

BME's Corporate Outlook: management model and relationships with main market participants

BME's management, like that of any other company, is geared toward obtaining an optimal performance from all the assets at its disposal in a responsible and sustainable manner, making it a company with strong growth potential.

BME also acts as a nexus between companies and investors, a function that is key to the economy. Savings, both of individuals and institutional investors, are channelled through BME to finance the companies which are the foundation and source of wealth creation in all developed societies.

Over the last few years BME has made a commitment to offer speed, reliability, transparency, efficiency and security to all participants in the markets and financial systems it manages. These are vital requirements particularly in the current economic climate.

Specifically, it has focused on developing a management model based on consolidating BME as a leading reference for liquidity, reliability and transparency in a global market and this work is reflected in factors which are key for market credibility.

Therefore, this year BME reiterates its commitment to remaining a reference for the economy and for businesses in Spain and Latin America (through the Latibex), re-establishing in a transparent manner the Core Company Principles of Conduct that consistently guide its corporate outlook. These are:

- **Efficiency in service provision.** This is essential to permit Spain's financial market to perform its key role in fostering sustainable growth in the Spanish economy.

- **Market integrity.** Compliance with this principle allows trading activity to be undertaken from many market centres simultaneously and under identical conditions.

- **An impartial trading environment,** achieved through strict compliance with laws and regulations governing the financial markets and systems managed by BME.

- **Transparency and fairness in the market.** BME provides complete information on market performance and information received from entities approved for trading on the market, allowing all investors, without privileges of any sort based on trading volume, to operate under the same conditions.

- **Innovation and cutting-edge technology.** BME provides markets with the means necessary to help companies grow at a global level, and is an active participant in the creation of new financial products and the ongoing development of the systems infrastructure essential to the development of the financial market.

- **Training.** A cornerstone of any financial market's sustainable development is the education of all market players, both professionals and individuals, on how the market operates. BME supports many educational programmes, both in-house and at other institutions, geared to both individual and professional investors.

- **Investor protection.** BME believes that assisting, defending and providing guidance to investors in financial markets, especially investors whose

knowledge and experience are limited, is essential for creating a bond of trust between investors and the market.

In establishing these core principles of action, BME has taken into account the needs and priorities of the different agents participating in the market. Such needs and priorities largely coincide with those of society at large. After all, society is the ultimate beneficiary of the rewards generated when the financial markets and, by extension, the Spanish economy, operate properly.

Therefore, the main market players are considered to be those who use BME's services, company employees, shareholders, service providers and society at large.

Based on this definition, the company's guidelines for conduct with these agents, who are the foundation for BME's work in the areas of its participation in and contribution and commitment to society, may be outlined as follows:

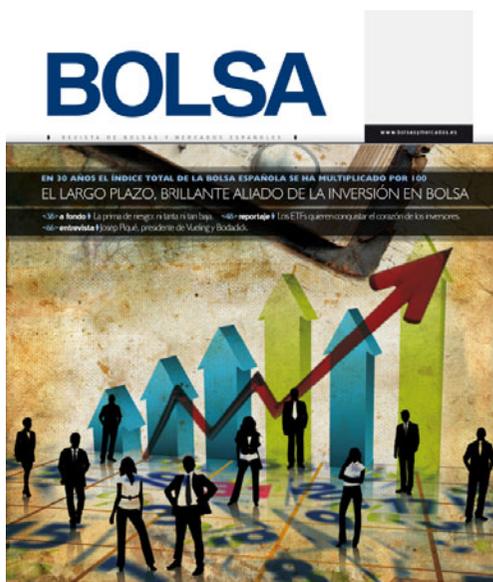
- Compliance with the laws and regulations applicable to BME, both Spanish and international, as well as those to which it adheres voluntarily. BME's business activities must strictly meet social ethics and best practice standards.
- Making the necessary effort to ensure that relations with users and investors be profitable for all concerned.
- Maintaining solid and fluid relationships, through official channels, with government and oversight bodies.

- Implementing clear procedures for selecting partners and marketing services and technology.

- Permanent contact with shareholders and potential investors.

- Building fluid relationships between the company, its employees and trade union organisations.

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Cover of the BOLSA magazine

Awards and distinctions received in 2011

Bolsa Magazine

Bolsa magazine, which is published by BME, received an award from the Spanish Financial Studies Foundation (FEBF) for its work in promoting the stock exchange and financial culture in Spain and within the financial community.

