



**EXPLANATORY REPORT SUBMITTED BY THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTION TO BE SUBMITTED AT THE COMPANY'S ORDINARY GENERAL SHAREHOLDERS' MEETING AS ITEM FIFTH ON THE AGENDA IN RELATION TO THE AMENDMENTS TO THE GENERAL SHAREHOLDERS' MEETING REGULATIONS**

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**I.- Purpose of the report**

This explanatory report is drawn up in compliance with the provisions of article 5 of the General Shareholders' Meeting Regulations to explain and provide grounds for the proposal submitted for approval at the ordinary General Shareholders' Meeting of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("BME" or "the Company") to amend various articles of the current General Shareholders' Meeting Regulations and the subsequent approval of the consolidated text thereof.

**II.- Applicable legislation**

Article 512 of the *Ley de Sociedades de Capital* (the "Companies Act"), applicable to listed companies, stipulates that the General Shareholders' Meeting of a public limited liability company with shares admitted to trading on an official secondary securities market shall approve the specific regulations for the General Meeting.

Accordingly, article 5 of the General Shareholders' Meeting Regulations stipulates that the General Meeting shall approve, at the request of the Board of Directors, any amendments to the General Shareholders' Meeting Regulations, and that such proposal must be accompanied by an explanatory report.

**III.- Explanatory report on the proposed amendments to the Articles of Association**

Since the last amendment to the General Shareholders' Meeting Regulations approved at the Company's ordinary General Shareholders' Meeting held on 26 April 2012, Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance, has been published in the Official State Gazette, which affects, among other matters, the powers of the General Meeting, the rules regarding majorities for adopting resolutions and shareholders' right to information prior to holding the General Meeting, and which has caused the Company to undertake the process of reviewing its General Shareholders' Meeting Regulations.

Accordingly, within the framework of analysing the amendments to be made to the General Shareholders' Meeting Regulations, an overall review of the structure was carried out and a series of additional amendments were deemed necessary to include improvements in the wording and organisation of the text, which will also be included in this report.

The Board of Directors issued this explanatory report for the purposes established in article 5 of the General Shareholders' Meeting Regulations regarding proposed amendments to the structure and the articles listed in Appendix II attached hereto, the detailed explanation of which, grouped by sections, is set forth below.

The heterogeneity of these amendments and improvements warrant the preparation of a consolidated text of the General Shareholders' Meeting Regulations, which will be submitted at this ordinary General Shareholders' Meeting for approval.

#### Powers of the General Shareholders' Meeting.

A proposal has been put forward to amend article 5, relating to amending the General Shareholders' Meeting Regulations, for the purposes of improving the wording and replacing the reference to an explanatory report with a report from the Board of Directors accompanying the proposed amendment to the General Shareholders' Meeting Regulations to be approved at the General Meeting.

A proposal has been put forward to amend section 2 of article 6 of the General Shareholders' Meeting Regulations to bring the terminology into line with that established in article 164.1 of the Companies Act. An ordinary General Shareholders' Meeting must be held within the first four months from the close of each financial year to *“approve the financial statements for the previous year, the distribution of profit or allocation of loss and approve the conduct of the company's business”*.

The expansion of the powers of the General Shareholders' Meeting that may not be delegated, governed by articles 160, for unlisted companies, and 511.bis, for listed companies, of the Companies Act, as amended by Law 31/2014, has given rise to the need to update the list of powers, by way of example, included in current article 7 of the General Shareholders' Meeting Regulations.

The wording of these powers, which may not be delegated, are already included in the aforementioned list in article 7 have therefore been revised to bring the terminology into line with article 60 of the Companies Act and to improve the wording. The proposed amendment has also included the new power, that may not be delegated, of the General Meeting to approve *“the acquisition, disposal or contribution to another company of core assets”*, a power which is included in new letter f) of article 160 of the Companies Act.

The amendment also proposed adding to article 7 the matters reserved solely for the shareholders at the General Meeting of listed companies included in article 511.bis of the Companies Act, which consist of transferring the core activities to subsidiaries that were previously carried out by the Company itself, even though the latter retains full control of the former; conducting transactions that effectively add up to the company's liquidation; establishing the Directors' remuneration policy under the terms set forth in the current legislation.

