

ANNUAL REPORT REGARDING THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

ISSUER'S PARTICULARS

END OF FINANCIAL YEAR IN QUESTION

31/12/2016

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

i) General principles and fundamental bases of the remuneration policy:

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 the Board of Directors Regulations; and (iii) the resolutions adopted by the General Shareholders' Meeting (hereinafter, "the Meeting" or "General Meeting").

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").

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:

- Transparency of information on Directors' remuneration.
- Reasonable relationship with the Company's importance, its financial position and the market standards of similar companies.
- Compatible and linked with 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.
- 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 the Company's shares.

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.

i.a) Remuneration of Directors acting as such.

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.

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 among 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.

The remuneration components in the case of of 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 included among the beneficiaries of the medium-term variable remuneration plan designed for the management team of BME and its subsidiaries, that the Board of Directors plans to propose to the next Ordinary General Shareholders' Meeting and which is described in section A.4 of this Report.

ii) Most significant changes made to the remuneration policy:

The Directors' Remuneration Policy for the years 2016, 2017 and 2018, approved by the Company's General Shareholders' Meeting held on 28 April 2016, has not suffered any significant amendments for the present year 2017.

The above notwithstanding, the Appointments and Remuneration Committee is reviewing the current remuneration system of the Company, therefore it may consider implementing, if necessary, certain amendments to the Remuneration Policy in effect to better adapt it, if possible, to the standards and recommendations of good corporate governance. Where relevant, the Appointments and Remuneration Committee shall raise said amendment to the Remuneration Policy before the Board of Directors for approval by the General Shareholders Meeting.

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 to the 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's 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

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

By virtue of that established in 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.

The Directors' Remuneration Policy corresponding to the years 2016, 2017 and 2018, in effect for the present year 2017, were analysed in successive meetings of the Appointments and Remuneration Committee in 2015 and 2016, and proposed to the Board of Directors for submission before the General Shareholders' Meeting on 16 March 2016.

As detailed in section A.1 above, the Appointments and Remuneration Committee has reviewed the Remuneration Policy in force, therefore, in the event of including amendments, the Committee shall propose such to the Board of Directors for approval and, where applicable, subsequently present them for approval before the General Shareholders' Meeting.

As of the date of this Report, the Appointments and Remuneration Committee was composed of the following Directors:

Post	Name	Rating	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 Gutierrez Barquín	Proprietary	30 October 2014	30 April 2019

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

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 fundamental 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 25 January 2017, analysed the amount of remuneration to be received by the Directors in 2017, both in their capacity as Directors and for the executive functions carried out in the Company.

Proposed remuneration of Directors acting as such

The individual remuneration to be received by the Directors acting as such in 2017 will be, where applicable, as follows:

- Fixed remuneration per Director: €30,000, provided that Directors have attended at least eight meetings of the Board of Directors over the course of the year; 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: €1,500, except in the case of the Chairman of each body, who shall receive €3,000.

The maximum amount of annual remuneration to be paid to the Directors acting as such for the year 2017, 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 21 December 2016, i.e. twelve meetings, the maximum amount of remuneration as Board members would amount to €48,000 per year (€30,000 in fixed remuneration and €18,000 in attendance fees).

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

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

With regard to 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 2016, this amounts to €732,219, 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
TOTAL	768.319

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.

After the amendment to article 18, section 4, of the Board of Directors Regulations, which eliminated the need to hold monthly meetings of the Executive Committee, a meeting schedule has not been approved for 2017, therefore it is not possible to quantify the amount of the fees that may be paid for this component. The fees for attending meetings held of the Executive Committee, of which he is also chair, shall amount to €3,000.

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 fundamental 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 CEO of the Company.

The annual variable remuneration of the Chairman considering his executive functions corresponding to 2017 will be calculated in accordance with the system for calculating the Chairman's annual variable remuneration established in the Directors' Remuneration Policy for the years 2016, 2017 and 2018, the criteria of which for their determination and calculation are as

follows:

- Maintain the maximum limit of annual variable remuneration at the Chairman's fixed remuneration.
- Set the base of the Chairman's variable remuneration for each year as the annual variable remuneration effectively received the immediately previous year.
- Link the Chairman's annual variable remuneration 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 Chairman's performance and the functioning of the Board of Directors reports.

