



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

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

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

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

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

**I. Background**

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

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

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

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



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

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

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

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

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

## **III. Appointment procedure.**

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

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

## **IV. Professional background.**

Mr. Ignacio Garralda Ruiz de Velasco graduated in Law from Madrid's Complutense University.

He was Trade Collegiate Broker (1976 - 1982), stock-broker agent of "Ilustre Colegio de Agentes de Cambio y Bolsa de Madrid" (1982-1989) and is a Notary on unpaid leave since 1989.

He was Founding Member of *AB Asesores Bursátiles, S.A.* where he served as Deputy Chairman to 2001. He was Deputy Chairman of *AB Morgan Stanley Dean Witter, S.V., S.A.*



(1989 to 2001) and Chairman of “Bancoval, S.A.” (1994 - 1996). Between 1991 and 2009 he was a Director of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

The quality of Mr. Garralda Ruiz de Velasco's work and competencies as a member of the Board of Directors and the Executive Committee is assessed annually as per article 10.3 of the Board of Directors Regulations, by way of the Board of Directors' approval of the Report



on the performance of the Board of Directors and its Committees, which includes the assessment that each of the Committees performs on its own undertakings.

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

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

#### **IX. Conclusion of the Appointments and Remuneration Committee**

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

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

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



**PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE IN  
RELATION TO THE APPOINTMENT OF MS. ANA ISABEL FERNÁNDEZ ÁLVAREZ AS  
MEMBER OF THE BOARD OF DIRECTORS OF BME**

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The Appointments and Remuneration Committee, at its meeting held on 20 February 2018, submitted to the Board of Directors this proposal for the appointment of Ms. Ana Isabel Fernández Álvarez as Director of the Company, in accordance with section 4 of article 529.decies and section 3.c) of article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations.

**I. Situation of the Board of Directors.**

There are currently two (2) vacancies on the Board of Directors following the resignation of Mr. Ramiro Mato García-Ansorena on 27 September 2017, and the death of Mr. Manuel Olivencia Ruiz on 1 January 2018.

In 2018, the terms of office of four (4) independent Directors and one (1) other external Director, of which four (4) who cannot be re-elected for different reasons, shall come to an end.

In view of the foregoing, the Appointments and Remuneration Committee and the Board of Directors have reviewed and assessed the composition of the Board of Directors to decide whether it would be appropriate to fill the six (6) vacancies that will arise on the Board of Directors following the Ordinary General Shareholders' Meeting.

The Appointments and Remuneration Committee and the Board of Directors have concluded that for the adequate performance of its functions and those of its Committees, it was appropriate to propose the re-election of one (1) Director and the appointment of four (4) Directors, all of which are qualified as independent Directors, to the Ordinary General Shareholders' Meeting.

Following the proposal of these four (4) appointments, there will be 2 (two) vacancies on the Board of Directors, which may be covered by co-option.

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

At the meeting of the Working Group of non-executive Directors held on 28 June 2017, chaired by the Lead independent Director, the current situation of the Board of Directors was analysed and, in particular, the fact that the terms of office of six (6) of its members would occur in 2018, five (5) of which could not be renewed, meaning that an extensive process to renew the Board of Directors and its Committees would have to be embarked upon.

At the same meeting, the proposed renewal of Mr. Ignacio Garralda Ruiz de Velasco as external independent Director, the only Director whose term of office was coming to an end and whose renewal could be proposed, was analysed and considered appropriate for submission to the Appointments and Remuneration Committee.

The Lead independent Director took on board the comments and opinions shared at the Working Group and, in his role as Chairman of the Appointments and Remuneration



Committee, transferred them to said Committee, which considered the renewal of Mr. Ignacio Garralda Ruiz de Velasco appropriate and started the tasks required to cover the five (5) vacancies that were due to arise for independent Directors.

The Appointments and Remuneration Committee, in light of the exceptional circumstances of renewing practically half of the members of the Board of Directors, agreed to perform the different phases of the procedure to select candidates for Directors qualifying as independent or other external Directors in order to ensure the procedure takes place in an organised and planned manner.

Furthermore, on 27 September 2017, Mr. Ramiro Mato García-Ansorena, a proprietary Director, submitted his resignation as Director of the Company, creating one (1) additional vacancy.

Pursuant to the provisions of said procedure, at the different meetings of the Appointments and Remuneration Committee, the profile to be met by the candidates was analysed, including the personal characteristics, academic profile, professional experience and diversity criteria that must be met based on the medium and long-term planning of the structure and composition of the Board of Directors. Said profile was defined and approved by the Appointments and Remuneration Committee and by the Board of Directors at their meetings on 26 October 2017.

When defining this profile, diversity criteria in terms of the selection of Board members, both in terms of gender and professional experience and nationality, or place of residence, were taken into consideration and special emphasis was placed on the search for female candidates.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected an independent expert from different companies with which it would collaborate to identify candidates, and asked the Board of Directors to submit its proposals.

Whilst this process was under way, on 1 January 2018, Mr. Manuel Olivencia Ruiz, an independent Director who served as Chairman of the Appointments and Remuneration Committee and one of the Directors whose term of office was coming to an end in 2018 without the possibility of renewal, passed away.

Based on the profile drawn up by the Appointments and Remuneration Committee and the Board of Directors, the proposed candidates were received from both the independent expert and members of the Board of Directors.

The professional background of the candidates was analysed at different meetings of the Appointments and Remuneration Committee, which verified that the general requirements needed from all Director candidates was met, that the requirements specific to independent Directors were satisfied and that they fulfilled the profile defined, before excluding the candidates that failed to fulfil these characteristics.

Subsequently, the Appointments and Remuneration Committee, drew up an initial list of candidates that satisfied the profile drawn up and whose knowledge and experience were



considered appropriate to cover the vacancies on the Board of Directors and with whom, when deemed appropriate, interviews were held.

