



REPORTED PRESENTED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A. IN COMPLIANCE WITH ARTICLE 529.NOVODECIOS OF THE COMPANIES ACT (*LEY DE SOCIEDADES DE CAPITAL*).

This report was prepared by the Appointments and Remuneration Committee of BME in accordance with article 529.novodecios of the Companies Act (*Ley de Sociedades de Capital*), as per the latest wording set forth in Law 31/2014, of 3 December, amending the Companies Act to improve corporate governance.

I. Applicable legislation.

Article 529.novodecios of the Companies Act states that the Directors' Remuneration Policy must be approved by the General Shareholders' Meeting at least every three years as a separate item on the agenda and that the proposal for the Directors' Remuneration Policy must be reasoned and accompanied by a specific report from the Appointments and Remuneration Committee.

This article came into force on 1 January 2015, implying that the Board of Directors was required to propose the Directors' Remuneration Policy to the General Shareholders' Meeting to be held that year.

The above notwithstanding, the Law provides a transitional regime for companies to comply with this obligation. Section 2.a) of the Transitional Provision states that "*if the first General Shareholders' Meeting held in 2015 approve the Directors' Remuneration Report by consultative vote, the Company's remuneration policy contained therein will also be considered approved for the purposes envisaged in article 529.novodecios, which was applicable to the Company as of this date*".

II. Evidence supporting the proposed amendment of the Directors' Remuneration Policy in force.

As a supervised institution, BME must approve its annual financial statements and, accordingly, hold its ordinary General Shareholders' Meeting within the first four months of the year. In light of this circumstance, the Company decided it was more prudent to avail of the transitional regime set out in Law 31/2014, of 3 December, and not submit a Directors' Remuneration Policy to the ordinary General Shareholders' Meeting with the content and in accordance with the requirements of article 529.novodecios of the Companies Act, as it considered that the time allowed to the Company under the transitional regime enabled its Appointments and Remuneration Committee to conduct a detailed analysis of the existing remuneration policy at that time, and to assess that it is aligned with prevailing market standards on remuneration and the recommendations of the Good Governance Code of Listed Companies.

The Board of Directors adopted its decision to make use of the transitory regime also taking into account the publication by the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores or the "CNMV") of the Good Governance Code of Listed Companies, which replaced the Unified Code of Good Governance on which the CNMV Committee of Experts was working and whose publication had been announced.

After adopting this decision, at its meeting of 26 February 2015 the Board of Directors approved the 2014 Annual Report on Directors' Remuneration, which included the Directors' Remuneration Policy for 2016, 2017 and 2018. This report was submitted to a consultative vote by the shareholders at the ordinary General Shareholders' Meeting held on 30 April 2015, receiving a favourable vote of 97.279% of shareholders present in person and/or represented by proxy with a right to vote.

The Directors' Remuneration Policy for 2016, 2017 and 2018 included in the Annual Report on Directors' Remuneration did not include any amendments to remuneration components received by Directors acting as such and in respect of the executive functions they perform at the Company compared to the policy applied in previous years, nor did it include any modifications to the amounts paid for each remuneration component.

In this respect, noteworthy is the maximum transparency exhibited by BME at all times with respect to Directors' remuneration. Until the entry into force of Law 31/2014, of 3 December, which changed the competencies attributed to the General Meeting and the Board of Directors regarding the determination of Directors' remuneration, the Board of Directors submitted to the ordinary General Shareholders' Meeting, as two separate items on the agenda, the remuneration of Directors in their capacity as such and the remuneration of the Chairman for discharging executive functions at the Company. The proposals included both the remuneration components and the amounts to be received.

At virtually the same time as the approval by the Appointments and Remuneration Committee and the Board of Directors of the Annual Report on Directors' Remuneration for 2014, the CNMV Board of Directors approved the Good Governance Code of Listed Companies, which contains more recommendations regarding the remuneration of members of the Board of Directors.

Over the course of 2015 and 2016, the Appointments and Remuneration Committee conducted an in-depth analysis of the Directors' Remuneration Policy to carry out appropriate monitoring of best corporate governance practices.

Pursuant to this detailed analysis, the Appointments and Remuneration Committee deemed it appropriate to lay before the Board of Directors a proposal to amend the Directors' Remuneration Policy which, if approved, would apply in 2016, and as well as in 2017 and 2018, and replace the current Policy.

The proposed Directors' Remuneration Policy for 2016, 2017 and 2018 is attached as Appendix I to this report.

III. Proposed amendments to the Directors' Remuneration Policy.

The Remuneration Policy submitted for approval at the ordinary General Shareholders' Meeting did not undergo any changes with regards to remuneration components to be received by Directors both acting as such and when carrying out executive functions at the Company compared to the Annual Report on Directors' Remuneration for 2014.