Mercado Alternativo Bursátil

MAB was short-listed by financial magazine "Inversión" for the 2010 best financial products award for the "best financial transaction". With 10 additions in the year, MAB has cemented its position as an alternative for SMEs.

The ECOFIN Forum also recognised MAB's efforts in 2011 in promoting international competition at medium-sized companies in the "Financing and financial services" category.

Antonio Zoido appointed Trustee of the International Financial Reporting Standards (IFRS) Foundation

Antonio Zoido, Chairman of BME, was appointed Trustee of the *International Financial Reporting Standards (IFRS) Foundation*, the supervisory body of the *International Accounting Standards Board (IASB)*.

Among the objectives of the IFRS Foundation is to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB.

Joan Hortalá, named Chairman of the Federación Iberoamericana de Bolsas

On 20 September 2010, Joan Hortalá, Director of BME and Chairman of the Barcelona Stock Exchange, was named Chairman of the Ibero-American Stock Exchange Federation (FIAB).

The Ibero-American Stock Exchange Federation comprises 21 of the region's stock exchanges. Its mission is to foster cooperation among its Members in order to promote the development and advancement of their securities markets; cooperate with national and international entities having legislative functions; promote integration of the Federation's securities markets; and encourage the establishment of rules and procedures ensuring solvency, legitimacy, and fair information disclosure to all savers investing through Member Exchanges.

Initiatives in which BME participates

BME has been a signatory to the European Code of Conduct for Clearing and Settlement since 2006, aimed at achieving greater efficiency and further integration of European capital markets.

It has also participated in the Carbon Disclosure Project since 2007 and in 2010 became a signatory to the Code of Best Tax Practices approved by the Large Businesses Forum.

During 2011, BME took part in a further two significant initiatives. It became a signatory to the UN Global Compact and the Social Responsibility with Entrepreneurs initiative in Spain.

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BME, committed to United Nation's Global Compact

UN Global Compact

The UN Global Compact comprises over 8,000 entities from 130 different countries. The UN Global Compact is an international strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

These 10 principles are:

- 1. Protection of fundamental Human Rights:** Part of the Global Compact's pledge is that businesses support and respect the protection of internationally proclaimed human rights, both in the workplace and in its wider sphere of influence.
- 2. Respecting Human Rights:** Globalisation, greater interest shown by society and recent corporate scandals all contribute to a greater need for transparency. Global communications and advanced IT systems make it more difficult for companies to engage in controversial activities.
- 3. Freedom of association and the effective recognition of the right to collective bargaining:** Companies face many uncertainties in the ever-changing domestic market. Dialogue with freely-elected employee representatives allows for a better understanding between employees and employers of their respective problems and ways of resolving these. This principle should be viewed as an opportunity for proposing constructive dialogue.
- 4. Businesses should uphold the elimination of all forms of forced and compulsory labour:** While companies operating legally do not normally employ such practices, forced labour can become associated with enterprises through their business links with others, including contractors and suppliers. As a result, all employers should be aware of the forms and causes of forced labour, as well as how it might occur in different industries.

5. Therefore, companies must make available employment contracts to all employees stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work.

6. Businesses should uphold the effective abolition of child labour: Child labour exists less visibly in developed, industrialised countries where it occurs, for example, in some immigrant communities. Businesses must not use any form of labour that may impede a child's access to education. The complex nature of child labour means that companies must approach this issue with sensitivity and not take any measures which could place children in an even more dangerous situation.

7. Businesses should uphold the elimination of discrimination in respect of employment and occupation: Discrimination in employment and occupation means treating people differently or less favourably because of characteristics that are not related to their merit or the inherent requirements of the job. Discrimination can occur with respect to the terms and conditions of the employment, such as: recruitment, remuneration, hours of work and rest, paid holidays, maternity protection etc...

8. Business should support a precautionary approach to environmental challenges: The key element of a precautionary approach, from a business perspective, is the idea of prevention rather than cure. In other words, it is more cost-effective to take early action to ensure that irreversible environmental damage does not occur.

9. Businesses should encourage the development and diffusion of environmentally friendly technologies: Business gains its legitimacy through meeting the needs of society, and increasingly society is expressing a clear need for more environmentally sustainable practices.

10. Businesses should work against corruption in all its forms, including extortion and bribery: This principle commits UN Global Compact participants not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programmes to address corruption. Companies are challenged to join governments, UN agencies and civil society to realise a more transparent global economy.

