



## **APPOINTMENTS AND REMUNERATIONS COMMITTEE REPORT ON THE PROPOSED RESOLUTION RELATING TO THE RATIFICATION OF MR JAVIER HERNANI BURZAKO AS DIRECTOR OF BME**

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The Appointments and Remunerations Committee, at its meeting of June 22, 2020, issues this report in relation to the proposal of the Board of Directors for re-election as a member of the Board of Directors of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, SA (hereinafter "BME" or "the Company") of Mr Javier Hernani Burzako, classified as an executive, in accordance with the provisions of the articles 529 decies, section 6, of the Corporate Enterprises Act and 20, section 2, and 22, section 1, of the Board of Directors Regulations, which charge this Committee with the task of reporting on proposals for appointment and re-election of executive Directors.

As it is expected that the Board of Directors will appoint Mr Hernani Burzako as Chief Executive Officer, if his re-election as Director is approved at the extraordinary General Shareholders Meeting, this report is also issued in relation to the proposed re-election.

### **I. Background**

As a consequence of the success of the Voluntary Public Offering for the Acquisition of Shares presented by SIX GROUP AG over the 100% of the share capital of BME, and the new shareholding structure of the Company, with a shareholder owning 93.16% of the share capital, the Appointments and Remunerations Committee has reviewed and evaluated the structure of the Board of Directors for the purposes of analysing the size and composition that would be appropriate to submit by this body.

The Appointments and Remunerations Committee concluded that it was advisable to re-elect as Director Mr Javier Hernani Burzako, classified as an executive Director.

Mr Hernani Burzako, who as of this date has a current term of office, was appointed Director by agreement of the ordinary General Shareholders' Meeting on 27 April 2017, following a favourable report from the Appointments and Remunerations Committee, and appointed Chief Executive Officer at the meeting of the Board of Directors also held on 27 April 2017 following the aforementioned General Shareholders Meeting.

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

The Appointments and Remunerations Committee has analysed the size, composition and structure that would be appropriate for the Board of Directors to effectively perform the functions attributed to it in view of the new shareholding structure of the Company, and in

accordance with the medium- and long-term planning of the structure and composition of the Board of Directors.

Specifically, among the criteria to be taken into account to determine the number of members considered appropriate by the Board of Directors and its composition, the aforementioned Planning makes special reference to the shareholding structure that the Company presents at all times and, in particular, the existence of owners of significant shares, as well as the composition requirements of the Board Committees and the possible modification of the activity carried out by the Company.

In this regard, to determine the number of members that the Board of Directors should have, the Appointments and Remunerations Committee has considered that the existence of a majority shareholder advises a reduction in the number of Directors.

It has also assessed the number of Board Committees on which the Directors will sit and the number and classification of the Directors that must be included on these Committees to comply with the legal requirements regarding their respective composition, to guarantee that the Directors have sufficient availability to correctly perform their functions.

Thus, the Appointments and Remunerations Committee has taken into account the existence of three (3) Board Committees, two of which, the Audit Committee and Appointments and Remunerations Committee must be made up entirely of non-executive Directors, of which, in the case of the Audit Committee, the majority must have the status of independent Directors, while on the Appointments and Remunerations Committee, at least two (2) have to be classified as independent Directors. The Markets and Systems Operating Procedure Committee does not have any qualitative criteria regarding its composition.

The Appointments and Remunerations Committee has evaluated the Recommendations of the Good Governance Code of listed companies, which refer to the size of the Board of Directors and those that refer to the functional structure of the Board of Directors, the degree of independence of this body and the proportion of proprietary and independent Directors.

In this regard, the Appointments and Remunerations Committee has concluded that six (6) Directors consider themselves to form the adequate number of members of the Board of Directors, to guarantee its effective, participatory and functional operations, of which one (1) would be classified as executive, two (2) as external independent and the remaining three (3) would be classified as external proprietary Directors, representing the majority shareholder SIX GROUP AG.

With this composition of the Board of Directors, the proportion between proprietary and independent Directors is considered to be in line with the shareholder composition, and there is a minimum presence of executive Directors.

In view of the above, together with the proposed re-election of Mr Javier Hernani Burzako, in compliance with the medium and long-term Planning of the structure and composition of the Board of Directors, and in line with the best governance practices, the Appointments and Remunerations Committee has assessed a proposal to reorganise the governance body, which sets the number of Directors at six (6) and the number of members of each of the Board Committee at three (3).