The proposed amendments to the Remuneration Policy affect:

- the remuneration of the Directors acting as such, to the extent that there is a proposal to update the amount of the fees for attending the meetings of the Board of Directors and Delegate Committees, which entails the need to increase the maximum amount of the Directors' annual remuneration approved by the ordinary General Shareholders' Meeting held on 30 April 2015.
- the design of the system for determining the Chairman's ordinary variable cash remuneration. Specifically, the proposal is to replace the current system for calculating the Chairman's ordinary variable remuneration, which would directly depend on the level of compliance with the Company's budget, with a system based on compliance with a number of quantitative and qualitative variables, in line with the recommendations regarding director remuneration contained in the Good Governance Code.

The remaining components of remuneration of Directors, both in their capacity as such and for discharging executive functions, are unchanged.

If the ordinary General Shareholders' Meeting approves the Remuneration Policy, the amendments proposed will affect the Directors' attendance fees with effect from 1 January 2016 and the Chairman's ordinary variable remuneration corresponding to 2016.

Update of the amount of per diems for attendance to meetings paid to Directors acting as such.

Regarding the proposed update of the amount of fees for attending meetings of the Board of Directors and the Board committees, the Appointments and Remuneration Committee considers the increase necessary to sufficiently compensate the dedication, abilities and responsibilities of Directors as the amounts had not been revised since 2008.

As a result of the increase in attendance payments to Directors, a proposal must be made, in accordance with article 217.3 of the Companies Act, to approve the maximum annual remuneration of all members of the Board of Directors acting as such.

This proposal entails an increase of €200,000 to the maximum annual remuneration, from €1,000,000, as approved by the ordinary General Shareholders' Meeting held on 30 April 2015, to €1,200,000.

The Appointments and Remuneration Committee considers that the proposed increase in the maximum annual remuneration of all members of the Board of Directors acting as such complies strictly with the criteria of moderation and prudence governing BME's remuneration policy.

New system for calculating the Chairman's ordinary variable remuneration.

Regarding the proposed amendment to the design of the system for calculating the ordinary variable cash remuneration of the Chairman, the Appointments and Remuneration Committee considers that the new variable remuneration system for the Chairman included in the Remuneration Policy is more suitable than the one in place until now as it was designed to comply with the objective of long-term value creation to further the corporate interest and the interest of shareholders.

The Committee also considers that it improves on the existing system by:

- increasing transparency regarding the system for calculating variable remuneration as it proposes the performance of EBITDA relative to the preceding years as the quantitative variable making up 80% of variable remuneration;

- adding to the new system, together with the quantitative criteria, qualitative criteria that align the variable remuneration with the performance of functions and promotes the Company's long-term profitability; and
- making the variable components of the remuneration sufficiently flexible to allow their modulation to the extent that it is possible for its value to be non-existent.

The new system maintains as the maximum limit on the annual ordinary variable remuneration, the Chairman's fixed remuneration.

IV. Criteria used to establish the Directors' Remuneration Policy.

The criteria followed to determine the remuneration structure of the Directors acting as such are as follows:

- Compensate based on corporate governance standards and market circumstances, bearing in mind the Company's nature and activity.
- Compensate in accordance with the positions and responsibilities assumed on the Board and its delegate bodies.
- Compensate the effective commitment to the position.
- Ensure remuneration does not affect objectivity in defending the Company's interests.

When compensating the Directors' executive functions, the purpose of the Remuneration Policy is to set up competitive remuneration packages that attract and retain highly distinguished professionals, and at the same time establish a stable link and long-term commitment over time between remuneration, the Company's results, shareholders' interests and risks assumed.

The Remuneration Policy also establishes a suitable and proportionate combination between fixed and variable remuneration and, within the latter, a balanced and efficient relationship between the remuneration received in cash, or ordinary variable remuneration, and that linked to the delivery of the Company's shares.

Moreover, following best practices in matters of good corporate governance, a significant part of the variable component of the Chairman's remuneration is deferred over time, being derived from medium and long-term incentive plans.

V. Conclusion.

As a result of the above, the Appointments and Remuneration Committee concludes that the Directors' Remuneration Policy that, at the proposal of the Committee itself, will be submitted by the Board of Directors for approval at the ordinary General Shareholders' Meeting is aligned with best remuneration practices and provides BME with a remuneration policy designed to comply with the objective of long-term value creation to further the corporate interest and the interest of shareholders.

In particular, the Appointments and Remuneration Committee considers it necessary to increase the amount of per diems for attendance by Directors acting as such in order to compensate them appropriately for their dedication and responsibility, and that the proposed modification to the design of the Chairman's variable remuneration in light of his executive functions is positive for the Company and its shareholders given the features explained above.