By being a signatory to the Global Compact, BME's view of CSR is based on our commitment to companies, investors and all other parties involved in securities markets, including society at large. In this regard, BME's primary responsibility is to act as a watchdog to constantly strengthen the key attributes of a sound and efficient stock market: transparency, integrity, innovation, education and investor protection, especially the protection of individual investors.

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Social Responsibility with Entrepreneurs

A total of 18 Spanish companies, including BME, are signatories to the Social Responsibility with Entrepreneurs initiative, promoted by Bankinter, Accenture and IE Business School.

This initiative supports entrepreneurs by implementing social responsibility strategies at companies, as well as disseminating best practices in this field. In this regard, companies formally pledge to include in their annual reports details of initiatives aimed at helping newly-created companies as an integral part of their CSR policy.

Its mission is to promote and cement innovation in the Spanish business fabric, building on the commitment to continue creating long-term value for all groups, particularly entrepreneurs and groups which act as transforming agents in the Spanish economy.

Relations with Public Bodies

Given the importance of the activities carried out by BME in ensuring the smooth running of the financial markets, and by extension the Spanish economy, the company must maintain a fluid relationship with all public bodies.

BME views these relationships, developed through official channels and built on respect and strict compliance with legislation in force at any given time, as essential for strengthening the bond of trust that the company has forged with investors and society in general.

Furthermore, BME's role as manager of regulated markets and trading systems is played out within the framework of Spanish sector legislation, particularly, the Securities' Market Act and enabling provisions. Therefore, both BME and most of its subsidiaries are supervised by the Comisión Nacional del Mercado de Valores (CNMV). This body, along with the regional governments with the power to regulate stock market issues, is required to supervise and inspect the stock markets and the activities of the individuals and legal entities operating in those markets. Therefore, BME, as the management body of these markets, must maintain a fluid relationship with all regulatory bodies and take an active part in any forums required under said legislation.

Under current legislation, the secondary markets in Spain are represented on the CNMV's Consultative Committee, together with the members who represent securities issuers and investors.

This Consultative Committee is the CNMV Board of Directors' advisory body, responsible, among other tasks, for reporting on issues relating directly to the organisation and activities of the stock market.

In 2010, BME subscribed to the Code of Best Tax Practices (Código de Buenas Prácticas Tributarias), approved by the Large Businesses Forum and aimed at promoting cooperation, based on transparency and mutual trust, between the State Tax Administration and subscribing companies.

Meanwhile, BME does not make contributions to political parties or political organisations of any stripe, allowing the management to remain independent in its relationships with government bodies at a local, regional and national level.

In 2011, BME received no financial aid from the government. However, the company did avail itself of subsidies offered by the Tripartite Foundation to provide in-house training initiatives for its employees (See Chapter 3 of this report for more information).

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Relations with the Media

The responsibility taken on by BME as the main vehicle for channelling savings towards the financing of companies requires dealing with the Spanish and international media with particular attention. This role falls to the Corporate Communication department.

In order to meet this day-to-day demand for information, press releases and other documents are disseminated in response to the information demands of the media and other information providers. All significant information is kept up-to-date on the company's website.

BME regularly distributes press releases among the media and has set up an email account, newsbme@grupobme.es, which they can use to address queries to the company and request that notes disseminated be delivered by email.

Furthermore, on its corporate website, www.bolsasymercados.es, BME has set up a "PRESS" section specifically for the media, offering access to all significant information relating to the company, the Chairman's speeches and other documents of interest, as well as a photo file and images of the company's visual identity.

At the same time, the developments that consistently arise in the financial world make it necessary to take steps to help journalists keep up to speed on new developments. To this end Instituto BME periodically offers courses geared towards these professionals (see Chapter 6 of this report for more information).

Furthermore, the stock exchange trading floor continues to attract the attention of the media. This has prompted BME to strive to meet the specific infrastructure needs of TV and radio stations and other media and has created an active press room fully equipped with computer systems, subscriptions to financial information services, etc.

	2009	2010	2011
News items about BME published in the media	900	1,200	1,111
News articles published by BME employees	20	26	9
Press releases issued by BME	110	101	62
Chairman's speeches made available to the press	11	15	5
Press conferences	150	193	150



Antonio Zoido, Chairman of BME, during a radio interview on the exchange's trading floor



Course for journalists, imparted by Instituto BME in collaboration with APIE

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Communication channels

