Ms. Maria Helena dos Santos Fernandes de Santana	Independent	From 01/01/2017 to 31/12/2017
Mr. Álvaro Cuervo García	Independent	From 01/01/2017 to 31/12/2017
Mr. Carlos Fernández González	Other External	From 01/01/2017 to 31/12/2017
Mr. Joan Hortalá i Arau	Executive	From 01/01/2017 to 31/12/2017
Mr. Karel Lannoo	Independent	From 01/01/2017 to 31/12/2017
Mr. Juan March Juan	Proprietary	From 01/01/2017 to 31/12/2017
Mr. Santos Martínez-Conde y Gutiérrez-Barquín	Proprietary	From 01/01/2017 to 31/12/2017
Mr. Ramiro Mato García-Ansorena	Proprietary	From 01/01/2017 to 27/09/2017

**D.1 Complete the following tables regarding the individual remuneration of each director (including remuneration for exercising executive duties) accrued during the year.**

**a) Remuneration accrued at the reporting Company**

**i) Remuneration in cash (in thousands of euros)**

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board Committees	Termination benefits	Other components	Total for 2017	Total for 2016
Mr. Antonio J. Zoido Martínez	732	0	36	413	0	3	0	0	1.184	1.273
Mr. Javier Hernani Burzako (1)	299	30	12	282	0	0	0	0	623	0
Mr. Ignacio Garralda Ruiz de Velasco	0	30	14	0	0	1	0	0	45	61
Ms. Margarita Prat Rodrigo	0	30	18	0	0	26	0	0	74	93
Mr. Manuel Olivencia Ruiz	0	50 <sup>(5)</sup>	13	0	0	39	0	0	102	92
Ms. Maria Helena dos Santos Fernandes de Santana (2)	0	30	14	0	0	0	0	0	44	34
Mr. Álvaro Cuervo García	0	30	18	0	0	38	0	0	86	98
Mr. Carlos Fernández González	0	30	18	0	0	24	0	0	72	72
Mr. Joan Hortalá i Arau	0	30	18	0	0	30	0	0	78	84
Mr. Karel Lannoo	0	30	14	0	0	10	0	0	54	58
Mr. Juan March Juan (3)	0	30	18	0	0	19	0	0	67	52
Mr. Santos Martínez-Conde y Gutiérrez-Barquín (3)	0	30	18	0	0	24	0	0	72	77
Mr. Ramiro Mato García-Ansorena (4)	0	30	13	0	0	8	0	0	51	63

The Chairman's remuneration based on the executive functions attributed thereto, and the CEO's remuneration, included under 'salary' covers fixed remuneration.

(1) Mr. Javier Hernani Burzako was appointed as a Director on 27 April 2017. The fixed remuneration is what he has received since he was appointed as CEO.

(2) Ms. Helena dos Santos Fernandes de Santana was appointed as Director on 28 April 2016.

(3) Mr. Juan March Juan was elected member of the Markets and Systems Operating Procedures Committee on 28 April 2016 and member of the Audit Committee on 27 September 2017. Mr. Santos Martínez-Conde y Gutiérrez-Barquín was appointed member of the Executive Committee and the Appointments and Remuneration Committee on 28 April 2016 and on the same date he resigned as a member of the Markets and Systems Operation Committee.

(4) Mr. Ramiro Mato García-Ansorena stood down as Director and Member of the Audit Committee on 27 September 2017.

(5) Mr. Manuel Olivencia Ruiz received a fixed allocation of €20 thousand for the performance of the duties attributed to Lead independent Director in addition to the fixed allocation received as Director, in accordance with the Directors' Remuneration Policy.

## ii) Share-based remuneration schemes

MR. ANTONIO J. ZOIDO MARTINEZ

SHARE-BASED VARIABLE REMUNERATION PLAN (2014 GM)

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
30/04/2014	0	56.960 <sup>(1)</sup>	0,00	0	0	0	0,00	0
Conditions:	See section C.1 of this report. (1) The number of shares affected corresponds to a maximum of 25,267 shares to be received, where applicable, in 2018, as a result of the theoretical units assigned in 2015, and a maximum of 31,693 shares to be received, where applicable, in 2019, as a result of the theoretical units assigned in 2016.							