A proposal has also been put forward to maintain the clarifications already included in the previous version of the General Shareholders' Meeting Regulations, with regard to the scope of the powers of the General Shareholders' Meeting regarding the transformation, merger, spin-off or transfer in bloc of assets and liabilities, for the purposes of specifying that the General Meeting shall be responsible for approving these transactions unless applicable current legislation allows them to be approved by the Board of Directors, as permitted in certain

cases in Law 3/2009, of 3 April, and the increase and reduction of share capital, whereby the General Meeting may also authorise or delegate to the Board of Directors the execution or adoption of these resolutions under the terms stipulated by law.

#### Calling the General Meeting and right to information

New article 495 of the Companies Act, as set forth in Law 31/2014, stipulates that “*the minimum of five per cent required by certain provisions applicable to public limited liability companies to exercise certain shareholders' rights recognised under this Law will be three per cent for listed companies*”, including, among others, the right to request that a General Meeting be called as envisaged in article 168 of the Companies Act.

In this regard, the purpose of the proposed amendment to section 2 of article 8 of the current General Shareholders' Meeting Regulations is to reduce the ownership interest that shareholders must hold in the Company's share capital in order to call a General Meeting from “*five per cent*” to “*three per cent*”, including the business to be transacted in the request.

A proposal has been put forward to amend section 2 of article 9 of the General Shareholders' Meeting Regulations, regarding the minimum content that must be included in the notice for calling the General Meeting, to bring the content into line with that already established in article 527 of the Companies Act and to improve its current wording.

Accordingly, it specifies that the call notice must include the date on which shareholders must have the shares registered in their name to be able to attend and vote at the General Meeting, the location and manner in which they can obtain the complete text of the proposed resolutions and other documentation legally required, the address of the corporate website where such information is available, and detail, under the terms provided for by law, the procedures that the shareholders must follow to attend the General Shareholders' Meeting by means of remote communication and to exercise their rights to request a supplement to the call notice or to submit alternative resolution proposals.

In line with the purpose of amending section 2 of article 8 of the current General Shareholders' Meeting Regulations to bring it into line with the provisions of article 495 of the Companies Act, as mentioned above, a proposal has also been put forward to amend sections 4 and 5 of article 9 of the General Shareholders' Meeting Regulations.

Therefore, in accordance with the provisions of the aforementioned article and sections 1 and 3 of article 529 of the Companies Act, as set forth in Law 31/2014, the amendment proposes reducing the percentage of share capital that shareholders must hold in order to request that a supplement to the call notice of the ordinary General Shareholders' Meeting be published and to submit well-founded proposals on matters already included or that must be included in the agenda of the General Meeting called from “*five per cent*” to “*three per cent*”.

Accordingly, an amendment to article 10 of the General Shareholders' Meeting Regulations, regarding information on calling a General Meeting on the Company's website, has been proposed to include a single list with all information that must appear on the website with regard to holding the General Meeting in section 1 of this article. The current version of this list appears in sections 1 and 2 of this article of the General Shareholders' Meeting Regulations. In order to draw up this complete list, the proposal put forward brings this section into line with that established in new article 528 of the Companies Act. Along this same line, a proposal has been put forward to amend new section 2 (previously section 3) for the purposes of specifying that

the Electronic Shareholder Forum will be enabled on the Company's website from the publication date of the call notice.

An amendment to article 11, regarding the right to information once a General Shareholders' Meeting has been called, has been proposed for the purposes of clarifying that this right may be exercised from the publication date of the call notice and eliminating the reference in section 1 *in fine* that the corporate governance report will be made available to shareholders, since this report is currently part of the financial statements.

Similarly, the wording of section 2 of article 11 is improved and its content is brought into line with that established in the new wording of article 518.d) of the Companies Act, which states that the call notice must be published for an uninterrupted period of time on the Company's website until the General Meeting is held as well as, along with other information, the complete texts of the proposed resolutions "*on each and every one of the items on the agenda or, with regard to those items that are merely for information purposes, a report from the competent bodies in this connection*".

The proposed amendment to section 3 of article 11 is justified by the need to bring its content into line with article 520.1 of the Companies Act, specifying that shareholders may also request reports or clarifications or submit questions in writing regarding the auditors' report, and that this right may be exercised from the publication date of the notice calling the General Shareholders' Meeting through the "*fifth day before*" the date set for the meeting.

For the purposes of improving the wording thereof, the amendment also proposes including in section 3 the provision established in article 197.1 of the Companies Act, which states that "*the Directors shall be obliged to furnish such information in writing up until the date set for the General Meeting*".

The amendment proposes eliminating from the last paragraph of section 3 the reference to the fact that "*the Company's website shall provide such explanations for exercising shareholders' rights to information as established in applicable legislation*", since this reference is already included in the second paragraph of this section, which stipulates that information on the methods for exercising the right to information must be included on the website.