After this analysis, and simultaneously with the proposal to re-elect as Director of Mr Javier Hernani Burzako, classified as executive Director, will be submitted for approval by the by the extraordinary General Shareholders' Meeting, the proposal for the appointment of Ms Belén Romana García and the re-election of Mr David Jiménez-Blanco Carrillo de Albornoz,

classified as independent Directors, the ratify of Mr Johannes Bernardus Dijsselhof and Mr Daniel Schmucki and the appointment of Ms Marion Leslie, classified as proprietary Directors.

### **III.- Mr Hernani's professional background**

Mr Javier Hernani Burzako has a Bachelor's degree in Economics and Business Management from the University of Deusto; a Master's Degree in European Studies, specialising in Economics, from the College of Europe in Bruges (Belgium); and a Master's Degree in Advanced Management from the University of Deusto, where he completed his PhD.

He has held the position of CEO of Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME) since April 2017.

He has sat on the board of Operador del Mercado Ibérico de Energía-Polo Español, S.A. (OMIE) since 2019, and is a representative of BME as member of the Board of Directors of Operador do Mercado Ibérico (Portugal) SGPS, S.A. (OMIP).

He is joint director of several companies of the Group, Bolsas y Mercados Españoles Inntech, S.A.U., and Bolsas y Mercados Españoles, Servicios Corporativos, S.A., and up until 2019 he held the positions of Director at Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. and at Bolsas y Mercados Españoles Market Data, S.A.

Between December 2012 and April 2017 he served as Managing Director of BME, where since March 2003 he has worked as Finance Director and member of the Coordination Committee.

Previously, he was Deputy General Manager of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. (December 1998-March 2003), which he represented as a member of the Board of Directors of Servicio de Compensación y Liquidación de Valores (SCLV) until it merged with Iberclear. He sat on the Contracts and Supervisory Committee of MEFF until it merged with BME, and on various international forums such as the Federation of Ibero-American Stock Exchanges (FIABV) and the World Federation of Exchanges (WFE). He also served as Finance Director at Norbolsa, S.V.B. between September 1989 and December 1998, and as European financial sector consultant at Coopers & Lybrand in Brussels between June 1988 and August 1989.

### **IV. Procedure for the re-election as Director.**

Pursuant section 6 of article 529.decies of the Corporate Enterprises Act, and articles 22.1 a and 20.2 of the Board of Directors Regulations state that it is the Appointments and Remunerations Committee's duty to provide guidance to the Board of Directors on the latter's proposals for the re-election of Executive and Proprietary Directors to be submitted for approval by the General Shareholders Meeting.

Pursuant to article 6.3 of the Board of Directors Regulations, the category of each Director shall be explained at the General Shareholders Meeting where the appointment is to be made.

### **V.- Analysis of Javier Hernani Burzako's compliance with the requirements laid down by law and under the Articles of Association for re-election as Director.**

Mr Javier Hernani Burzako is currently a Director at the Company and, therefore, he is considered to have already accredited his compliance with the requirements of experience, expertise and integrity demanded to perform his duties.

Regardless of the foregoing, the Appointments and Remunerations Committee has evaluated Mr Hernani Burzako's professional track-record and confirmed that he fulfils the requirements of article 184 bis, section 1 of the Spanish Securities Markets Law, which substitutes article 152, section 1.f) of the same Law, referred to in point 3 of the additional provision six, stipulating that members of BME's Board of Directors have the acknowledged honourability, honesty and integrity and sufficient knowledge, competence and experience, and are able to act independently, and are in a position to exercise good governance at the Company.

The Appointments and Remunerations Committee has also verified that Mr Javier Hernani Burzako is not subject to any of the incompatibility causes and legal limitations which, to exercise his position, are established by the prevailing regulations and in article 213 of the Corporate Enterprises Act and articles 6.2 and 6.23 of the Board of Directors Regulations.

In this regard, the Appointments and Remunerations Committee has taken into consideration Mr Hernani Burzako's in-depth knowledge of the Company's activity and strategy and of the Spanish and European financial markets.

Based on the analysis of the aforementioned data, the Appointments and Remunerations Committee has concluded that the positions held by Mr Hernani Burzako in other companies do not constitute an obstacle to his re-election as Director and that he is available to provide the dedication required for the exercise of said position..

#### **VI. Category that would be assigned to the Director.**

Mr Javier Hernani Burzako has been classified as Executive Director of the Company in accordance with the provisions of article 529 duodecies, section 1, of the Corporate Enterprises Act, currently holds the position of Chief Executive Officer, and since 25 April 2019 he has been the chief executive of BME and responsible for the management of the Company's ordinary business, with the highest executive duties.

