



BME's Chairman at the 11th MEDCAP Forum (Second on the left).

Dear Shareholder,

The important role of CSR in the economic and financial realm is now plain to see and we are convinced that we must continue to make further inroads in this regard to create value for our business and for society. We have therefore continued to roll out initiatives to create new platforms and new opportunities to enhance the financing capacity of companies, thus making them more sustainable and helping them expand and grow.

This is the best way we can support CSR and is the focal point of our broader contribution to improving the quality of the economic and financial system and part of our bid to champion social and personal progress as we create a business fabric that is ever more secure, solid, sustainable and citizen-oriented.

Thanks to this new approach of making the markets more involved in financing the business world, our Stock Market was able to channel upwards of 40 billion euros towards companies in 2015, marking a 23% year-on-year improvement, and this figure climbs to 215 billion over the last five years. We have also managed to attract an increasing number of foreigners and individuals to our institution as they look to invest and maximise returns on their savings.

This has helped reassure families of what the Stock Market has to offer, by helping them grow their financial wealth. Interestingly, households now own 26% of all listed shares quoted on the Spanish stock market, the highest level we have seen in the past 12 years and double the average for the European Union as a whole.

We are particularly proud to have maintained once again our return on capital and we are one of the listed companies with the highest pay-outs. We view this remuneration policy as a means of returning value to our shareholders, especially minority shareholders, who already number close to 50,000 and account for roughly 95% of total shareholders; and also as a means of showing how the securities markets can help improve the quality of life among the public.

We are continuing to strengthen our presence and involvement in different forums for discussing and sharing thoughts on the economy and the progress being made by companies and investors alike. As is traditional each year, we organised the Latibex Forum and the MEDCAP Forum, which have become meeting points for companies and investors from both sides of the Atlantic, including the United States, Canada



and numerous European and emerging nations. We are also collaborating with a host of different universities, educational centres and associations on various activities and programmes to provide training and information.

Of special mention here was our key involvement in 2015 in organising and staging the first “Financial Education Day”, which was held on 5 October. It is an initiative of the Bank of Spain (Banco de España), the Spanish Securities Market Supervisor (CNMV) and the General Directorate for Insurance and falls within the Financial Education Plan (FEP), to which we are adhered alongside numerous other institutions.

Further highlights included the “The Future of Women in Finance” event with CFA Society Spain, which was held at the Palace of the Stock Exchange to address women’s current position in the industry, the advantages that diversity can have for companies, and the strategies for each stage of their career.

Also in 2015, and to support research work in the financial realm, we sponsored the awards ceremony of the Spanish Finance Association for the best projects in the categories of Equities, Fixed Income and Derivative Products. The prizes were handed out at the XXIII Finance Forum, the annual flagship event in the field of financial research, which was organised this year round by Universidad Pontificia de Comillas.

On the subject of culture, the year saw us strike up a sponsorship partnership with the Spanish National Archaeological Museum. The public institution has undergone a major facelift and is now appealingly modern, offering the public a glimpse at the objects that once belonged to the different people of what is now Spain and the Mediterranean region, ranging from the ancient past to more recent times, and also providing an interpretation of what they signify. In addition, we remain a member of the Friends of the Prado Museum Foundation, a sponsoring partner of the Reina Sofia Museum in Madrid, and an partner of the Teatro Real in Madrid. Through the Bilbao stock exchange, BME is also a strategic patron of the Guggenheim Museum in Bilbao.

For the second straight year we have made an important contribution in the field of social welfare by helping the Food Bank acquire new machinery for its storage centres.

As part of our policy of open communication and transparency, we stepped up our presence across the social networks in 2015 in a bid to provide a non-stop flow of information with the different social groups so as to better gauge their needs and expectations and offer them the information they need. We are now one of the most active companies when it comes to reporting the business of the General Shareholders Meeting. On top of this, we have numerous other

channels of communication in place to ensure that shareholders, investors, the press and analysts are all fully involved in our activities and in the life of our company.

In 2015 we took a further step forward in showing our commitment to CSR by joining the Sustainable Stock Exchanges (SSE) Initiative, led by United Nations to raise awareness of good corporate governance and CSR and champion sustainable business practices within the realm of the securities markets. We are also continuing to support other initiatives in this field such as the UN Global Compact, and we remain firmly adhered to the Carbon Disclosure Project and the Spanish Code of Good Tax Practices, among others, illustrating our desire to improve transparency, good governance and the protection of the environment and natural resources.