The last amendment that affects calling the General Meeting is proposed to bring the second-to-last paragraph of article 11.3 of the General Shareholders' Meeting Regulations into line with that established in the new wording of article 197.3 of the Companies Act, specifying that Directors shall be required to provide the information requested except in cases where "*this information is unnecessary to safeguard the shareholder's rights, or if there are objective reasons to believe that such information may be used for purposes not related to the company or if its publication may damage the Company or related companies*", and to improve its wording and bring its content into line with that established in article 520.1 of the Companies Act in relation to the fact that shareholders may also require reports or clarifications or submit questions in writing regarding the auditors' report.

#### Right of attendance and representation

Simultaneously with the proposed adaptation of the General Shareholders' Meeting Regulations to aforementioned Law 31/2014 amending the Companies Act, this amendment proposes making a series of improvements to the structure of the Regulations through the proposal to include Chapter III, under the heading "Right of attendance and representation",

which covers articles 12 and 13 regarding the right of attendance and representation, and Chapter IV, under the heading “Voting rights and proxies by means of remote communication”, which will govern articles 14, 15 and 16 regarding the right to vote and grant proxy by means of remote communication.

The new proposed Chapter III to be included will govern, in two separate articles, the right of attendance and the right to representation, both of which are currently contained in article 12 of the current General Shareholders' Meeting Regulations.

This amendment therefore proposes to have article 12 govern only the right of attendance, which is the reason the heading of this article was changed. Similarly, an amendment to the second paragraph of section 1 of this article is proposed for the purposes of clarifying the wording in relation to the Company's shareholder register, a document that will be used as the basis for preparing the list of shareholders with the right to attend General Shareholders' Meetings.

A proposal has also been put forward to include the previous wording of article 15.3 of the Articles of Association in section 2 of this article, which will allow the Chairman to authorise admission to the General Meeting of the press and financial analysts and, in general, anyone he considers appropriate, since the General Shareholders' Meeting Regulations are considered the most appropriate internal regulations for including practical matters relating to holding the meeting.

The amendment also proposes adding a new section 3 to allow the Board of Directors to be able to authorise holding the General Meeting through telematic means, if such technical means and legal rules to make it possible and to guarantee telematic attendance are considered sufficient.

The proposed addition of a new article 13 regarding the right to representation arose from the restructuring of the content of previous article 12 of the General Shareholders' Meeting Regulations mentioned above, such that the content of this new article 13 shall relate to sections 3 and 4 of the previous wording of article 12. The amendment also proposes eliminating the reference included in section 1 of new article 13, *in fine*, regarding the need to specifically approve the rules relating to the procedure for casting votes and granting proxies by means of remote communication for each General Meeting, for the purpose of avoiding having to approve these rules each year without having undergone any changes, and clarifying the wording of the second paragraph of this section.

The new Chapter IV, under the heading “Voting rights and proxies by means of remote communication”, shall contain three articles on exercising the right to vote, the right to grant proxy by means of remote communication and the common provisions for exercising these rights.

The articles included in this new chapter will not undergo significant changes, but rather the purpose of this amendment is to provide a clearer organisation of the rules governing the right to vote and grant proxy by means of remote communication which, in the current version of the General Shareholders' Meeting Regulations, was included in a section of the article that governed voting during the General Shareholders' Meeting.

In this regard, a proposal has been put forth to include a new article 14 with regard to voting by means of remote communication, the content of which relates to previous article 19.8.a) of

the General Shareholders' Meeting Regulations, and which is amended for the purposes of including only the rules governing voting by means of remote communication and bringing its content into line with corporate practices, which entailed eliminating cross-references to other articles and references to granting proxies by means of remote communication.

The amendment also proposes including a new article 15, regarding representation by means of remote communication, the content of which partially coincides with article 19.8.c) and was brought into line with new article 14.

Lastly, the creation of a new article 16 has been proposed, which includes the common provisions relating to the right to vote and grant proxy by means of remote communication governed in new articles 14 and 15 of the General Shareholders' Meeting Regulations, and which will include the provisions that were previously included in letters a), b) and d) of article 19.8 of the current General Shareholders' Meeting Regulations.

#### Conduct of the General Meeting

The purpose of the proposed amendment affecting the scope of Chapter V, under the heading "Conduct of the General Shareholders' Meeting", is to reorganise the articles of the General Shareholders' Meeting Regulations according to the logical order of holding the General Meeting, such that previous Chapter IV (new Chapter V) now begins with new article 17 and ends with new article 27 (previously article 20).