Once the interview process was completed, the Appointments and Remuneration Committee discussed the background of the candidates, their interviews, the composition of the Board of Directors and its Committees and the skills required to cover the vacancies that may arise thereon and deemed it appropriate to propose the appointment of four (4) independent Directors to the Board of Directors, including the appointment of Ms. Ana Isabel Fernández Álvarez; these proposals were submitted to the Board of Directors at its meeting of 20 February 2018.

### **III. Professional background.**

Ms. Ana Isabel Fernández Álvarez is an economist, who studied at the Faculty of Economics and Business of the University of Oviedo.

She has been a professor of Financial Economics at the University of Oviedo since January 1991 and Colegio Universitario de Estudios Financieros, CUNEF, since September 2014.

She sits on the Board of Directors and has been a member of the Audit and Compliance Committee and Risk Committee at Mapfre, S.A. since July 2016 and Mapfre Global Risks and Mapfre Asistencia since January 2016. In addition, she has been a member of the Board of Trustees at the Princess of Asturias Foundation since March 2015 and the Banco Sabadell Foundation since January 2015.

Between 2010 and 2014, she was a Director at the National Securities Market Commission and since 2011 has undertaken international duties at the European Securities and Markets Authority (ESMA). Since February 2015, she has been a member of the Corporate Reporting Consultative Working Group (CWG CR) and previously, a member of its Board (June 2011 to June 2013), member of the Financial Innovation Standing Committee (FISC) (November 2011 to July 2014) and member of the Financial Innovation and Consumer Protection Subcommittee of the Joint Committee of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) (June 2012 to July 2014).

She has published numerous articles in renowned magazines in the field of corporate finance, corporate governance and banking and financial regulations, and has participated at a range of national and international forums. She has served as the Chairwoman or the Scientific Association of Business Management and Economy (ACEDE) and editor of the magazine CEDE.

### **IV. Appointment procedure.**

Section 4 of article 529.decies and section 3.c) and article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations state that it is up to the Appointments and Remuneration Committee to present to the Board of Directors the proposals for the appointment of external independent Directors to be submitted for approval by the General Shareholders' Meeting.

Moreover, in accordance with article 6.3 of the Board of Directors Regulations, this proposal shall include an explanation of the category into which the Director whose appointment is





proposed to the ordinary General Shareholders' Meeting would be classified within the categories of Directors set out in article 529.duodecies of the Companies Act.

**V. Analysis of Ms. Ana Isabel Fernández Álvarez compliance with the requirements laid down by law and under the Articles of Association for her appointment as Director.**

The Appointments and Remuneration Committee then analysed the compliance with the requirements laid down by law and the Articles of Association and Board of Directors Regulations regarding the proposed appointment of Ms. Ana Isabel Fernández Álvarez qualified as external independent Director.

**Requirements laid down by law and under the Articles of Association necessary for appointment as Director.**

For the purposes of this proposal, the Appointments and Remuneration Committee analysed the professional background of Ms. Ana Isabel Fernández Álvarez and checked that she has the integrity, knowledge and experience necessary for the appropriate discharge of her functions and the time available to exercise good governance of the Company, as required by law to be appointed as a Director of BME.

It is worth noting that Ms. Ana Isabel Fernández Álvarez has vast experience in the securities market sector, having held a number of positions at the National Securities Market Commission and the European Securities and Markets Authority (ESMA) and her experience as an independent Director at a listed company, where she sits on the Audit and Compliance Committees, was taken into account.

As for her availability to exercise good governance of the Company, the Appointments and Remuneration Committee, in order to verify that Ms. Ana Isabel Fernández Álvarez has sufficient availability to perform the duty of Director of the Company, analysed the positions she holds at Mapfre, S.A, the University of Oviedo and CUNEF and considered that her current professional commitments did not prevent her from performing his functions with the skills and dedication required.

At the meeting held with the Appointments and Remuneration Committee, Ms. Ana Isabel Fernández Álvarez asserted that she was available to attend Board of Directors meetings and, as applicable, those of its Committees and to assume the responsibilities associated with the roles that, as applicable, she may be assigned.

The Appointments and Remuneration Committee also confirmed that Ms. Ana Isabel Fernández Álvarez is not involved in the any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in articles 23 and 27.1.f) of the Board of Directors Regulations.

**VI. Category into which the proposed candidate would be classified.**

Should Ms. Ana Isabel Fernández Álvarez be appointed Director of the Company, she would be classified as external independent as, in accordance with section 4 of article 529.duodecies of the Companies Act, her appointment has been made for her personal and professional qualities and as she would be in position to perform her duties without being influenced by relationships with the Company, its significant shareholders or its



management, and as none of the situations set forth therein precluding this classification exist, as verified by the Appointments and Remuneration Committee based on her professional background and interview.

#### **VII. Effects on the composition of the Board of Directors of the appointment of Ms. Ana Isabel Fernández Álvarez as a Director.**

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

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

As indicated in the background section, at the next Ordinary General Shareholders' Meeting, the terms of office of five (5) Directors are due to expire, of which four (4) are external Directors and one (1) is an other external Director, of which only one (1), an independent Director, can be re-elected.

As part of this analysis, it has been considered that in addition to the proposed appointment of Ms. Ana Isabel Fernández Álvarez, the appointment of three (3) Directors and the re-election of one (1) Director, all as independent Directors, has been proposed.

Considering the five (5) proposals submitted to the Ordinary General Shareholders' Meeting, the Board of Directors' current structure would be changed as the number of external independent Directors would increase from current five (5) to six (6) Directors and the category of other external Director would disappear.

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

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

Following the appointment of four (4) members of the Board of Administration, after the Ordinary General Shareholders' Meeting held on 27 April 2017 set the number of members sitting on the Board of Directors at thirteen (13), there would be two (2) vacancies, which may be covered during the course of the year by the Board of Directors by co-option.

