



**PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE IN
RELATION TO RE-ELECTION OF MR. IGNACIO GARRALDA RUIZ DE VELASCO AS
MEMBER OF THE BOARD OF DIRECTORS OF BME**

The Appointments and Remuneration Committee, at its meeting of 20 February 2018 submitted to the Board of Directors this proposal for the re-election of Mr. Ignacio Garralda Ruiz de Velasco as member of the Board of Directors of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A (hereinafter, “BME” or “the Company”) in accordance with section 4 of article 529.decies, and section 3.c) of article 529.quindecies of the Companies Act, and articles 20.2.c) and 22.1 of the Board of Directors Regulations.

The proposal to re-elect Mr. Garralda Ruiz de Velasco includes the contents of the report that, in terms of the Directors’ re-election, must be issued by the Appointments and Remuneration Committee pursuant to the provisions of article 22.2 of the Board of Directors Regulations.

Furthermore, if Ignacio Garralda Ruiz de Velasco is re-elected as member of the Board of Directors by the Ordinary General Shareholders’ Meeting, the Appointments and Remuneration Committee hereby reports his re-election as member of the Executive Committee and the Appointments and Remuneration Committee, pursuant to article 20.2.e) of the Board of Directors Regulations, which stipulates that a prior report is required from the Appointments and Remuneration Committee regarding the re-election of members of the Board of Directors who are put forward to sit on any of the Board Committees.

Mr. Garralda Ruiz de Velasco has abstained from the preparation, discussion and approval of this proposal submitted by the Appointments and Remuneration Committee.

I. Background

Mr. Ignacio Garralda Ruiz de Velasco was appointed a member of the Board of Directors by co-option at the Board of Directors meeting held on 27 February 2014. At the same time, Mr. Ignacio Garralda Ruiz de Velasco was appointed a member of the Executive Committee.

Subsequently, the Ordinary General Shareholders’ Meeting held on 30 April 2014, ratified the appointment of Mr. Garralda Ruiz de Velasco as a Director of the Company.

The Board of Directors, at its Meeting held on 30 October 2014, agreed to appoint Mr. Ignacio Garralda Ruiz de Velasco as First Deputy Chairman of the Company.

In January 2018, Mr. Ignacio Garralda Ruiz de Velasco was appointed a member of the Appointments and Remuneration Committee in order to cover the vacancy on this body following the death of the Mr. Manuel Olivencia Ruiz, formerly the Chairman of the Appointments and Remuneration Committee.

II. Medium and long-term planning of the the Board of Directors structure and composition.

At its meeting held on 28 June 2017, the Working Group made up of non-executive Directors and chaired by the Lead Independent Director analysed the composition of the Board of Directors and its circumstances in 2018 following the end of the term of office of six (6) members of the Board of Directors, five (5) of whom are independent external Directors and one (1) an other external Director. In particular, it was asserted that five (5) Directors, for different reasons, could not renew their term, which would also have an important impact on the composition of Board Committees.

At this meeting, the renewal of Mr. Ignacio Garralda Ruiz de Velasco in his position as independent external Director was analysed and considered appropriate.

The Appointments and Remuneration Committee, at the meeting held on the same date, considered the re-election of Mr. Garralda Ruiz de Velasco as Director of the Company appropriate.

Subsequently, the Appointments and Remuneration Committee has analysed the situation in which the Board of Directors finds itself following the resignation of Mr. Ramiro Mato García-Ansorena, qualified as proprietary external Director, and the death of Mr. Manuel Olivencia Ruiz, qualified as independent external Director, and has reiterated its criteria in terms of the suitability of proposing the re-election of Mr. Ignacio Garralda Ruiz de Velasco as Director of the Company before the Board of Directors.

III. Appointment procedure.

Pursuant to the provisions of Section 4 of article 529.decies of the Companies Act, and articles 20.2.c) and 22.2 of the Board of Directors Regulations, it is the Appointments and Remuneration Committee's duty to propose the appointment or re-election of independent Directors before the Board of Directors to be submitted for approval by the Ordinary General Shareholders' Meeting.

Moreover, in accordance with article 6.3 of the Board of Directors Regulation, this proposal shall include an explanation of the category into which Mr. Garralda Ruiz de Velasco is classified within those set out in article 529.duodecies of the Companies Act.

IV. Professional background.

Mr. Ignacio Garralda Ruiz de Velasco graduated in Law from Madrid's Complutense University. He was Trade Collegiate Broker (1976 - 1982), stock-broker agent of "Ilustre Colegio de Agentes de Cambio y Bolsa de Madrid" (1982-1989) and is a Notary on unpaid leave since 1989.

He was Founding Member of *AB Asesores Bursátiles, S.A.* where he served as Deputy Chairman to 2001. He was Deputy Chairman of *AB Morgan Stanley Dean Witter, S.V., S.A.* (1989 to 2001) and Chairman of "Bancoval, S.A." (1994 - 1996). Between 1991 and 2009 he was a Director of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.

Mr. Garralda Ruiz de Velasco has been Chairman of "Mutua Madrileña" since 2008, where he has been a Director since 2002 and was Second Deputy Chairman from 2005 to 2008. He was appointed CEO on 27 June 2013.

He has also worked as external proprietary Director at Caixabank, S.A. since 2017, and as external independent Director at ENDESA since 2015. Between 2013 and 2017 he was a Director at *Faes Farma, S.A.* and Consorcio de Compensación de Seguros.

Mr. Garralda Ruiz de Velasco is Vice-President of "Fundación Lealtad" and member of the Board of Trustees of "Museo y Fundación Reina Sofía", "Fundación Teatro Real", "Real Instituto Elcano" and "Fundación Príncipe de Asturias".