Shares delivered in 2017 <sup>(2)</sup>			Options exercised in 2017 <sup>(3)</sup>				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
12.633	27,50	347	0,00	25.267	0.	0	0	0	31.693	0,00	0

Other requirements from the financial year:	See section C.1 of this report. (2) The number of 'shares delivered in 2017' relates to the estimated number of shares to be delivered to Mr. Antonio Zoido Martínez as a result of the expiration of the second maturity period of the Share-based Variable Remuneration Plan. At the date of this report, the Appointments and Remuneration Committee did not have the information on the performance of the total shareholder return (TSR) or the efficiency ratio of the five companies that form part of the benchmark group necessary to report, as established by the aforementioned General Meeting resolution, on the compliance of the objectives established in the plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors, upon the second maturity period of the above-mentioned Plan.  The amount reflected was calculated taking into account the estimated number of shares and the market price of BME's share at the close of the market on 19 February 2018, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which amounted to €27.50.  (3) The number of "shares exercised in 2017" corresponds to the number of shares that would have been due in the event of fulfilling all objectives of the plan upon the second maturity period thereof. The estimated number of shares corresponding to Mr Zoido is reflected in "shares delivered in 2017".										
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MR. ANTONIO J. ZOIDO MARTINEZ

SHARE-BASED VARIABLE REMUNERATION PLAN (2017 GM)

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
27/04/2017	0	0	0,00	0	0	24.051 <sup>(1)</sup>	0,00	0
Conditions:	See section C.1 of this report. (1) The number of shares affected corresponds to the maximum number of shares to be received, where applicable, in 2020 as a result of the theoretical units assigned in 2017.							

Shares delivered in 2017			Options exercised in 2017				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
0	0,00	0	0,00	0.	0.	0	0	0	24.051	0,00	0
Other requirements from the financial year:											

**MR. JAVIER HERNANI BURZAKO**

SHARE-BASED VARIABLE REMUNERATION PLAN (2014 GM)

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
30/04/2014	0	20.632 <sup>(1)</sup>	0,00	0	0	0	0,00	0
<b>Conditions:</b>	See section C.1 of this report. (1) The number of shares affected corresponds to a maximum of 10,309 shares to be received, where applicable, in 2018, as a result of the theoretical units assigned in 2015, and a maximum of 10,323 shares to be received, where applicable, in 2019, as a result of the theoretical units assigned in 2016. The aforementioned theoretical units were assigned to Mr. Javier Hernani Burzako in his former capacity as General Manager.							

Shares delivered in 2017 <sup>(2)</sup>			Options exercised in 2017 <sup>(3)</sup>				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
5.154	27,50	142	0,00	10.309	0.	0	0	0	10.323	0,00	0
<b>Other requirements from the financial year:</b>	See section C.1 of this report. (2) The number of "shares delivered in 2017" relates to the estimated number of shares to be delivered to Mr. Javier Hernani Burzako as a result of the expiration of the second maturity period of the Share-based Variable Remuneration Plan. At the date of this report, the Appointments and Remuneration Committee did not have the information on the performance of the total shareholder return (TSR) or the efficiency ratio of the five companies that form part of the benchmark group necessary to report, as established by the aforementioned General Meeting resolution, on the compliance of the objectives established in the plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors, upon the second maturity period of the above-mentioned Plan.  The amount reflected was calculated taking into account the estimated number of shares and the market price of BME's share at the close of the market on 19 February 2018, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which amounted to €27.50.  (3) The number of "shares exercised in 2017" corresponds to the number of shares that would have been due in the event of fulfilling all objectives of the plan upon the second maturity period thereof. The estimated number of shares corresponding to Mr. Hernani Burzako is reflected in 'Shares delivered in 2017'.										