#### **VIII. Conclusion of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee believes that the proposed appointment of Ms. Ana Isabel Fernández Álvarez as a Director benefits BME on account of her profile, professional experience and knowledge of the securities market sector in the best interests of the Company.



Based on the foregoing, the Appointments and Remuneration Committee, upon deliberation, has agreed to propose the appointment of Ms. Ana Isabel Fernández Álvarez as Director of the Company before the Board of Directors.

By virtue of the foregoing, the Appointments and Remuneration Committee, at its meeting of 20 February 2018, resolved to propose to the Board of Directors the appointment of Ms. Ana Isabel Fernández Álvarez as Director of BME.

Furthermore, should Ms. Ana Isabel Fernández Álvarez be appointed as a member of the Board of Directors by the ordinary General Shareholders' Meeting, the Appointments and Remuneration Committee, in accordance with the powers granted thereto by article 20.2.b) of the Board of Directors Regulations, would support the appointment of Ms. Ana Isabel Fernández Álvarez as a member and Chairwoman of the Audit Committee and member of the Executive Committee.



**PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE IN  
RELATION TO THE APPOINTMENT OF MR. DAVID JIMÉNEZ-BLANCO AS MEMBER OF  
THE BOARD OF DIRECTORS OF BME**

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The Appointments and Remuneration Committee, at its meeting held on 20 February 2018, submitted to the Board of Directors this proposal for the appointment of Mr. David Jiménez-Blanco as Director of the Company, in accordance with section 4 of article 529.decies and section 3.c) of article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations.

**I. Situation of the Board of Directors.**

There are currently two (2) vacancies on the Board of Directors following the resignation of Mr. Ramiro Mato García-Ansorena on 27 September 2017, and the death of Mr. Manuel Olivencia Ruiz on 1 January 2018.

In 2018, the terms of office of four (4) independent Directors and one (1) other external Director, of which four (4) who cannot be re-elected for different reasons, shall come to an end.

In view of the foregoing, the Appointments and Remuneration Committee and the Board of Directors have reviewed and assessed the composition of the Board of Directors to decide whether it would be appropriate to fill the six (6) vacancies that will arise on the Board of Directors following the Ordinary General Shareholders' Meeting.

The Appointments and Remuneration Committee and the Board of Directors have concluded that for the adequate performance of its functions and those of its Committees, it was appropriate to propose the re-election of one (1) Director and the appointment of four (4) Directors, all of which are qualified as independent Director, to the Ordinary General Shareholders' Meeting.

Following the proposal of these four (4) appointments, there will be 2 (two) vacancies on the Board of Directors, which may be covered by co-option.

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

At the meeting of the Working Group of non-executive Directors held on 28 June 2017, chaired by the Lead independent Director, the current situation of the Board of Directors was analysed and, in particular, the fact that the terms of office of six (6) of its members would occur in 2018, five (5) of which could not be renewed, meaning that an extensive process to renew the Board of Directors and its Committees would have to be embarked upon.

At the same meeting, the proposed renewal of Mr. Ignacio Garralda Ruiz de Velasco as external independent Director, the only Director whose term of office was coming to an end and whose renewal could be proposed, was analysed and considered appropriate for submission to the Appointments and Remuneration Committee.

The Lead independent Director took on board the comments and opinions shared at the Working Group and, in his role as Chairman of the Appointments and Remuneration



Committee, transferred them to said Committee, which considered the renewal of Mr. Ignacio Garralda Ruiz de Velasco appropriate and started the tasks required to cover the five (5) vacancies that were due to arise for independent Directors.

The Appointments and Remuneration Committee, in light of the exceptional circumstances of renewing practically half of the members of the Board of Directors, agreed to perform the different phases of the procedure to select candidates for Directors qualifying as independent or other external Directors in order to ensure the procedure takes place in an organised and planned manner.

Furthermore, on 27 September 2017, Mr. Ramiro Mato García-Ansorena, a proprietary Director, submitted his resignation as Director of the Company, creating one (1) additional vacancy.

Pursuant to the provisions of said procedure, at the different meetings of the Appointments and Remuneration Committee, the profile to be met by the candidates was analysed, including the personal characteristics, academic profile, professional experience and diversity criteria that must be met based on the medium and long-term planning of the structure and composition of the Board of Directors. Said profile was defined and approved by the Appointments and Remuneration Committee and by the Board of Directors at their meetings on 26 October 2017.

When defining this profile, diversity criteria in terms of the selection of Board members, both in terms of gender and professional experience and nationality, or place of residence, were taken into consideration and special emphasis was placed on the search for female candidates.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected an independent expert from different companies with which it would collaborate to identify candidates, and asked the Board of Directors to submit its proposals.

Whilst this process was under way, on 1 January 2018, Mr. Manuel Olivencia Ruiz, an independent Director who served as Chairman of the Appointments and Remuneration Committee and one of the Directors whose term of office was coming to an end in 2018 without the possibility of renewal, passed away.

Based on the profile drawn up by the Appointments and Remuneration Committee and the Board of Directors, the proposed candidates were received from both the independent expert and members of the Board of Directors.

The professional background of the candidates was analysed at different meetings of the Appointments and Remuneration Committee, which verified that the general requirements needed from all Director candidates was met, that the requirements specific to independent Directors were satisfied and that they fulfilled the profile defined, before excluding the candidates that failed to fulfil these characteristics.

Subsequently, the Appointments and Remuneration Committee, drew up an initial list of candidates that satisfied the profile drawn up and whose knowledge and experience were



considered appropriate to cover the vacancies on the Board of Directors and with whom, when deemed appropriate, interviews were held.

Once the interview process was completed, the Appointments and Remuneration Committee discussed the background of the candidates, their interviews, the composition of the Board of Directors and its Committees and the skills required to cover the vacancies that may arise thereon and deemed it appropriate to propose the appointment of four (4) independent Directors to the Board of Directors, including the appointment of Mr. David Jiménez-Blanco; these proposals were submitted to the Board of Directors at its meeting of 20 February 2018.