The initiatives we have undertaken ourselves or which we are helping towards in the realm of CSR are a clear example of our commitment to ensuring the sustainability of the business world and employment and protecting the values underpinning them, while also illustrating our desire to construct a better environment for everyone.

Antonio J. Zoido



- » Since 2007, BME furnishes shareholders with a Corporate Social Responsibility Report covering the activities of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME) and its subsidiaries during the year and their impact in terms of sustainability.

This Corporate Social Responsibility Report for 2015 is supplemented by the Company's 2015 Annual Report, which includes the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration for 2015. It basically includes the standard disclosures of the Guidelines for preparing GRI 4 reports, along with a list of the standard disclosures and their location in the aforesaid report.



BME'S Corporate Outlook: Management model and relationships with the main market participants

BME'S CORPORATE OUTLOOK: MANAGEMENT MODEL AND RELATIONSHIPS WITH THE MAIN MARKET PARTICIPANTS

BME gears its management towards obtaining an optimal performance from all the assets at its disposal in a responsible and sustainable manner. This makes it a company with strong growth potential.

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

Since BME's incorporation, it has always been committed to being a reference for the economy and for businesses in Spain and Latin America (through the Latibex). To achieve this, its actions are guided by the following principles:

- **Efficiency in service provision**, which is essential for the financial market to perform its key role in fostering sustainable economic growth.
 - **Market integrity**, which allows several centres to undertake trading activity simultaneously and under identical conditions.
 - **An impartial trading environment**, achieved through strict compliance with laws and regulations governing the financial markets and systems.
 - **Transparency and fairness in the market**, by providing complete information on market performance so investors, without any privileges, can operate under the same conditions.
 - **Innovation and cutting-edge technology**, by providing the means necessary to help companies grow and actively participate in the creation of new financial products and the development of systems infrastructure.
 - **Training**, as a cornerstone for the sustainable development of a financial market.
 - **Investor protection**, which is crucial for creating a bond of trust between investors and the market.
- In establishing these core principles of conduct, BME has taken into account the needs and priorities of the different market agents, as well as society in general as the ultimate beneficiary when financial markets and, by extension, the economy, operate properly.
- Therefore, BME considers users of its services, company employees, shareholders, service providers and society at large as the main market players.
- The company's guidelines for conduct with these agents can be outlined as follows:
- Complying with Spanish and international laws and regulations, and the codes to which it adheres voluntarily, as well as complying strictly with social ethics and best practice standards in its business operations.
 - Making the necessary efforts to ensure that relations with users, investors and shareholders are profitable for all concerned.
 - Maintaining solid and fluid relationships, through official channels, with government and watchdog bodies.
 - Implementing clear procedures for selecting partners and marketing services and technology. Among other values, these procedures encourage transparency in all actions with all actors, as well as corporate social responsibility.
 - Maintaining permanent contact with shareholders and potential investors.
 - Building fluid relationships between the company, its employees and trade union organisations.





BME'S Corporate Outlook: Management model and relationships with the main market participants

Awards and distinctions received in 2015

In 2015, BME was selected by the ECOFIN Awards Jury for the "International Financial Brand – Image of Spain" Award, recognising its efforts in raising awareness of, promoting and developing Brand Spain and the values associated with the concept of a shared country brand.

For the second year running, BME's General Manager, Javier Hernani Burzako, was included in the exclusive "2015 All Europe Team" ranking prepared by the specialist American journal, Institutional Investor, and was awarded second prize in the Finance Directors of Financial Institutions category and first place in the Investor Relations category.

Initiatives in which BME participates

BME is involved in the following national and international initiatives:

- The European Code of Conduct for Clearing and Settlement (since 2006).
- Carbon Disclosure Project (CDP) since 2007. BME participates in the drafting of annual surveys and publishes in its Annual Corporate and Social Responsibility Reports relevant information about CO2 emissions that appears in the said surveys.
- The Code of Best Tax Practices (since 2010). In 2015, all the BME group companies, apart from Centro de Cálculo de Bolsa, S.A.U. and RegisTR, S.A., signed up to the Spanish Code of Best Tax Practices.
- The United Nations Global Compact – (UNGC)-since 2011. Through it BME meets the fundamental responsibilities in the areas of human rights, labour, environment and anticorruption by incorporating the Global Compact's principles into the strategies, policies and procedures and establishing a culture based on integrity.