**MR. JAVIER HERNANI BURZAKO**

SHARE-BASED VARIABLE REMUNERATION PLAN (2017 GM)

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
27/04/2017	0	0	0,00	0	0	10.203 <sup>(1)</sup>	0,00	0
<b>Conditions:</b>	See section C.1 of this report. (1) The number of shares affected corresponds to the maximum number of shares to be received, where applicable, in 2020 as a result of the theoretical units assigned in 2017.							

Shares delivered in 2017			Options exercised in 2017				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
0	0,00	0	0,00	0.	0.	0	0	0	10.203	0,00	0
<b>Other requirements from the financial year:</b>											

**MR. JOAN HORTALÁ I ARAU**

**SHARE-BASED VARIABLE REMUNERATION PLAN (2014 GM)**

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
30/04/2014	0	4.636 <sup>(1)</sup>	0,00	0	0	0	0,00	0
<b>Conditions:</b>	See section C.1 of this report. (1) The number of shares affected corresponds to a maximum of 2,056 shares to be received, where applicable, in 2018, as a result of the theoretical units assigned in 2015, and a maximum of 2,580 shares to be received, where applicable, in 2019, as a result of the theoretical units assigned in 2016.							

Shares delivered in 2017 <sup>(2)</sup>			Options exercised in 2017 <sup>(3)</sup>				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
1.028	27,50	28	0,00	2.056	0.	0	0	0	2.580	0,00	0
<b>Other requirements from the financial year:</b>			See section C.1 of this report. (2) The number of 'shares delivered in 2017' relates to the estimated number of shares to be delivered to Mr. Joan Hortalá i Arau as a result of the expiration of the second maturity period of the Share-based Variable Remuneration Plan. At the date of this report, the Appointments and Remuneration Committee did not have the information on the performance of the total shareholder return (TSR) or the efficiency ratio of the five companies that form part of the benchmark group necessary to report, as established by the aforementioned General Meeting resolution, on the compliance of the objectives established in the plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors, upon the second maturity period of the above-mentioned Plan.  The amount reflected was calculated taking into account the estimated number of shares and the market price of BME's share at the close of the market on 19 February 2018, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which amounted to €27.50.  (3) The number of "shares exercised in 2017" corresponds to the number of shares that would have been due in the event of fulfilling all objectives of the plan upon the second maturity period thereof. The estimated number of shares corresponding to Mr Hortalá is reflected in "shares delivered in 2017".								

**MR. JOAN HORTALÁ I ARAU**

**SHARE-BASED VARIABLE REMUNERATION PLAN (2017 GM)**

Implementation date	Options held at the beginning of 2017				Options offered in 2017			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
27/04/2017	0	0	0,00	0	0	2.550 <sup>(1)</sup>	0,00	0
<b>Conditions:</b>	See section C.1 of this report. (1) The number of shares affected corresponds to the maximum number of shares to be received, where applicable, in 2020 as a result of the theoretical units assigned in 2017.							

Shares delivered in 2017			Options exercised in 2017				Expired options not exercised	Options at end of 2017			
No. of shares	Price	Amount	Exercise price (€)	No. of options	No. of shares affected	Gross profit (m€)	No. of options	No. of options	No. of shares affected	Exercise price (€)	Exercise period
0	0,00	0	0,00	-	0.	0	0	0	2.550	0,00	0
<b>Other requirements from the financial year:</b>											



iii) Long-term savings schemes

Name	Contribution of the company during the year (thousands of €)		Amount of funds accumulated (thousands of €)	
	2017	2016	2017	2016
Mr. Antonio J. Zoido Martínez	0	0	2.545	2.526
Mr. Javier Hernani Burzako	11 <sup>(1)</sup>	0	11 <sup>(2)</sup>	0

(1) Contribution to the Welfare System from Mr. Hernani Burzako in his capacity as CEO in accordance with the Directors' Remuneration Policy. Also, in 2017 the Company made a contribution to the retirement linked savings plan for Directors through Mr. Hernani Burzako in his former capacity as General Manager, totalling €47 thousand.