### **III. Professional background.**

Mr. David Jiménez-Blanco holds a Degree in Economics and Business from the Colegio Universitario de Estudios Financieros (CUNEF).

Since 2016, he has served as General Manager of Strategy and Restructuring at Abengoa, S.A.

Since 2010 he has served as a Director and member of the Investment Committee at Gawa Capital Management, an investment management firm.

Since 2014, he has served as an independent external Director at Axiare Patrimonio Socimi, S.A., where he served as Chairman of the Audit Committee until 2017 and where he has served as Chairman of the Remuneration Committee since 2017.

In 2011 and 2012, he was an independent Director and member of the Audit Committee at Atento Inversiones y Teleservicios, S.A.

Between 2013 and 2016, he was Chief Financial Officer (CFO) at World Duty Free Group and Co-Founder and Partner at BK Partners, an investment management firm.

Between 2006 and 2009, he was Chairman and Chief Executive Officer at Merrill Lynch Capital Markets España, S.A., S.V., serving as Head of Global Markets and Investment Banking for Spain and Portugal. Furthermore, he was a member of the Investment Banking Operating Committee for Europe, the Middle East and Africa at Merrill Lynch.

Between 1995 and 2006 he worked at Goldman Sachs International, in different positions at the London and Madrid offices. Between 2004 and 2006 he served as "Managing Director."

Previously, between 1989 and 1995, he occupied different posts, including "Vice President" and "Director" at Salomon Brothers International Limited.

### **IV. Appointment procedure.**

Section 4 of article 529.decies and section 3.c) and article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations state that it is up to the Appointments and Remuneration Committee to present to the Board of Directors the proposals for the appointment of external independent Directors to be submitted for approval by the General Shareholders' Meeting.

Moreover, in accordance with article 6.3 of the Board of Directors Regulations, this proposal shall include an explanation of the category into which the Director whose appointment is



proposed to the ordinary General Shareholders' Meeting would be classified within the categories of Directors set out in article 529.duodecies of the Companies Act.

**V. Analysis of Mr. David Jiménez-Blanco's compliance with the requirements laid down by law and under the Articles of Association for his appointment as Director.**

The Appointments and Remuneration Committee then analysed the compliance with the requirements laid down by law and the Articles of Association and Board of Directors Regulations regarding the proposed appointment of Mr. David Jiménez-Blanco, as external independent Director.

**Requirements laid down by law and under the Articles of Association necessary for appointment as Director.**

For the purposes of this proposal, the Appointments and Remuneration Committee analysed the professional background of Mr. David Jiménez-Blanco and checked that he has the integrity, knowledge and experience necessary for the appropriate discharge of his functions and the time available to exercise good governance of the Company, as required by law to be appointed as a Director of BME.

It is worth noting that Mr. David Jiménez-Blanco has vast experience in the investment banking sector and in investment management, having served in senior management positions in the finance industry at Merrill Lynch and Goldman Sachs and his experience on the Board of Directors at Axiare Patrimonio, Socimi, S.A. Gawa Capital Management, and Atento Inversiones y Teleservicios, S.A.

As for his availability to exercise good governance of the Company, the Appointments and Remuneration Committee, in order to verify that Mr. David Jiménez-Blanco has sufficient availability to perform the duty of Director of the Company, analysed the positions he holds at Abengoa, S.A. and his status as a Board member at Axiare Patrimonio Socimi, S.A., and considered that his current professional commitments did not prevent him from performing his functions with the skills and dedication required.

At the meeting held with the Appointments and Remuneration Committee, Mr. David Jiménez-Blanco asserted that he was available to attend Board of Directors meetings and, as applicable, those of its Committees and to assume the responsibilities associated with the roles that, as applicable, she may be assigned.

The Appointments and Remuneration Committee also confirmed that Mr. David Jiménez-Blanco is not involved in the any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in articles 23 and 27.1.f) of the Board of Directors Regulations.

**VI. Category into which the proposed candidate would be classified.**

Should Mr. David Jiménez-Blanco be appointed Director of the Company, he would be classified as external independent as, in accordance with section 4 of article 529.duodecies of the Companies Act, his appointment has been made for his personal and professional qualities and as he would be in position to perform his duties without being influenced by relationships with the Company, its significant shareholders or its management, and as none of the situations set forth therein precluding this classification exist, as verified by the



Appointments and Remuneration Committee based on his professional background and interview.

#### **VII. Effects on the composition of the Board of Directors of the appointment of Mr. David Jiménez-Blanco as Director.**

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

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

As indicated in the background section, at the next Ordinary General Shareholders' Meeting, the terms of office of five (5) Directors are due to expire, of which four (4) are external Directors and one (1) is an other external Director, of which only one (1), an independent Director, can be re-elected.

As part of this analysis, it has been considered that in addition to the proposed appointment of Mr. David Jiménez-Blanco the appointment of three (3) Directors and the re-election of one (1) Director, all as independent Directors, has been proposed.

Considering the five (5) proposals submitted to the Ordinary General Shareholders' Meeting, the Board of Directors' current structure would be changed as the number of external independent Directors would increase from five (5) to six (6) and the category of other external Director would disappear.

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

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

Following the appointment of four (4) members of the Board of Administration, after the Ordinary General Shareholders' Meeting held on 27 April 2017 set the number of members sitting on the Board of Directors at thirteen (13), there would be two (2) vacancies, which may be covered during the course of the year by the Board of Directors by co-option.

#### **VIII. Conclusion of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee considers that the proposed appointment of Mr. David Jiménez-Blanco as Director benefits BME on account of his profile, professional experience and knowledge of the securities market and investment banking in the best interests of the Company. His experience as a Director at listed companies has also been taken into account.