- Sustainable Stock Exchanges (SSE) of the United Nations (since 2015). This initiative aims to raise awareness of good corporate governance and social and corporate responsibility and foster sustainable business practices.

So as to execute and develop this initiative, BME holds quarterly meetings with other participants in this initiative to discuss and set targets on previously scheduled topics (such as the presence of women in the Boards of Directors and action plans) and participates in the United Nations SSE Global Dialogue biannual meetings (as a meeting of senior executives of companies to share best practices in sustainability). Also, BME is in process of developing its own voluntary market guidance for corporate reporting on ESG information for its listed companies.

Lastly, since 2010 BME has followed the Global Reporting Initiative (GRI) for the preparation of its Annual Corporate and Social Responsibility Reports by basing the production of its reports on the contents of the GRI Guide along with a list of such contents and their location in the report.



BME collects a prize at the ECOFIN awards hosted by Ecofin



BME has adhered to the UN-led SSE Initiative



BME'S Corporate Outlook: Management model and relationships with the main market participants

Relations with Public Administrations

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 public bodies through official channels predicated on strict adherence to applicable regulations.

Furthermore, BME's role as manager of regulated markets, trading systems and registration, clearing and settlement systems is carried out in compliance with European and Spanish sector regulations. Accordingly, BME and the majority of its subsidiaries are supervised by the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores) and by the European Securities and Markets Authority (ESMA). As part of its solid relationship with the Comisión Nacional del Mercado de Valores, BME actively participates in the forums established in the regulator and serves on the Consultative Committee, the advisory body to the CNMV Board of Directors, and in the Coordination Committee set

up in relation to the reform of the securities clearing, settlement and registration system.

Since it was first approved, BME has adhered to the Code of Best Tax Practices, designed to foster a relationship of reciprocal cooperation between the Spanish tax administration agency and companies. The rest of the group companies signed up in 2015.

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

BME did not receive any financial aid from the government or public authorities in general in 2015. However, it did avail itself of subsidies offered by Fundación Tripartita para la Formación en el Empleo to provide in-company training initiatives for its employees (see Chapter 3 of this report for more information).

Relations with the media

BME deals closely with the Spanish and international media through its Corporate Communications Department. This team meets daily demand for news by putting out press releases and addressing the specific enquiries of the media and other information providers.

All company-related information on the corporate website is kept up to date. The "Press Room" section contains all the Chairman's speeches and other documents of interest.