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

Thus, the annual variable remuneration corresponding to 2017 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.
- Target Bonus = 471,774 euros (annual variable remuneration corresponding to the year 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.
- $\text{DAT}_{\text{EBITDA}}$ = Degree of achievement of the EBITDA target, in accordance with the following table:

Performance of consolidated EBITDA	% DAT
Performance of EBITDA _n compared to EBITDA _{n-1}	% (EBITDA ₂₀₁₇ / EBITDA ₂₀₁₆)

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

In addition, the Appointments and Remuneration Committee has agreed to propose to the Board of Directors the amendment to the Remuneration Policy in force to include the loss of the 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. Moreover, the Appointments and Remuneration Committee is considering the criteria applicable for the calculation of the annual variable remuneration for the following year that in which, as a result of the foregoing, no annual variable remuneration was paid.

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

Pursuant to the established in 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 the years 2016, 2017 and 2018 includes, among the remuneration elements of the executive Directors, a medium and long term variable remuneration linked to the delivery of BME shares.

After the final allocation of theoretical units in 2016 corresponding to the Share-based Variable Remuneration Plan in effect at the time of the approval of the Remuneration policy, and in accordance with that established therein, the Board of Directors, following the report by the Appointments and Remuneration Committee, shall analyse the possibility of proposing before the next General Shareholders' Meeting the approval of a new medium and long-term share-based remuneration plan, for the members of the management team, including the executive Directors.

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 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.

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.

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. Among 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, among 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
<p>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.</p> <p>The term of this service agreement was conditional on Mr. Antonio Zoido Martínez maintaining the position of Chairman.</p> <p>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.</p> <p>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.</p> <p>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 for this concept.</p> <p>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.</p> <p>Mr. Joan Hortalá i Arau does not have any senior management duties at BME. His classification as executive Director arises from his status as Chairman of Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.</p>

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

- 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 Company's Directors do not receive any remuneration in kind.
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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
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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, three members of the Board of Directors receive remuneration from other Group companies based on the positions held at said companies.

<u>Mr. Antonio Zoido Martínez</u>

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 since 18 January 2017.

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.
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In this regard, it is initially forecast that in 2017 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.
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<u>Mr. Carlos Fernández González</u>

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.

<u>Mr. Joan Hortalá i Arau</u>

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 companies' Group.

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, the amounts of which are expected to be the same as those approved by BME's Board of Directors.

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 Directors' Group..

Specifically, the amount corresponding to fixed remuneration to be received by Mr. Hortalá i Arau in 2017 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 2016 and to the performance of BME's results in 2017.

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 system 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. The annual variable remuneration of the Chairman based on the functions carried out as Chairman of the Board of Directors and CEO of the Company and his 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.

BME does not engage in 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 the assumption of balance sheet risks, as a result of the nature of the activities carried out by BME, justifies, in Company view, the fact that the Chairman's variable remuneration is not subject to deferred payments and that there are no clauses established allowing the Company to claim repayment.

The Chairman's remuneration structure is also 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 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 Chairman's remuneration 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 2016 of the Directors' Remuneration Policy approved by the ordinary General Shareholders' Meeting.

Remuneration of Directors acting as such:

On 30 May 2016 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 2016 under the following terms:

- Fixed remuneration per Director: €30,000 euros annually.
- 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.

The Chairman's fixed remuneration:

Pursuant to the aforementioned Board of Directors agreement, the Chairman received €732,319 as fixed remuneration in 2016.

The Chairman's annual variable remuneration:

The Board of Directors, in its meeting held on 30 May 2016, in accordance with that established in the Directors' Remuneration Policy, approved that the annual variable remuneration corresponding to 2016 of the Chairman 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.
- Target Bonus = 613,970 euros (annual variable remuneration corresponding to the year 2015).
- DAI= Degree of Achievement of the Incentive, which shall be calculated as follows:

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

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

Performance of consolidated EBITDA	% DAT
Performance of EBITDA _n compared to EBITDA _{n-1}	% (EBITDA ₂₀₁₆ / EBITDA ₂₀₁₅)

In accordance with the foregoing, the Appointments and Remuneration Committee, in its meeting of 25 January, determined and evaluated the degree of achievement of the quantitative target of the qualitative targets, for the purposes of proposing to the Board of Directors that the annual variable remuneration of the Chairman corresponding to the year 2016 should amount to €471,447. This amount was approved by the Board of Directors in its meeting on 27 February 2017.