(2) Amount of accumulated funds of Mr. Hernani Burzako in his capacity as CEO at 31 December 2017 in accordance with the Directors' Remuneration Policy. At 31 December 2017, the amount of accumulated funds of Mr. Hernani Burzako in the retirement linked savings plan for Directors of which he was a member in his former capacity as General Manager totalled €697 thousand.

iv) Other advantages

Name	Insurance premiums		Margins posted by the Company as benefits for Directors	
	2017	2016	2017	2016
Mr. Javier Hernani Burzako	3 <sup>(1)</sup>	0	0	0

(1) Amount proportional to the period in which Mr. Hernani Burzako held the post of CEO of life insurance premiums and health insurance policy of which he is a beneficiary in accordance with the Directors' Remuneration Policy. The premiums of these policies in 2017 (full year) total €5 thousand.

b) Remuneration accrued by Directors of the company for sitting on the boards of other group companies

i) Remuneration in cash (in thousands of euros)

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board Committees	Termination benefits	Other components	Total for 2017	Total for 2016
Mr. Antonio J. Zoido Martínez	0	0	31	0	0	0	0	0	31	51
Mr. Javier Hernani Burzako	0	0	0	0	0	0	0	0	0	0
Carlos Fernández González	0	0	8	0	0	0	0	60	68	77
Mr. Joan Hortalá i Arau (1)	229	0	51	50	0	0	0	0	330	343

(1) The short-term variable remuneration of Mr. Joan Hortalá i Arau corresponds to the estimated amount to be received for this item.

**c) Summary of remuneration (in thousands of euros)**

The summary should include amounts for all remuneration components referred to in the present report accrued by the director, in thousands of euros. For long-term savings schemes, include contributions or amounts allocated to the scheme:

Name	Remuneration accrued in the Company				Remuneration accrued in Group companies				Total		
	Total remuneration in cash	Amount of shares granted (4)	Gross gain on options exercised	Total for 2017 - company	Total remuneration in cash	Amount of the shares delivered	Gross gain on options exercised	Total for 2017 - Group	Total for 2017	Total for 2016	Contribution to saving plans in the year
Mr. Antonio J. Zoido Martínez	1.184	347	0	1.531	31	0	0	31	1.562	1.745 <sup>(6)</sup>	0
Mr. Javier Hernani Burzako (1)	623	142	0	765	0	0	0	0	765	0	11
Mr. Ignacio Garralda Ruiz de Velasco	45	0	0	45	0	0	0	0	45	61	0
Ms. Margarita Prat Rodrigo	74	0	0	74	0	0	0	0	74	93	0
Mr. Manuel Olivencia Ruiz	102	0	0	102	0	0	0	0	102	92	0
Ms. Maria Helena dos Santos Fernandes de Santana (2)	44	0	0	44	0	0	0	0	44	34	0
Mr. Álvaro Cueno García	86	0	0	86	0	0	0	0	86	98	0
Carlos Fernández González	72	0	0	72	68	0	0	68	140	149	0
Mr. Joan Hortalá i Arau	78	28	0	106	330	0	0	330	436	463 <sup>(6)</sup>	0
Mr. Karel Lannoo	54	0	0	54	0	0	0	0	54	58	0
Mr. Juan March Juan	67	0	0	67	0	0	0	0	67	52	0
Mr. Santos Martínez-Conde y Gutiérrez-Barquin	72	0	0	72	0	0	0	0	72	77	0
Mr. Ramiro Mato García-Ansorena (3)	51	0	0	51	0	0	0	0	51	63	0
<b>TOTAL</b>	<b>2.552</b>	<b>517</b>	<b>0</b>	<b>3.069</b>	<b>429</b>	<b>0</b>	<b>0</b>	<b>429</b>	<b>3.498</b>	<b>2.985</b>	<b>0</b>

(1) Mr. Javier Hernani Burzako was appointed as a Director on 27 April 2017. The fixed remuneration is what he has received since he was appointed as CEO.

(2) Ms. Helena dos Santos Fernandes de Santana was appointed as Director on 28 April 2016.