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



Annual gathering with the media

Corporate Communications
Department
newsbme@grupobme.es

Press Room

Press
Conferences

Social Networks



Collaboration with
trade associations

Communication Channels

Press release email
alert services

Media

Forums and events

Press Releases

Webcast of General
Shareholders' Meeting
and results presentations

Dedicated section on
the corporate website

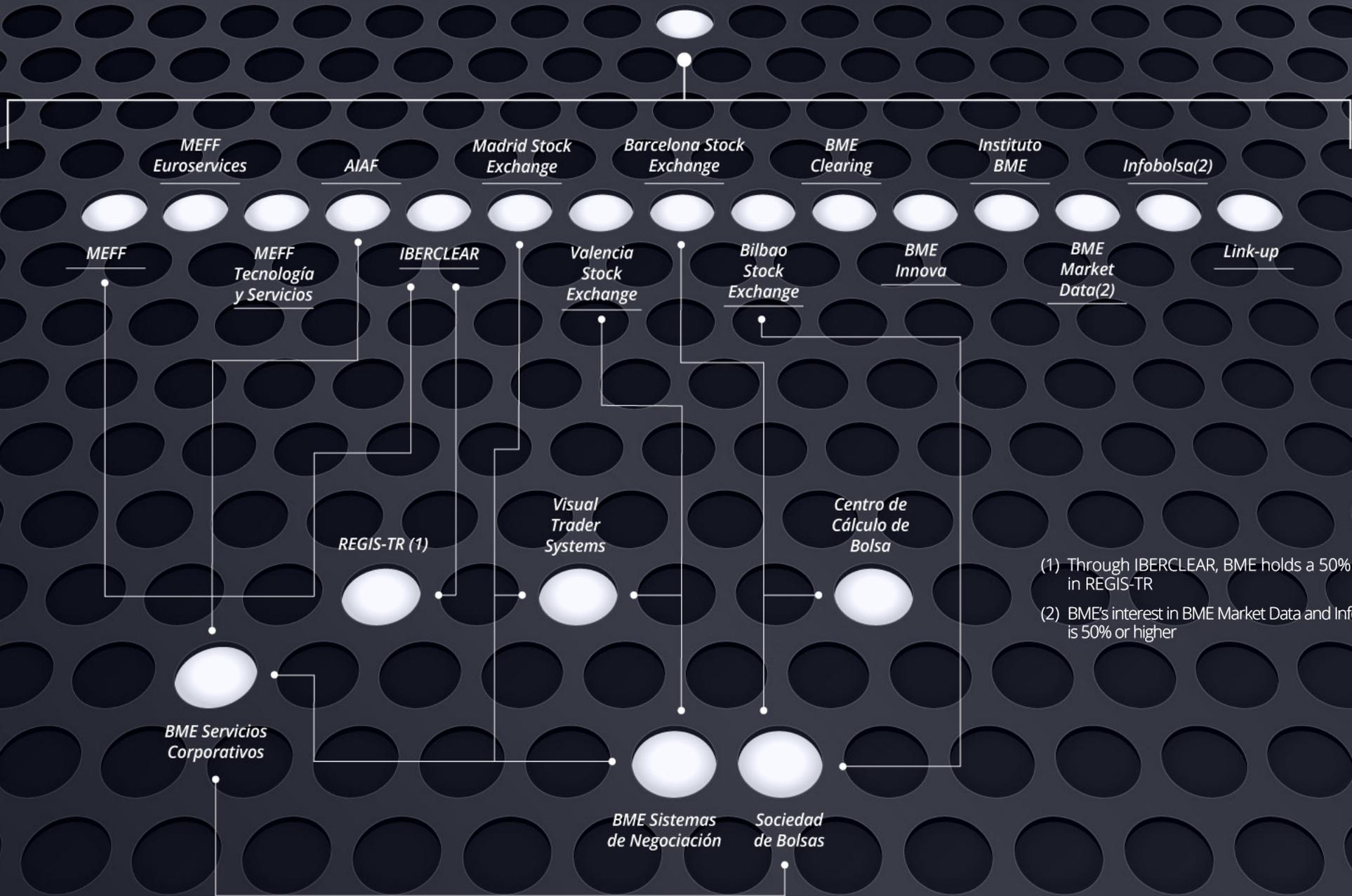
Sponsorship of
awards handed out
by economic press



- » BME is the operator of the stock markets and financial systems in Spain. A public limited company, BME has been a listed company since 14 July 2006 and forms part of the FTSE4Good IBEX® index.

BME's head office and all of its companies' head offices are in Spain, where the group carries out its business. The company's operational headquarters are in Las Rozas, Madrid.

Bolsas y Mercados Españoles (BME)



(1) Through IBERCLEAR, BME holds a 50% stake in REGIS-TR
 (2) BME's interest in BME Market Data and Infobolsa is 50% or higher



BME group companies and holdings in other companies



Sociedad de Bolsas, S.A., which manages and operates the Spanish electronic trading platform (S.I.B.E.).

BME Clearing, S.A.U. (BME Clearing), which acts as the central counterparty for derivatives traded on the official secondary derivatives market, public debt repos, electricity derivatives and any other financial instrument. The OTC Interest Rate Derivatives segment was launched in 2015, and authorisation has been obtained for the Equities segment, which is expected to start operating in April 2016.

Stock exchange governing companies.

The purpose of stock exchange governing companies is to list securities for trading, and supervise and manage official secondary securities markets.

The Barcelona, Bilbao and Valencia stock exchange governing companies deal exclusively with public debt issued by the Catalan, Basque and Valencian regional governments, respectively.

The four stock exchange governing companies also own 25% of:



Bolsas y Mercados Españoles, Sistemas de Negociación, S.A. (BME Sistemas de Negociación). The governing company of two multi-lateral trading systems:

- **Mercado Alternativo Bursátil (MAB)**, which lists securities that require specialised and unique treatment, across a variety of segments.
- **Latibex**, the market for European investors to buy and sell euro-denominated Latin American stocks.



MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U. (MEFF), which manages the official secondary market for derivatives with both equity and fixed-income underlyings, as well as the trade repository for the energy contract group.

MEFF Euroservices, S.V., S.A.U., which transfers orders to European markets (Eurex).

MEFF Tecnología y Servicios S.A.U., which develops and operates data-processing systems, and manages the forward market for the Spanish electricity system operator, Red Eléctrica Española.