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

In 2016 the final allocation was performed of theoretical units corresponding to the Share-based Variable Remuneration Plan for members of the BME management team, including the executive Directors Mr. Antonio Zoido Martínez and Mr. Joan Hortalá i Arau, approved by the General Shareholders Meeting on 30 April 2014.

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.

The specific number of shares to be delivered shall depend on the performance of the efficiency ratio and the *Total Shareholder Return* ("TRS") of BME, compared to the performance of these indicators of another five benchmark companies during the following periods:

- (i) 1 January 2014 to 31 December 2016;
- (ii) 1 January 2015 to 31 December 2017; and
- (iii) 1 January 2016 to 31 December 2018.

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 among the benchmarked companies.

The maximum number of BME shares included in the plan is 555,048, representing 0.66% of BME's share capital, of which a maximum of 79,992 shares shall be awarded to Mr. Antonio Zoido Martínez and 6,894 shares to Mr. Joan Hortalá i Arau, as executive Directors.

Since the Plan is designed to include units granted over several years, any shares that may be received by beneficiaries will also be delivered by the Company over several years. The plan therefore includes 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.

In exercise of this plan, the Appointments and Remuneration Committee, at its meeting held on 25 May 2016, proceeded with the final allocation of the theoretical units corresponding to the third and last period of the calculation of shares to deliver, this being from 1 January 2016 to 31 December 2018, under the following terms:

	Theoretical units assigned	Maximum number of theoretical shares
Mr. Antonio Zoido Martínez	21.129	31.693
Mr. Joan Hortalá i Arau	1.720	2.580

The maximum number of theoretical shares relates to the maximum number of shares that Mr. Zoido Martínez and Mr. Hortalá i Arau may receive in 2019.

31 December 2016 saw the maturity of the first 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 2017.

At the date of this Report, the Appointments and Remuneration Committee did not have *the Total Shareholder Return* data and efficiency ratio figures for the five companies that form the benchmark group necessary to establish compliance with the targets set in the Plan and, where applicable, the specific number of shares to be received by each of the beneficiaries, including the executive Directors.

Without prejudice to the foregoing, the estimated number of shares to be delivered to Messrs. Zoido Martínez and Joan Hortalá i Arau in 2017 as a result of the expiration of the first maturity period of the Share-based Variable Remuneration Plan will amount to 13,332 and 1,144, respectively.

D. BREAKDOWN OF THE INDIVIDUAL REMUNERATION RECEIVED BY EACH DIRECTOR

Name	Type	Accrual period 2016 financial year
Mr. Antonio J. Zoido Martínez	Executive	From 01/01/2016 to 31/12/2016
Mr. Ignacio Garralda Ruiz de Velasco	Independent	From 01/01/2016 to 31/12/2016
Ms. Margarita Prat Rodrigo	Independent	From 01/01/2016 to 31/12/2016
Mr. Manuel Olivencia Ruiz	Independent	From 01/01/2016 to 31/12/2016
Ms. Maria Helena dos Santos Fernandes de Santana	Independent	From 28/04/2016 to 31/12/2016
Mr. Álvaro Cuervo García	Independent	From 01/01/2016 to 31/12/2016
Mr. Carlos Fernández González	Other External	From 01/01/2016 to 31/12/2016
Mr. Joan Hortalá i Arau	Executive	From 01/01/2016 to 31/12/2016
Mr. Karel Lannoo	Independent	From 01/01/2016 to 31/12/2016
Mr. Juan March Juan	Proprietary	From 01/01/2016 to 31/12/2016
Mr. Santos Martínez-Conde y Gutiérrez-Barquín	Proprietary	From 01/01/2016 to 31/12/2016
Mr. Ramiro Mato García-Ansorena	Proprietary	From 01/01/2016 to 31/12/2016