This classification has also been given on the basis that Mr Hernano Burzako will be subsequently re-elected as the Company's Chief Executive Officer by the Board of Directors.

#### **VII. Effects of the Director's re-election on the composition of the Board of Directors**

Simultaneously with the proposed re-election as Director of Mr Javier Hernani Burzako, classified as an executive Director, it is foreseen that the Board of Directors will submit the proposals to modify the Articles of Association to the extraordinary General Shareholders Meeting, in order to reduce the minimum number, from nine (9) to six (6), and the maximum number, from fifteen (15) to nine (9), members of the Board of Directors, the removal of Directors with a valid position at the date of the aforementioned extraordinary General Shareholders Meeting, which does not affect Messrs. Dijsselhof and Schmucki, and the setting of the number of members of the Board of Directors at six (6).

In line with the foregoing, the proposal for the appointment of six (6) Directors has been submitted to the extraordinary General Shareholders Meeting, of which two (2) would meet the status of external independent Directors, three (3) would be classified as external proprietary Directors and one (1) would be classified as an executive Director.

The Appointments and Remunerations Committee considers that this composition by category of the Board of Directors is appropriate for the Company's shareholding structure, in which SIX GROUP AG holds 93.16% of the share capital of BME.

Thus, the Board of Directors would be composed of a vast majority of external Directors, 83.33% of the total number of Directors, of which 50% would be external proprietary Directors and 33.33% external independent Directors, in accordance with Recommendation 17 of the Good Governance Code of Listed Companies for companies that have a shareholder that controls more than 30 percent of the share capital.

The presence of a third of external independent Directors guarantees, to the understanding of the Appointments and Remunerations Committee, an adequate and relevant representation of the interests of non-controlling shareholders, which represent 6.84% of the share capital, without any of them holding a significant stake.

With the proposed composition of the Board of Directors, the presence of female Directors on this body would account for 33.33% of the total number of Directors. This percentage would meet the target number of female directors set by the Appointments and Remunerations Committee of 30% of total Directors for 2020, in line with Recommendation 14 of the Good Governance Code of listed companies.

The geographic and cultural diversity of this body would also be increased by incorporating Directors of European origin and residence, who represent 50% of the total number of Directors.

#### **VIII.- Assessment of services provided by Mr Hernani Burzako during his last term of office.**

The quality of Mr Hernani Burzako's work and competencies as a member of the Board of Directors 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 its performance. In addition, the Board of Directors annually assesses the performance of the duties of the Chief Executive Officer.

Based on these reports, the Appointments and Remunerations Committee holds a positive view of the services rendered by Mr Hernani Burzako as a member of the Board of Directors since his appointment as Director, as well as the services he renders as Chief Executive Officer of the Company.

With regard to the temporary dedication of Mr Hernani Burzako during his term, the Appointments and Remunerations Committee has highlighted his attendance at all the meetings holds of the Board of Directors and his degree of preparation for the meetings, which shows his temporary availability to fulfil the dedication required for the performance of the position. The Appointments and Remunerations Committee considers that the proposed re-election of Mr Javier Hernani Burzako 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 shown since his appointment have been in the Company's best interest.

#### **IX.- Analysis of Javier Hernani Burzako's compliance with the requirements laid down by law and under the Articles of Association for appointment as Chief Executive Officer.**

The Appointments and Remunerations Committee, in accordance with the powers conferred on it by articles 16.bis, section 1, of the Board of Directors Regulations and based on medium and long-term Planning of the structure and composition of the Board of Directors, has examined the personal and professional responsibilities that the candidate who will occupy the

position of Chief Executive Officer must fulfil and has concluded that Mr Javier Hernani Burzako has the appropriate profile to be appointed Chief Executive Officer, in the event that the extraordinary General Shareholders Meeting resolves to re-elect him as Director.

**X.- Conclusion of the Appointments and Remunerations Committee.**

In light of the foregoing, the Appointments and Remunerations Committee, after due deliberation, has resolved to issue a favourable report on the proposal that, where appropriate, the Board of Directors would submit to the General Shareholders Meeting to re-elect Mr Javier Hernani Burzako as a member of the Board of Directors.

The Appointments and Remunerations Committee reports favourably on the appointment of Javier Hernani Burzako as Chief Executive Officer of the Company, should his re-election as member of the Board of Directors be approved at the extraordinary General Shareholders Meeting.