AIAF Mercado de Renta Fija S.A.U. (AIAF), which manages and supervises both the primary and secondary corporate debt markets, the electronic fixed-income trading platform SEND, and is the governing company of the multilateral trading system (SENAF) and the Alternative Fixed Income Market (MARF).



Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), this is Spain's central depository for securities. Iberclear is responsible for the accounting records and the clearing and settlement of securities listed for trading on Spanish stock exchanges, the book-entry public debt market, AIAF and Latibex.

Iberclear, under the supervision of the Spanish Ministry for Agriculture, Food and the Environment, manages the National Registry of Greenhouse Gas Emission Rights (RENADE).



Regis-TR, S.A., which is 50% owned by Iberclear and Clearstream Banking Luxembourg, S.A., a Luxembourg-based company. This company acts as a trade repository for derivatives and is authorised to operate as a Registered Reporting Mechanism (RRM), enabling it to facilitate the reporting of orders and trades in wholesale energy spot and derivative markets.



Bolsas y Mercados Españoles Innova, S.A.U. (BME Innova) offers specialised strategic consultancy services, custom-made technological solutions and integrated training programmes for the financial markets, as well as products and services for three areas: business continuity, financial communication and management software for financial institutions.



Bolsas y Mercados Españoles Market Data, S.A. (BME Market Data), which specialises in handling, generating and selling information from the group's various regulated markets and multilateral trading facilities (MTFs) and in developing value-added services aimed at the securities industry.

BME Market Data is owned by BME, the four stock exchange governing companies, MEFF and AIAF.



Infobolsa, S.A., which provides real-time financial market information services. As at 31 December 2015 it was jointly owned (50%/50%) by BME and Deutsche Börse. Furthermore, at 31 December 2015, Infobolsa, S.A. held shareholdings of 99.99% in Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. and 100% in Infobolsa Deutschland, GmbH.



Instituto Bolsas y Mercados Españoles, S.L.U., is BME's educational centre, whose activities are focussed on organising a range of educational services linked to financial markets in general.



Visual Trader Systems, S.L., which develops and operates the Visual Trader system, : a platform which allows access to international markets and routing networks. Its connections allow entities and brokers all over the world to both send and receive orders.

This company is owned by the Madrid and Valencia stock exchange governing companies, with stakes of 90% and 10%, respectively.



Openfinance S.L., provider of front-office solutions for financial advisory and portfolio management, 81% owned by Infobolsa.

In addition to the above, **Bolsas y Mercados Españoles Servicios Corporativos, S.A.** and **Link Up Capital Markets, S.A.U.** act as auxiliary companies for the rest of the BME group companies.



Since it was incorporated, BME has been involved in developing and upgrading Latin American financial markets and energy market through shareholdings in the following companies:

- **Cámara de Riesgo Central de Contraparte de Colombia, S.A.**, the clearing house for Colombia's futures and options market. BME holds a 9.91% stake therein.
- **Bolsa Mexicana de Valores, S.A. de Capital Variable**, in which BME holds a 0.99% stake.
- **Operador del Mercado Ibérico de Energía – Polo Español, S.A. (OMEL)**, which oversees the financial management of the electricity generation market. BME holds an indirect stake through BME Innova of 5.65% therein.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.**, the holding company for the Portuguese electricity market. BME holds a 5% stake therein.
- **Sociedad Promotora Bilbao Gas Hub, S.A.**, which carries out activities promoting the financial, market and logistics services required to facilitate gas trading. BME holds a 5.89% stake therein.





Economic value generated, distributed and retained (thousand euros)

	2013	2014	2015
Economic value generated	310,293	344,929	349,549
Revenues	302,273	332,901	335,358
Other net gains (losses) ⁽¹⁾	8,020	12,028	14,191
Economic value distributed	304,810	311,092	327,308
Operating expenses	33,035	38,012	37,434
Personnel expenses	64,316	63,668	63,898
Dividends ⁽²⁾	145,071 ⁽²⁾	137,483	157,603
Income tax and other taxes ⁽³⁾	61,299	70,824	67,222
Payments to capital suppliers (financial cost)	0	0	0
Payments to public bodies, donations and other investments in the community	1,089	1,105	1,151
Economic value retained (profit not distributed)	5,483	33,837	22,241
Reserves ⁽²⁾	-1,931 ⁽²⁾	27,441	15,860
Amortisation and depreciation	7,414	6,396	6,381

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

(2) Includes the payment of extraordinary dividends against unrestricted reserves for €11,826 thousand in 2013.