As the beginning of this chapter, the amendment proposes including a new article 17, relating to the "Venue of the General Shareholders' Meeting", to specify in section 1 the venue for holding General Meetings and in section 2 the possibility of holding the General Meeting simultaneously at other locations indicated in the call notice that are connected to the location where the meeting is to take place through any valid means that allow, in real time, the recognition and identification of those attending, permanent communication between those present regardless of their location, and attendees to take the floor and vote.

The purpose of the proposed amendment to article 18 (previously article 14), relating to the "Organisation, Chairman, Secretary and Presiding Panel of the Meeting", is to improve the wording of section 4 and to specify that the attendance cards are the means through which shareholders or proxy holders representing such shareholders are identified.

A proposal has been put forward to include previous article 13 as new article 20, relating to the "Quorum for convening General Shareholders' Meetings", in which sections 1 and 2 are amended to improve and clarify the wording thereof, and to eliminate the reference to qualified majorities and quorum for adopting resolutions in the second paragraph *in fine* of section 1 of this article, matters that should be governed in new article 26, as explained below, relating to the "Adoption of resolutions".

For the purposes of improving the wording and specifying the Company's standard practices, a proposal has been put forward to amend article 21 (previous article 16) and article 22 (previously article 17) of the General Shareholders' Meeting Regulations.

In relation to the information on shareholders attending in person and by proxy that will be made public at the beginning of the meeting, a proposal has been put forward to have section 1 of article 21 (previously article 16) include the reference that information relating to shareholders that have cast votes or granted proxies by means of remote communication,

which is being carried out, will be included. In line with the foregoing, the purpose of the proposed amendment to section 2 of this article is to include the Company's standard practice of considering the items on the agenda of the Meeting call notice to have been read, unless any shareholder is opposed to doing so, as they were made available to shareholders since the Meeting was called.

A proposal has also been put forward to amend section 2 of article 22 (previously article 17) to include an exception to the right to take the floor for five minutes, for the purposes of establishing that when the number of requests to take the floor or other circumstances so require, a lower maximum amount of time to do so may be set, while ensuring that all shareholders taking the floor are treated equally and that there is no discrimination.

The amendment also proposes reorganising the content of section 3 of this article and bringing the third paragraph of section 3 into line with that established in the new wording of the Companies Act, such that those cases in which Directors are not obliged to provide the requested information are brought into line with that established in article 197.3 of the Companies Act, as set forth in Law 31/2014.

A proposal has also been put forward to amend section 2 of article 23 (previously article 18), regarding the Chairman's functions of managing and organising the Meeting, for the purposes of adding the power to lead and resolve, either personally or, if applicable, through the Secretary, any matters that arise during the conduct of the General Shareholders' Meeting under a new letter a), and eliminating the cross-references arising from the inclusion of this new letter a).

Lastly, a proposal has been put forward to include a new article 24 to include a non-exhaustive list of the powers and responsibilities of the Secretary of the General Shareholders' Meeting, powers that were not governed in any way in the current version of the General Shareholders' Meeting Regulations.

#### Voting and adoption of resolutions

The purpose of the proposed amendment to the General Shareholders' Meeting Regulations with regard to voting and the adoption of resolutions, which are included under article 19 of the current General Shareholders' Meeting Regulations, is to reorganise the article, bring its content into line with the new wording of the Companies Act, as set forth in Law 31/2014, and improve its wording.

A proposal has therefore been put forward to amend the heading of article 25 (previously article 19), for the purposes of including only the reference to exercising the right to vote, thereby eliminating information on the majorities required to adopt resolutions, which is included in a separate article, completing and improving the wording of its content, and eliminating any cross-references existing.

Similarly, the last paragraph of section 6 (previously section 7) of this article is brought into line with that provided regarding shareholders' conflicts of interest in the new wording of article 190 of the Companies Act, specifically such that “*any shares whose owners are involved in any of the situations of conflict of interest envisaged in article 190.1.c), d) or e) of the Companies Act shall not be deemed to be present*”.

The purpose of the proposed addition of a new article 26, relating to the adoption of resolutions, is to include the content of section 1 of article 19 of the current General Shareholders' Meeting Regulations, in relation to the quorum and majorities necessary to adopt resolutions, and to bring it into line with the new wording of article 201 of the Companies Act which stipulates that, in general, company resolutions shall be adopted by a simple majority of the votes of those shareholders attending the General Meeting in person or by proxy and, with regard to adopting resolutions for which a qualified quorum is necessary pursuant to article 194 of the Companies Act, establishes that an absolute majority will be sufficient to adopt resolutions if more than 50% of the share capital is present in person or by proxy, whereby the favourable vote of two-thirds of the share capital present in person or by proxy at the General Meeting is required when at second call shareholders holding 25% or more of the share capital with voting rights are present in person or by proxy, without reaching 50%.