Based on the foregoing, the Appointments and Remuneration Committee, upon deliberation, has agreed to propose the appointment of Mr. David Jiménez-Blanco as a Director of the Company.

By virtue of the foregoing, the Appointments and Remuneration Committee, at its meeting of 20 February 2018, resolved to propose to the Board of Directors the appointment of Mr. David Jiménez-Blanco as Director of BME.

Furthermore, should Mr. David Jiménez-Blanco be appointed as a member of the Board of Directors by the ordinary General Shareholders' Meeting, the Appointments and Remuneration Committee, in accordance with the powers granted thereto by article 20.2.b) of the Board of Directors Regulations, would support the appointment of Mr. David Jiménez-Blanco as a member of the Executive Committee and Chairman of the Appointments and Remuneration Committee.



## **PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE IN RELATION TO THE APPOINTMENT OF MS. ISABEL MARTÍN CASTELLA AS MEMBER OF THE BOARD OF DIRECTORS OF BME**

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The Appointments and Remuneration Committee, at its meeting held on 20 February 2018, submitted to the Board of Directors this proposal for the appointment of Ms. Isabel Martín Castella as Director of the Company, in accordance with section 4 of article 529.decies and section 3.c) of article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations.

### **I. Situation of the Board of Directors.**

There are currently two (2) vacancies on the Board of Directors following the resignation of Mr. Ramiro Mato García-Ansorena on 27 September 2017, and the death of Mr. Manuel Olivencia Ruiz on 1 January 2018.

In 2018, the terms of office of four (4) independent Directors and one (1) other external Director, of which four (4) who cannot be re-elected for different reasons, shall come to an end.

In view of the foregoing, the Appointments and Remuneration Committee and the Board of Directors have reviewed and assessed the composition of the Board of Directors to decide whether it would be appropriate to fill the six (6) vacancies that will arise on the Board of Directors following the Ordinary General Shareholders' Meeting.

The Appointments and Remuneration Committee and the Board of Directors have concluded that for the adequate performance of its functions and those of its Committees, it was appropriate to propose the re-election of one (1) Director and the appointment of four (4) Directors, all of which are qualified as independent Directors, to the Ordinary General Shareholders' Meeting.

Following the proposal of these four (4) appointments, there will be 2 (two) vacancies on the Board of Directors, which may be covered by co-option.

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

At the meeting of the Working Group of non-executive Directors held on 28 June 2017, chaired by the Lead independent Director, the current situation of the Board of Directors was analysed and, in particular, the fact that the terms of office of six (6) of its members would occur in 2018, five (5) of which could not be renewed, meaning that an extensive process to renew the Board of Directors and its Committees would have to be embarked upon.

At the same meeting, the proposed renewal of Mr. Ignacio Garralda Ruiz de Velasco as external independent Director, the only Director whose term of office was coming to an end and whose renewal could be proposed, was analysed and considered appropriate for submission to the Appointments and Remuneration Committee.

The Lead independent Director took on board the comments and opinions shared at the Working Group and, in his role as Chairman of the Appointments and Remuneration



Committee, transferred them to said Committee, which considered the renewal of Mr. Ignacio Garralda Ruiz de Velasco appropriate and started the tasks required to cover the five (5) vacancies that were due to arise for independent Directors.

The Appointments and Remuneration Committee, in light of the exceptional circumstances of renewing practically half of the members of the Board of Directors, agreed to perform the different phases of the procedure to select candidates for Directors qualifying as independent or other external Directors in order to ensure the procedure takes place in an organised and planned manner.

Furthermore, on 27 September 2017, Mr. Ramiro Mato García-Ansorena, a proprietary Director, submitted his resignation as Director of the Company, creating one (1) additional vacancy.

Pursuant to the provisions of said procedure, at the different meetings of the Appointments and Remuneration Committee, the profile to be met by the candidates was analysed, including the personal characteristics, academic profile, professional experience and diversity criteria that must be met based on the medium and long-term planning of the structure and composition of the Board of Directors. Said profile was defined and approved by the Appointments and Remuneration Committee and by the Board of Directors at their meetings on 26 October 2017.

When defining this profile, diversity criteria in terms of the selection of Board members, both in terms of gender and professional experience and nationality, or place of residence, were taken into consideration and special emphasis was placed on the search for female candidates.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected an independent expert from different companies with which it would collaborate to identify candidates, and asked the Board of Directors to submit its proposals.

Whilst this process was under way, on 1 January 2018, Mr. Manuel Olivencia Ruiz, an independent Director who served as Chairman of the Appointments and Remuneration Committee and one of the Directors whose term of office was coming to an end in 2018 without the possibility of renewal, passed away.

Based on the profile drawn up by the Appointments and Remuneration Committee and the Board of Directors, the proposed candidates were received from both the independent expert and members of the Board of Directors.

The professional background of the candidates was analysed at different meetings of the Appointments and Remuneration Committee, which verified that the general requirements needed from all Director candidates was met, that the requirements specific to independent Directors were satisfied and that they fulfilled the profile defined, before excluding the candidates that failed to fulfil these characteristics.

Subsequently, the Appointments and Remuneration Committee, drew up an initial list of candidates that satisfied the profile drawn up and whose knowledge and experience were



considered appropriate to cover the vacancies on the Board of Directors and with whom, when deemed appropriate, interviews were held.

Once the interview process was completed, the Appointments and Remuneration Committee discussed the background of the candidates, their interviews, the composition of the Board of Directors and its Committees and the skills required to cover the vacancies that may arise thereon and deemed it appropriate to propose the appointment of four (4) independent Directors to the Board of Directors, including the appointment of Ms. Isabel Martín Castella; these proposals were submitted to the Board of Directors at its meeting of 20 February 2018.

### **III. Professional background.**

Ms. Isabel Martín Castella holds a Degree in Economics and Business from the Complutense University of Madrid. In 1997, she passed the entrance exam and was accepted into Spain's Commercial Technicians and Economists Corps.