(3) Mr. Ramiro Mato García-Ansorena stood down as Director and Member of the Audit Committee on 27 September 2017.

(4) 'Amount of the shares granted' relates to the value of the estimated number of shares to be delivered to Mr. Antonio Zoido Martínez, Mr. Javier Hernani Burzako and Mr. Joan Hortalá i Arau as a result of the expiration of the second period of the Share-based Variable Remuneration Plan described in section C.1, taking into account the market price of BME's shares at the close of the market on 19 February 2018, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which was €27.50 euros.

At the date of this report, the Appointments and Remuneration Committee did not have the information on the performance of the total shareholder return (TSR) or the efficiency ratio of the five companies that form part of the benchmark group necessary to report, as established

by the aforementioned General Meeting resolution, on the compliance of the objectives established in the plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors in the second period of this plan.

(5) The total amounts of remuneration for the Directors Mr. Antonio J. Zoido Martínez and Mr. Joan Hortalá i Arau corresponding to the 2016 financial year have been modified with regard to those appearing in the Annual report on Directors' remuneration for the financial year 2016. In this regard, the number of shares delivered in 2016 has been recalculated in order to adjust it to the number of shares delivered to the Directors after verification by the Appointments and Remuneration Committee of the fulfilment of the objectives established the Share-Based Variable Remuneration Plan approved by the ordinary General Shareholders Meeting of 30 April 2014 in its first maturity period and the market price of BME shares as at the date of the delivery. Therefore, number of shares delivered to the Directors Mr. Messrs. Zoido Martínez and Mr. Joan Hortalá i Arau in executing the first period of the Share-Based Variable Remuneration Plan amounted to 13,332 and 1,143, respectively, with a unit price of €31.55.

**D.2 Report on the relationship between the remuneration obtained by the directors and the earnings or other measures of the entity's performance, explaining, where appropriate, how the variations in the company's performance have influenced the variation in the directors' remuneration.**

Directors do not receive variable remuneration from the Company, with the exception of that received by the Chairman and CEO based on the executive functions attributed thereto.

In terms of the aforementioned annual variable remuneration received by the Chairman and Chief Executive Officer for 2017, pursuant to the provisions of the Directors' Remuneration Policy, 80% of the amount payable shall be linked to the annual consolidated EBITDA performance compared to the preceding year and when the Company's consolidated EBITDA falls by more than 20% compared to the immediately prior year no annual variable remuneration shall be received. Consequently, any changes in the Company's performance will affect the level of fulfilment of the earnings targets and directly affect the amount of the annual variable remuneration of the Chairman and CEO.

Executive Directors are also beneficiaries of the Share-based Remuneration Plan described in section C.1, the amount of shares and receipt thereof depends on the degree of fulfilment of indicators such as, the *Total Shareholder Return*, which is affected by the company's results.

**D.3 Report on the results of the advisory vote of the General Shareholders' Meeting on the annual report regarding remuneration in the previous year, indicating the number of negative votes, if any, cast:**

	Number	% of total
Votes cast	36.830.892	44,04

  

	Number	% of votes cast
Votes against	1.181.433	3,16
Votes for	35.464.940	94,94
Abstentions	184.519	0,49

The number of 184,519 abstentions detailed in the above table contains both abstentions and blank votes. For the purposes of that provided for in article 148 of the Companies Act, it should also be taken into account that 524,833 treasury shares directly held by the Company, equal to 0.63% of the share capital, even though the votes corresponding to these shares were held in abeyance, were calculated for the purpose of establishing the quorum and adopting General Meeting resolutions.

**E. OTHER INFORMATION OF INTEREST**

If there is any significant matter relating to director remuneration that has not been included in the other sections of this report and which is necessary to include to provide a more comprehensive and founded view of the remuneration structure and practices of the company with regard to its directors, explain briefly.

This annual remuneration report was approved by the Company's Board of Directors at its meeting held on 27 February 2018.

List whether any Directors voted against or abstained from voting on the approval of this Report.

Yes  No