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 2016	Total for 2015
Mr. Antonio J. Zoido Martínez	732	0	42	472	0	27	0	0	1,273	1,396
Mr. Ignacio Garralda Ruiz de Velasco	0	30	18	0	0	13	0	0	61	51
Ms. Margarita Prat Rodrigo	0	30	21	0	0	42	0	0	93	74
Mr. Manuel Olivencia Ruiz	0	30	20	0	0	42	0	0	92	64
Ms. Maria Helena dos Santos Fernandes de Santana (1)	0	23	11	0	0	0	0	0	34	0
Mr. Álvaro Cuervo García	0	30	20	0	0	48	0	0	98	76
Mr. Carlos Fernández González	0	30	21	0	0	21	0	0	72	55
Mr. Joan Hortalá i Arau	0	30	21	0	0	33	0	0	84	65
Mr. Karel Lannoo	0	30	16	0	0	12	0	0	58	48
Mr. Juan March Juan (2)	0	30	16	0	0	6	0	0	52	41
Mr. Santos Martínez-Conde y Gutiérrez-Barquín (2)	0	30	21	0	0	26	0	0	77	52
Mr. Ramiro Mato García-Ansorena	0	30	18	0	0	15	0	0	63	51

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

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

(2) Mr. Juan March Juan was elected member of the Markets and Systems Operating Procedures Committee on 28 April 2016. Mr. 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.

ii) Share-based remuneration schemes

MR. ANTONIO J. ZOIDO MARTINEZ								
MULTI-ANNUAL VARIABLE REMUNERATION PLAN								
Implementation date	Options held at the beginning of 2016				Options offered in 2016			
	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period
4/30/2014	0	51.931 ⁽¹⁾	0.00	0	0	31.693 ⁽²⁾	0.00	0
Conditions:	<p>See section C.1 of this report.</p> <p>(1) The number of shares affected corresponds to a maximum of 26,664 shares to be received, where applicable, in 2017, as a result of the theoretical units assigned in 2014, and a maximum of 25,267 shares to be received, where applicable, in 2018, as a result of the theoretical units assigned in 2015.</p> <p>(2) The number of shares affected corresponds to the maximum number of shares to be received, where applicable, in 2019 as a result of the theoretical units assigned in 2016.</p>							

Shares delivered in 2016 ⁽³⁾			Options exercised in 2016 ⁽⁴⁾				Expired options not exercised	Options at end of 2016			
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
13,332	29.08	388	0.00	26,664	0.	0	0	0	56,960	0.00	0
Other requirements from the financial year:	<p>See section C.1 of this report.</p> <p>(3) The number of "shares delivered in 2016" relates to the estimated number of shares to be delivered to Mr. Antonio Zoido Martínez as a result of the expiration of the first 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 first maturity period of the abovementioned Plan.</p> <p>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 24 February 2017, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which amounted to €29.08.</p> <p>(4) The number of "shares exercised in 2016" corresponds to the number of shares that would have been due in the event of fulfilling all objectives of the plan upon the first maturity period thereof. The estimated number of shares corresponding to Mr Zoido is reflected in "shares delivered in 2016".</p>										

MR. JOAN HORTALÁ I ARAU												
MULTI-ANNUAL VARIABLE REMUNERATION PLAN												
Implementation date		Options held at the beginning of 2016				Options offered in 2016						
		No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)	Exercise period	No. of options	No. of shares affected	Exercise price (€)
4/30/2014		0	4.343 ⁽¹⁾	0.00	0	0	0	2.580 ⁽²⁾	0.00	0		
Conditions:		<p>See section C.1 of this report.</p> <p>(1) The number of shares affected corresponds to a maximum of 2,287 shares to be received, where applicable, in 2017, as a result of the theoretical units assigned in 2014, and a maximum of 2,056 shares to be received, where applicable, in 2018, as a result of the theoretical units assigned in 2015.</p> <p>(2) The number of shares affected corresponds to the maximum number of shares to be received, where applicable, in 2019 as a result of the theoretical units assigned in 2016.</p>										
Shares delivered in 2016 ⁽³⁾			Options exercised in 2016 ⁽⁴⁾				Expired options not exercised	Options at end of 2016				
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	
1,144	29.08	33	0.00	2,287	0.	0	0	0	4,636	0.00	0	
Other requirements from the financial year:		<p>See section C.1 of this report.</p> <p>(3) The number of "shares delivered in 2016" relates to the estimated number of shares to be delivered to Mr. Joan Hortalá i Arau as a result of the expiration of the first 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 first maturity period of the abovementioned Plan.</p> <p>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 24 February 2017, one business day prior to the approval of this report by the Appointments and Remuneration Committee, which amounted to €29.08.</p> <p>(4) The number of "shares exercised in 2016" corresponds to the number of shares that would have been due in the event of fulfilling all objectives of the plan upon the first maturity period thereof. The estimated number of shares corresponding to Mr Hortalá is reflected in "shares delivered in 2016".</p>										

iii) Long-term savings schemes

Name	Contribution of the company during the year (thousands of €)		Amount of funds accumulated (thousands of €)	
	2016	2015	2016	2015
Mr. Antonio J. Zoido Martínez	0	0	2,526	2,508