Since 2015, she has sat on the Board of Directors at Sacyr, S.A., as an independent Director, chairing its Audit and Corporate Governance Committee and serving as a member of its Appointments and Remuneration Committee.

Furthermore, since 2017, she has sat on the Board of Directors at Unicaja Banco, S.A. as an independent Director, serving as a member of its Audit and Regulatory Compliance Committee and Risks Committee.

She is a member of the Advisory Board at Venture Capital Management Firm GED and its on the Board of GED Infraestructuras.

Between 1977 and 1985, she occupied a range of posts at the Ministry of Economy and the Ministry of Trade and Tourism; and between 1985 and 1987, she served as Chief of Staff to the Deputy Chairman of the Spanish National Industry Institute (INI), sat on the Board of a range of companies in the INI Group and on the Economic and Social Committee of the European Communities.

She served as Deputy Manager at Banco Central Hispano and Banco Santander between 1987 and 2000. Between 2000 and 2006, she was Deputy Chairwoman and member of the Board of Directors at the European Investment Bank (EIB). Between 2006 and 2011, she occupied the post of Manager of the Madrid International Financial Centre Association.

Furthermore, in 2012 and 2013, she was Chairwoman of the Spanish State-owned company, Expansión Exterior.

Between 2013 and September 2015, she was a member of the Supervisory Board of ING Verzekeringen N.V, the insurance holding of ING Groep N.V, now Nationale Nederlanden N.V. and until 2017 she sat on the Supervisory Board of ING Groep N.V. and ING Bank. N.V. Holding.

### **IV. Appointment procedure.**

Section 4 of article 529.decies and section 3.c) and article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations state that it is up to the Appointments and Remuneration Committee to present to the Board of Directors the



proposals for the appointment of external independent Directors to be submitted for approval by the General Shareholders' Meeting.

In addition, in accordance with article 6.3 of the Board of Directors Regulations, this proposal shall include an explanation of the category into which the Director whose appointment is proposed to the ordinary General Shareholders' Meeting would be classified within the categories of Directors set out in article 529.duodecies of the Companies Act.

**V. Analysis of Ms. Isabel Martín Castella's compliance with the requirements laid down by law and under the Articles of Association for her appointment as Director.**

The Appointments and Remuneration Committee then analysed the compliance with the requirements laid down by law and the Articles of Association and Board of Directors Regulations regarding the proposed appointment of Ms. Isabel Martín Castella as external independent Director.

**Requirements laid down by law and under the Articles of Association necessary for appointment as Director.**

For the purposes of this proposal, the Appointments and Remuneration Committee analysed the professional background of Ms. Isabel Martín Castella and checked that she has the integrity, knowledge and experience necessary for the appropriate discharge of her functions and the time available to exercise good governance of the Company, as required by law to be appointed as a Director of BME.

It is worth noting that Ms. Isabel Martín Castella has vast experience in the finance sector, holding and having held a number of positions at national and international banks, both in senior management and as a member of their *Supervisory Boards*; her experience as an independent Director at listed companies in different sectors, finance and construction, where she also sits on the Audit, Risk and Appointments and Remuneration Committees, was taken into account.

As for her availability to exercise good governance of the Company, the Appointments and Remuneration Committee, in order to verify that Ms. Isabel Martín Castella has sufficient availability to perform the duty of Director of the Company, analysed the positions she holds at listed companies Sacyr, S.A. and Unicaja Banco, S.A and considered that her current professional commitments did not prevent her from performing his functions with the skills and dedication required.

At the meeting held with the Appointments and Remuneration Committee, Ms. Isabel Martín Castella asserted that she was available to attend Board of Directors meetings and, as applicable, those of its Committees and to assume the responsibilities associated with the roles that, as applicable, she may be assigned.

The Appointments and Remuneration Committee also confirmed that Ms. Isabel Martín Castella is not involved in the any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in articles 23 and 27.1.f) of the Board of Directors Regulations.



#### **VI. Category into which the proposed candidate would be classified.**

Should Ms. Isabel Martín Castella be appointed Director of the Company, she would be classified as external independent as, in accordance with section 4 of article 529.duodecies of the Companies Act, her appointment has been made for her personal and professional qualities and as she would be in position to perform her duties without being influenced by relationships with the Company, its significant shareholders or its management, and as none of the situations set forth therein precluding this classification exist, as verified by the Appointments and Remuneration Committee based on her professional background and interview.

#### **VII. Effects on the composition of the Board of Directors of the appointment of Ms. Isabel Martín Castella as Director.**

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

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

As indicated in the background section, at the next Ordinary General Shareholders' Meeting, the terms of office of five (5) Directors are due to expire, of which four (4) are external Directors and one (1) is an other external Director, of which only one (1), an independent Director, can be re-elected.

As part of this analysis, it has been considered that in addition to the proposed appointment of Ms. Isabel Martín Castella, the appointment of three (3) Directors and the re-election of one (1) Director, all as independent Directors, has been proposed.

Considering the five (5) proposals submitted to the Ordinary General Shareholders' Meeting, the Board of Directors' current structure would be changed as the number of external independent Directors would increase from five (5) to six (6) and the category of other external Director would disappear.

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

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

Following the appointment of four (4) members of the Board of Administration, after the Ordinary General Shareholders' Meeting held on 27 April 2017 set the number of members sitting on the Board of Directors at thirteen (13), there would be two (2) vacancies, which may be covered during the course of the year by the Board of Directors by co-option.



### **VIII. Conclusion of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee considers that the proposed appointment of Ms. Isabel Martín Castella as Director benefits BME in account of her profile, professional experience and knowledge of the finance industry, in addition to her experience as a member of the Board of Directors at listed companies.

Based on the foregoing, the Appointments and Remuneration Committee, upon deliberation, has agreed to propose the appointment of Ms. Isabel Martín Castella as a Director of the Company.