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

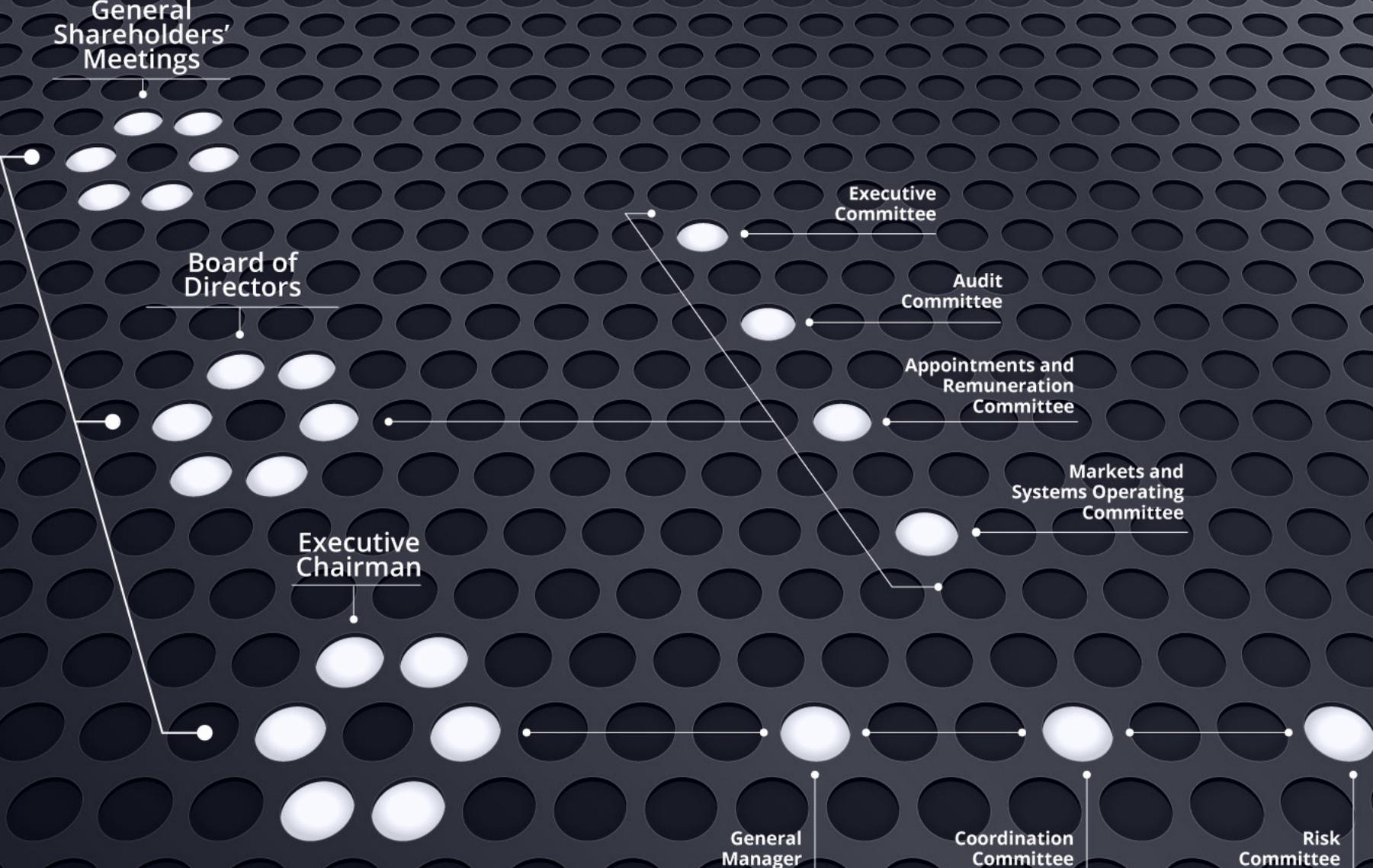
The total capitalisation (broken down by debt) and the equity for 2013, 2014 and 2015 amounted to €392,306 thousand, €418,931 thousand, and €433,082 thousand, respectively.

CORPORATE GOVERNANCE

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

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

Corporate Governance Bodies





Board of Directors of BME





Board of Directors

The **Board of Directors** is the company's most senior governing and administrative body. At 31 December 2015, it comprised 11 members of recognised capacity, integrity and independence.