V. Analysis of Mr. Ignacio Garralda Ruiz de Velasco's compliance with the requirements laid down by law and under the Articles of Association for his re-election as Director of BME.

The Appointments and Remuneration Committee then analysed compliance with the requirements laid down by law and under the Articles of Association regarding the proposed re-election of Mr. Ignacio Garralda Ruiz de Velasco qualified as external independent Director.

Requirements laid down by law and under the Articles of Association necessary to be re-elected as Director.

Mr. Garralda Ruiz de Velasco is currently a Director at the Company and, therefore, compliance with the requirements of experience, expertise and integrity required to perform his duties is considered to have been already proven.

Nevertheless, the Appointments and Remuneration Committee has evaluated Mr. Garralda Ruiz de Velasco's professional background and confirmed that he fulfils the requirements of article 152.1.f) of the Securities Market Act, referred to in point 3 of the sixth additional provision of the same Act, stipulating that members of BME's Board have the integrity knowledge and experience necessary for the appropriate discharge of their functions and the time available to exercise good governance of the Company.

Furthermore, the Appointments and Remuneration Committee does not consider that there is just cause, in the event that this Committee's proposal is approved by the Board of Directors, for Mr. Garralda Ruiz resigning from his position as independent Director pursuant to the provisions of article 22.3 of the Board of Directors Regulations.

In addition, the Appointments and Remuneration Committee has verified that Mr. Ignacio Garralda Ruiz de Velasco has not been and is not involved in any situations in which the Director must tender his resignation to the Board of Directors, pursuant to the provisions of article 22.4 of the Articles of Association or any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in article 23 of the aforementioned Regulations.

VI. Director category into which Mr. Ignacio Garralda Ruiz de Velasco would be classified.

Mr. Ignacio Garralda Ruiz de Velasco has been classified as an independent external Director at the Company, given that, pursuant to the provisions of Section 4 of article 529.duodecies of the Companies Act, his appointment has been made for her personal and professional qualities and as he would be in position to perform his duties without being influenced by relationships with the Company, its significant shareholders or its management, and as none of the situations set forth therein precluding this classification exist.

VII. Mr. Garralda Ruiz de Velasco's re-election effects on the the Board of Directors composition.

As at the date of this proposal, the Board of Directors is composed of eleven (11) Directors, of which eight (8) are external, two (2) are proprietary, five (5) are independent, one (1) is other external and the remaining three (3) are executive.

Furthermore, there are two (2) vacancies on the Board of Directors following the resignation of Mr. Ramiro Mato García-Ansorena, a proprietary external Director and the death of Mr. Manuel Olivencia Ruiz, an independent external Director.

When analysing the proposed re-election of Mr. Garralda Ruiz de Velasco as a Director the Company in isolation, the structure of Board of Directors would not be affected.

Along with the proposal to re-elect Mr. Garralda Ruiz de Velasco as Director, the Appointments and Remuneration Committee is submitting the proposals to appoint four (4) independent external Directors before the Board of Directors for submission and approval to the Ordinary General Shareholders' Meeting.

Should the Ordinary General Shareholders' Meeting approve the aforementioned proposals re-elect and appoint Directors, the Board of Directors' current structure would be changed as the number of external independent Directors would increase from five (5) to six (6) and the category of other external Director would disappear.

This change would raise the percentage of independent Directors on the Board of Directors to 50%, which is in line with Recommendation 17 of the Good Governance Code of Listed Companies.

Furthermore, the presence of external Directors would remain the same as on the date of this proposal, eight (8), although with a more significant presence, as indicated above, of external independent Directors, in keeping with the provisions of article 6.3 of the Board of Directors Regulations.

VIII. Appraisal of services provided by Mr. Garralda Ruiz de Velasco during his last term office.

The quality of Mr. Garralda Ruiz de Velasco's work and competencies as a member of the Board of Directors and the Executive Committee is assessed annually as per article 10.3 of the Board of Directors Regulations, by way of the Board of Directors' approval of the Report on the performance of the Board of Directors and its Committees, which includes the assessment that each of the Committees performs on its own undertakings.

Based on these annual reports, the Appointments and Remuneration Committee approves Mr. Garralda Ruiz de Velasco's performance and his contribution to the development of the activities undertaken by the Board of Directors and the Executive Committee. The Appointments and Remuneration Committee has also approved his involvement and contribution to the decision-making process of this body since his appointment as a Member.

In terms of Mr. Garralda Ruiz de Velasco's dedication during his last term of office as a member of the Board of Directors and member of the committees that he sits on, he has attended 38 of the 47 Board meetings , which translates to an attendance rate of 80.85% of meetings, to 26 of the 29 Executive Committee meetings, which translates to an attendance rate of 89.65% of meetings held by said body and to all meetings held by the Appointments and Remuneration Committee since his appointment.

IX. Conclusion of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee considers that the proposed re-election of Mr. Ignacio Garralda Ruiz de Velasco as a member of the Board of Directors will be beneficial for BME given that, his professional experience, the quality of the professional services provided and his dedication during his last term of office have been in the Company's best interest.

The Appointments and Remuneration Committee, after deliberation, has therefore resolved, without the participation of Mr. Garralda Ruiz de Velasco, to raise the proposal to re-elect Mr. Ignacio Garralda Ruiz de Velasco before the Board of Directors as a member of BME's Board of Directors, which will be submitted at the Ordinary General Shareholders' Meeting.

Furthermore, if Mr. Ignacio Garralda Ruiz de Velasco is re-elected as a member of the Board of Directors by the Ordinary General Shareholders' Meeting, for the purposes of complying with the provisions of Article 20.2.e), of the Board of Directors Regulations, the Appointments and Remuneration Committee, without the participation of Mr. Garralda Ruiz de Velasco, supports his re-election as member of the Executive Committee and the Appointments and Remuneration Committee.