By virtue of the foregoing, the Appointments and Remuneration Committee, at its meeting of 20 February 2018, resolved to propose to the Board of Directors the appointment of Ms. Isabel Martín Castella as Director of BME.

Furthermore, should Ms. Isabel Martín Castella be appointed as a member of the Board of Directors by the ordinary General Shareholders' Meeting, the Appointments and Remuneration Committee, in accordance with the powers granted thereto by article 20.2.b) of the Board of Directors Regulations, would support the appointment of Ms. Isabel Martín Castella as a member of the Audit Committee.



**PROPOSAL BY THE APPOINTMENTS AND REMUNERATION COMMITTEE IN  
RELATION TO THE APPOINTMENT OF MR. JUAN CARLOS URETA DOMINGO AS  
MEMBER OF THE BOARD OF DIRECTORS OF BME**

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The Appointments and Remuneration Committee, at its meeting held on 20 February 2018, submitted to the Board of Directors this proposal of the appointment of Mr. Juan Carlos Ureta Domingo as Director of the Company, in accordance with section 4 of article 529.decies and section 3.c) of article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations.

**I. Situation of the Board of Directors.**

There are currently two (2) vacancies on the Board of Directors following the resignation of Mr. Ramiro Mato García-Ansorena on 27 September 2017, and the death of Mr. Manuel Olivencia Ruiz on 1 January 2018.

In 2018, the terms of office of four (4) independent Directors and one (1) other external Director, of which four (4) who cannot be re-elected for different reasons, shall come to an end.

In view of the foregoing, the Appointments and Remuneration Committee and the Board of Directors have reviewed and assessed the composition of the Board of Directors to decide whether it would be appropriate to fill the six (6) vacancies that will arise on the Board of Directors following the Ordinary General Shareholders' Meeting.

The Appointments and Remuneration Committee and the Board of Directors have concluded that for the adequate performance of its functions and those of its Committees, it was appropriate to propose the re-election of one (1) Director and the appointment of four (4) Directors, all of which are qualified as independent Directors, to the Ordinary General Shareholders' Meeting.

Following the proposal of these four (4) appointments, there will be 2 (two) vacancies on the Board of Directors, which may be covered by co-option.

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

At the meeting of the Working Group of non-executive Directors held on 28 June 2017, chaired by the Lead independent Director, the current situation of the Board of Directors was analysed and, in particular, the fact that the terms of office of six (6) of its members would occur in 2018, five (5) of which could not be renewed, meaning that an extensive process to renew the Board of Directors and its Committees would have to be embarked upon.

At the same meeting, the proposed renewal of Mr. Ignacio Garralda Ruiz de Velasco as external independent Director, the only Director whose term of office was coming to an end and whose renewal could be proposed, was analysed and considered appropriate for submission to the Appointments and Remuneration Committee.

The Lead independent Director took on board the comments and opinions shared at the Working Group and, in his role as Chairman of the Appointments and Remuneration





Committee, transferred them to said Committee, which considered the renewal of Mr. Ignacio Garralda Ruiz de Velasco appropriate and started the tasks required to cover the five (5) vacancies that were due to arise for independent Directors.

The Appointments and Remuneration Committee, in light of the exceptional circumstances of renewing practically half of the members of the Board of Directors, agreed to perform the different phases of the procedure to select candidates for Directors qualifying as independent or other external Directors in order to ensure the procedure takes place in an organised and planned manner.

Furthermore, on 27 September 2017, Mr. Ramiro Mato García-Ansorena, a proprietary Director, submitted his resignation as Director of the Company, creating one (1) additional vacancy.

Pursuant to the provisions of said procedure, at the different meetings of the Appointments and Remuneration Committee, the profile to be met by the candidates was analysed, including the personal characteristics, academic profile, professional experience and diversity criteria that must be met based on the medium and long-term planning of the structure and composition of the Board of Directors. Said profile was defined and approved by the Appointments and Remuneration Committee and by the Board of Directors at their meetings on 26 October 2017.

When defining this profile, diversity criteria in terms of the selection of Board members, both in terms of gender and professional experience and nationality, or place of residence, were taken into consideration and special emphasis was placed on the search for female candidates.

At the same time as the profile of candidates was being drawn up, the Appointments and Remuneration Committee selected an independent expert from different companies with which it would collaborate to identify candidates, and asked the Board of Directors to submit its proposals.

Whilst this process was under way, on 1 January 2018, Mr. Manuel Olivencia Ruiz, an independent Director who served as Chairman of the Appointments and Remuneration Committee and one of the Directors whose term of office was coming to an end in 2018 without the possibility of renewal, passed away.

Based on the profile drawn up by the Appointments and Remuneration Committee and the Board of Directors, the proposed candidates were received from both the independent expert and members of the Board of Directors.

The professional background of the candidates was analysed at different meetings of the Appointments and Remuneration Committee, which verified that the general requirements needed from all Director candidates was met, that the requirements specific to independent Directors were satisfied and that they fulfilled the profile defined, before excluding the candidates that failed to fulfil these characteristics.

Subsequently, the Appointments and Remuneration Committee, drew up an initial list of candidates that satisfied the profile drawn up and whose knowledge and experience were



considered appropriate to cover the vacancies on the Board of Directors and with whom, when deemed appropriate, interviews were held.

Once the interview process was completed, the Appointments and Remuneration Committee discussed the background of the candidates, their interviews, the composition of the Board of Directors and its Committees and the skills required to cover the vacancies that may arise thereon and deemed it appropriate to propose the appointment of four (4) independent Directors to the Board of Directors, including the appointment of Mr. Juan Carlos Ureta Domingo; these proposals were submitted to the Board of Directors at its meeting of 20 February 2018.

### **III. Professional background.**

Mr. Juan Carlos Ureta Domingo holds a Degree in Law and Economics (Lawyer specialising in economics) from the University of Deusto (Bilbao). He successfully became a State Attorney in 1980 (currently on unpaid leave) and has served as a Stockbroker at the Madrid Stock Exchange since 1986.