A proposal has also been put forward to have section 2 of new article 26 of the General Shareholders' Meeting Regulations include the Company's standard practice of having the Chairman or Secretary read the voting results with details of the votes in favour, votes against, abstentions and blank votes, without prejudice to the fact that, as specified in the proposed amendment, a shortened version of the voting results may be read, unless any shareholder is opposed to doing so.

#### Publication of resolutions

A proposal has been put forward to eliminate section 3 of article 27 (previously article 20) in order to remove the reference to certificates of resolutions issued by the Secretary of the Board of Directors, with the approval of the Chairman of this corporate body, since this requirement is already included in current legislation.

In line with the aforementioned amendment, a proposal has been put forward to eliminate section 3 of article 30 (previously article 23), relating to resolutions to be filed at the Mercantile Registry and their subsequent publication in the Official Mercantile Registry Gazette, since this is already governed in current legislation.

Lastly, an amendment to section 2 of article 30 (previously article 23) has been proposed for the purposes of clarifying that established in the Articles of Association in relation to those persons with standing to obtain certificates of the resolutions adopted by the General Meeting at any time, which is aimed at persons attending the meeting as proxy holders, regardless of whether or not they are shareholders.

#### Approval of the consolidated text of the General Shareholders' Meeting Regulations

In view of the numerous proposed amendments to the articles of the General Shareholders' Meeting Regulations, which implies reorganising most of the articles, a proposal has been put forward to approve the consolidated text of the General Shareholders' Meeting Regulations that includes all amendments listed.

## APPENDIX

The proposed amendments to the General Shareholders' Meeting Regulations consist of the amendment, inclusion, elimination and renumbering of the following articles:

- amendments to the scope of Chapter V -previously IV- (Conduct of the General Shareholders' Meeting) and to articles 5 (Amendments to the Regulations), 6 (Types of meetings), 7 (Powers of the General Shareholders' Meeting), 8 (Power and obligation to call), 9 (Publication of the call notice and supplementary notices), 10 (Information regarding the calling of the General Shareholders' Meeting on the Company's website), 11 (Right to information once a General Shareholders' Meeting has been called), 12 (Right of attendance), 18 -previously 14- (Organisation, Chairman, Secretary and Presiding Panel of the Meeting), 20 -previously 13- (Quorum for convening General Shareholders' Meetings), 21 -previously 16- (Commencement of the Meeting), 22 -previously 17- (Shareholders' contributions from the floor), 23 -previously 18- (Powers of the Chairman), 25 -previously 19- (Exercise of the right to vote), 27 -previously 20- (Conclusion of the meeting, minutes and certification of resolutions) and 30 -previously 23- (Publication of resolutions and voting results);
- inclusion of new Chapters III (Right of attendance and representation) and IV (Voting rights and proxies by means of remote communication) and new articles 13 (Right to representation), 14 (Voting by means of remote communication), 15 (Proxy by remote means of communication), 16 (Common provisions for casing votes and granting proxies by means of remote communication), 17 (Venue of the General Shareholders' Meeting), 24 (Powers of the Secretary) and 26 (Adoption of resolutions);
- elimination of the reference to a Preliminary Title, as the text of the General Shareholders' Meeting Regulations is not divided into Titles; and
- renumbering of Chapters V -now VI- (Adjournment and suspension of the General Shareholders' Meeting) and VI -now VII- (Publication of resolutions) and article 14 -now 18- (Organisation, Chairman, Secretary and Presiding Panel of the Meeting), 15 -now 19- (Preparation of the list of attendees), 13 -now 20- (Quorum for convening General Shareholders' Meetings), 16 -now 21- (Commencement of the Meeting), 17 -now 22- (Shareholders' contributions from the floor), 18 -now 23- (Powers of the Chairman), 19 -now 25- (Exercise of the right to vote), 20 -now 27- (Conclusion of the meeting, minutes and certification of resolutions), 21 -now 28- (Adjournment of the General Shareholders' Meeting), 22 -now 29- (Temporary suspension of the General Shareholders' Meeting), 23 -now 30- (Publication of resolutions and voting results) and 24 -now 31- (Notification of resolutions).