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 2016	Total for 2015
Mr. Antonio J. Zoido Martínez	0	0	51	0	0	0	0	0	51	47
Mr. Carlos Fernández González	0	0	17	0	0	0	0	60	77	72
Mr. Joan Hortalá i Arau (1)	229	0	64	50	0	0	0	0	343	315

(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 (2)	Gross gain on options exercised	Total for 2016 - company	Total remuneration in cash	Amount of the shares delivered	Gross gain on options exercised	Total for 2016 - Group	Total for 2016	Total for 2015	Contribution to saving plans in the year
Mr. Antonio J. Zoido Martínez	1.273	388	0	1.661	51	0	0	51	1.712	1.861 ⁽³⁾	0
Mr. Ignacio Garralda Ruiz de Velasco	61	0	0	61	0	0	0	0	61	51	0
Ms. Margarita Prat Rodrigo	93	0	0	93	0	0	0	0	93	74	0
Mr. Manuel Olivencia Ruiz	92	0	0	92	0	0	0	0	92	64	0
Ms. María Helena dos Santos Fernandes de Santana (1)	34	0	0	34	0	0	0	0	34	0	0
Mr. Álvaro Cueno García	98	0	0	98	0	0	0	0	98	76	0
Mr. Carlos Fernández González	72	0	0	72	77	0	0	77	149	127	0
Mr. Joan Hortalá i Arau	84	33	0	117	343	0	0	343	460	434 ⁽³⁾	0
Mr. Karel Lannoo	58	0	0	58	0	0	0	0	58	48	0
Mr. Juan March Juan	52	0	0	52	0	0	0	0	52	41	0
Mr. Santos Martínez-Conde y Gutiérrez-Barquín	77	0	0	77	0	0	0	0	77	52	0
Mr. Ramiro Mato García-Ansorena	63	0	0	63	0	0	0	0	63	51	0
TOTAL	2.057	421	0	2.478	471	0	0	471	2.949	2.879	0

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

(2) "Amount of the shares granted" relates to the value of the estimated number of shares to be delivered to Mr. Antonio Zoido Martínez and Mr. Joan Hortalá i Arau as a result of the expiration of the first period of the Multi-annual 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 24 February 2017 one business day prior to the approval of this report by the Appointments and Remuneration Committee, which was €29.08.

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.

(3) The total amounts of remuneration for the Directors Antonio J. Zoido Martínez and Joan Hortalá i Arau corresponding to the 2015 financial year have been modified with regard to those appearing in the Annual report on Directors' remuneration for the financial year 2015. In this regard, the number of shares delivered in 2015 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 Medium-term Remuneration Plan approved by the ordinary General Shareholders Meeting of 28 April 2011 in its third and final maturity period and the market price of BME shares as at the date of the delivery. Therefore, number of shares delivered to the Directors Messrs. Zoido Martínez and Joan Hortalá i Arau in executing the third period of the Medium-term Remuneration Plan amounted to 15,001 and 1,935, respectively, with a unit price of €27.85.

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 based on the executive functions attributed thereto.

With regard to the aforementioned annual variable remuneration of the Chairman corresponding to 2016, in accordance with the provisions of (i) the Directors' Remuneration Policy for the years 2016, 2017 and 2018, and (ii) the resolution of the Board of Directors of 30 May 2016, 80% of the amount is linked to the annual performance of the consolidated EBITDA compared to that of the previous year. 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 Chairman's variable remuneration.

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 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	36.201.436	43,30

	Number	% of votes cast
Votes against	1.346.747	3,70
Votes for	34.630.728	95,15
Abstentions	223.961	0,61

The number of 223,961 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 195,916 treasury shares directly held by the Company, equal to 0.23% 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 2017..

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

Yes No