The composition of the board complies with the recommendations of the Good Governance Code as 9 members are external directors (3 proprietary, 5 independent and 1 other external director) and only 2 are classified as executive directors.

DIRECTORS	Position on the Board	Type	COMMITTEES			
			Executive Committee	Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Procedures Committee
Antonio J. Zoido Martínez	Chairman	Executive	Chairman	-	-	-
Ignacio Garralda Ruiz de Velasco	First Vice Chairman	External independent	Member	-	-	-
Margarita Prat Rodrigo	Second Vice Chairwoman	External independent	Member	Chairwoman	-	-
Manuel Olivencia Ruiz	Lead Director	External independent	-	-	Chairman	-
Álvaro Cuervo García	Director	External independent	Member	Member	Member	-
Carlos Fernández González	Director	Other external director	-	-	Member	-
Joan Hortalá i Arau	Director	Executive	-	-	-	Chairman
Karel Lannoo	Director	External independent	-	-	-	Member
Juan March Juan	Director	External proprietary	-	-	-	-
Santos Martínez-Conde and Gutiérrez-Barquín	Director	External proprietary	-	-	-	Member
Ramiro Mato García-Ansorena	Director	External proprietary	-	Member	-	-

* Secretary of the Board and of the Committees: Luis María Cazorla Prieto

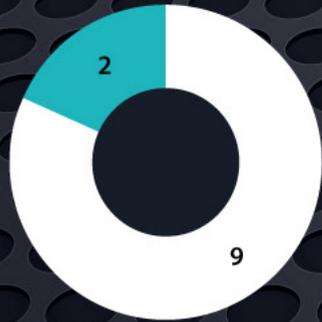
* Deputy Secretary of the Board and of the Committees: Cristina Bajo Martínez

* Legal advisor: Jaime Aguilar Fernández-Hontoria

Classification of members of the board of directors

At 31 December 2015

External / Internal Directors



● Internal Directors
● External Directors

Type of Director

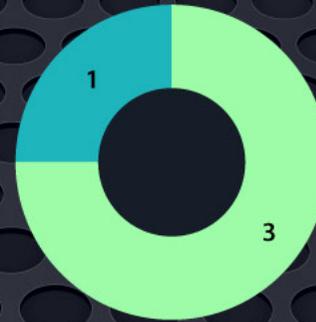


● Independent Directors
● Proprietary Directors
● Executive Directors
● Other External Directors

Classification of committee members

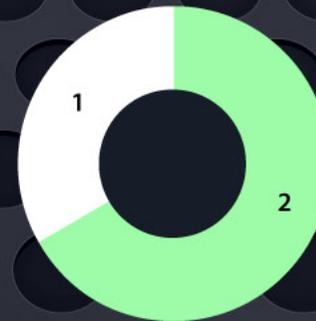
At 31 December 2015

Executive Committee



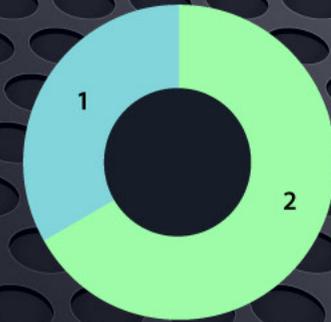
● Independent Directors
● Executive Directors

Appointments and Remuneration Committee



● Independent Directors
● Other External Directors

Audit Committee



● Independent Directors
● Proprietary Directors

Markets and Systems Operating Procedures Committee



● Executive Directors
● Independent Directors
● Proprietary Directors



BME's structure

All information relating to corporate governance at BME can be found in the company's Annual Corporate Governance Report, the Annual Report on Directors' Remuneration for 2015 and the Report on the Board of Directors' Activity, are of which all available on the corporate website: www.bolsasymercados.es.

As established in the company's Articles of Association and Board of Directors' Regulations, the Board of Directors has entrusted the running of its ordinary business to the delegate bodies, the board's executive members and the senior management team.

Accordingly, the company has a **General Manager** who, with the supervision and support of the Chairman, as the most senior executive, coordinates the business units and areas, ; and a **Coordination Committee**, which is responsible for permanently coordinating the group's various business units and the activities of the company and the group's companies.