He is currently executive Chairman of Renta 4 Banco, S.A.

He is also a member of the Board of Directors of Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., a member of the Advisory Board at ING Director and a consultant to a range of Spanish and foreign business groups.

Between 2010 and 2016, he was Chairman of the Financial Studies Foundation and Spanish Institute of Financial Analysts.

Between 2002 and 2006, Mr. Juan Carlos Ureta Domingo served as a member of the Board of Directors at BME and previously, between 1996 and 2003, he sat on the Board of Servicio de Compensación y Liquidación de Valores (now Iberclear).

Between 1996 and 2001, he was a member of the Advisory Board of Lucent Technologies and between 1989 and 2007, sat on the Board of Directors at Indra Sistemas, S.A.

### **IV. Appointment procedure.**

Section 4 of article 529.decies and section 3.c) and article 529.quindecies of the Companies Act, and articles 22.1 and 20.2.c) of the Board of Directors Regulations state that it is up to the Appointments and Remuneration Committee to present to the Board of Directors the proposals for the appointment of external independent Directors to be submitted for approval by the General Shareholders' Meeting.

In addition, in accordance with article 6.3 of the Board of Directors Regulations, this proposal shall include an explanation of the category into which the Director whose appointment is proposed to the ordinary General Shareholders' Meeting would be classified within the categories of Directors set out in article 529.duodecies of the Companies Act.

### **V. Analysis of Mr. Juan Carlos Ureta Domingo's compliance with the requirements laid down by law and under the Articles of Association for his appointment as Director.**

The Appointments and Remuneration Committee then analysed the compliance with the requirements laid down by law and the Articles of Association and Board of Directors



Regulations regarding the proposed appointment of Mr. Juan Carlos Ureta Domingo as external independent Director.

Requirements laid down by law and under the Articles of Association necessary for appointment as Director.

For the purposes of this proposal, the Appointments and Remuneration Committee analysed the professional background of Mr. Juan Carlos Ureta Domingo and checked that he has the integrity, knowledge and experience necessary for the appropriate discharge of his functions and the time available to exercise good governance of the Company, as required by law to be appointed as a Director of BME.

Mr. Juan Carlos Ureta Domingo's experience and knowledge of the finance industry, where he occupied positions of responsibility, in addition to his experience as a Director at listed companies are worth note.

The Appointments and Remuneration Committee has also approved the his vast experience in the industry and activities undertaken by the Company, at which he has served as a Director, in addition to the fact that he is a member of the Board of Directors at a Group company.

As for his availability to exercise good governance of the Company, the Appointments and Remuneration Committee, in order to verify that Mr. Juan Carlos Ureta Domingo has sufficient availability to perform the duty of Director of the Company, analysed the positions he holds at Renta 4 Banco, S.A. and his status as a Board member at Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., and considered that his current professional commitments did not prevent him from performing his functions with the skills and dedication required.

The Appointments and Remuneration Committee also confirmed that Mr. Juan Carlos Ureta Domingo is not involved in the any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in articles 23 and 27.1.f) of the Board of Directors Regulations.

**VI. Category into which the proposed candidate would be classified.**

Should Mr. Juan Carlos Ureta Domingo be appointed Director of the Company, he would be classified as external independent as, in accordance with section 4 of article 529.duodecies of the Companies Act, his appointment has been made on account of his personal and professional qualities and as he would be in position to perform his duties without being influenced by relationships with the Company, its significant shareholders or its management, and as none of the situations set forth therein precluding this classification exist, as verified by the Appointments and Remuneration Committee based on his professional background and interview.

**VII. Effects on the composition of the Board of Directors of the appointment of Mr. Juan Carlos Ureta Domingo as Director.**

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



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

As indicated in the background section, at the next Ordinary General Shareholders' Meeting, the terms of office of five (5) Directors are due to expire, of which four (4) are external Directors and one (1) is an other external Director, of which only one (1), an independent Director, can be re-elected.

As part of this analysis, it has been considered that in addition to the proposed appointment of Mr. Juan Carlos Ureta Domingo the appointment of three (3) Directors and the re-election of one (1) Director, all as independent Directors, has been proposed.

Considering the five (5) proposals submitted to the Ordinary General Shareholders' Meeting, the Board of Directors' current structure would be changed as the number of external independent Directors would increase from five (5) to six (6) and the category of other external Director would disappear.

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

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

Following the appointment of four (4) members of the Board of Administration, after the Ordinary General Shareholders' Meeting held on 27 April 2017 set the number of members sitting on the Board of Directors at thirteen (13), there would be two (2) vacancies, which may be covered during the course of the year by the Board of Directors by co-option.

### **VIII. Conclusion of the Appointments and Remuneration Committee**

The Appointments and Remuneration Committee considers that the proposed appointment of Mr. Juan Carlos Ureta Domingo as Director benefits BME on account of his profile, professional experience and knowledge of the financial markets in the best interests of the Company.

Based on the foregoing, the Appointments and Remuneration Committee, upon deliberation, has agreed to propose the appointment of Mr. Juan Carlos Ureta Domingo as a Director of the Company.

By virtue of the foregoing, the Appointments and Remuneration Committee, at its meeting of 20 February 2018, resolved to propose to the Board of Directors the appointment of Mr. Juan Carlos Ureta Domingo as Director of BME.

Furthermore, should Mr. Juan Carlos Ureta Domingo be appointed as a member of the Board of Directors by the ordinary General Shareholders' Meeting, the Appointments and Remuneration Committee, in accordance with the powers granted thereto by article 20.2.b) of the Board of Directors Regulations, would support the appointment of Mr. Juan Carlos



Ureta Domingo as member of the Appointments and Remuneration Committee and member of the Markets and Systems Operating Procedures Committee.