Coordination Committee

Antonio Zoido Martínez (Chairman)

Javier Hernani Burzako (General Manager)

Ramón Adarraga Morales

Jaime Aguilar Fernández-Hontoria

Antonio Giralt Serra

José Massa Gutiérrez del Álamo

Francisco Nicolás Tahoces

Francisco de Oña Navarro

Jorge Yzaguirre Scharfhausen



Given the group's corporate structure, the coordinated management of its activities is based on a structure of seven business units and seven corporate areas providing support functions to all business units.

Business units	Head
Equities: Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) or on the stock exchange floor and all corresponding post-trade activities, as well as listing and maintenance services for issuers on the equity market.	Jorge Yzaguirre Scharfhausen
Derivatives: Derivative trading through electronic systems.	Jorge Yzaguirre Scharfhausen
Fixed-income: Trading of private fixed-income and public debt securities as well as listing and maintenance services for issuers on the private fixed-income market.	Francisco de Oña Navarro
Settlement and Registration: Registration and settlement of equity, private fixed-income and public debt trades.	José Massa Gutiérrez del Álamo
Clearing: Clearing, central counterparty and settlement activities of derivatives, public debt repos, OTC interest rate derivatives and electricity derivatives.	Francisco de Oña Navarro
Information reporting: Dissemination of information as a primary source, index licences and related items.	Ramón Adarraga Morales
IT & Consulting: Production and sale of software, global access, advisory and training services.	Javier Hernani Burzako

Corporate area	Head
Human Resources	Luis García Berral
Technology	Francisco Nicolás Tahoces
Financial	Javier Hernani Burzako (Director General)
International Relations	Ramón Adarraga Morales
General Secretary	Luis María Cazorla Prieto
Legal	Jaime Aguilar Fernández-Hontoria
Corporate Communications	Pablo Malumbres Muguerza



Risk Management

BME has an integral Risk Management system in place based on the COSO II Report as the methodological basis for use, which ensures that any significant risks which could affect the group's objectives and activities are identified, evaluated and controlled as described in BME's Annual Corporate Governance Report.

The Risk Committee, the Internal Audit Department and the Compliance Department assist the Board of Directors and the Audit Committee in developing a suitable risk management programme.

The **Board of Directors**, as the Company's highest government and administration body, defines the risk-including tax-related- management and control policy and oversees the internal information and control management systems, including tax-related and internal audit systems.

The **Audit Committee**, reporting to the Board of Directors, monitors the effectiveness of the internal control of

the Company and risk control systems, including tax-related and internal audit services of the Company.

The **Risk Committee**, chaired by the General Manager, reports to the Coordination Committee. These two units work together to implement the risk control and management policy laid down by the Board of Directors. The committee monitors and analyses the risks arising in the day-to-day activities of BME group companies.

The Risk Committee has created an Integrated Risk Management System (IRMS) following the methodological framework specified in the COSO II paper. It also maintains the Corporate Risk Map, in close cooperation with the business units and corporate areas. In addition to the IRMS, the Risk Committee has formally incorporated the Internal Control over Financial Reporting system (ICFRS). A description of the IRMS, including the ICFRS, is available in the Annual Corporate Governance Report.

Since 2013, the company has also had a Crime Prevention System, as described in Chapter 3 of this report. The system is being gradually rolled out and was updated in 2015 when the amendment to the Penal Code came into effect.

The **Internal Audit Department** is charged with providing senior management and the board, through the Audit Committee to which this department reports, with information that enables them to fulfil the company's objectives, including the assessment and evaluation of the efficiency of the risk assessment tasks carried out. Its remit is therefore aimed at evaluating and improving the efficiency of the processes concerning risk management, control and governance by identifying key risks and controls.

In order to create an independent body that could monitor compliance with the regulations governing the activities of BME and its group companies, in 2013 the Executive Committee approved the formation of a

group-wide **Compliance Department**, which reports to the Audit Committee. The Compliance Department's primary duties include supervising compliance with prevailing regulations, codes of conduct and commercial agreements; verifying the suitability of procedures and compliance therewith; supporting the Audit Committee in supervising regulatory compliance risk; and helping employees to monitor regulatory changes that could affect the activities carried out by the group.

Independence of the external auditor.

Regardless of the hiring time limits established by the audit regulations, which comes into force during the year 2016, BME, in order to increase the degree of transparency of the Company, has had and takes into account the number of years during which the external audit firm has uninterruptedly carried out the audit of the annual accounts of the Company and its Group with a view to promoting the independence of the auditors, as well as to comply with the latest trends in corporate governance.