

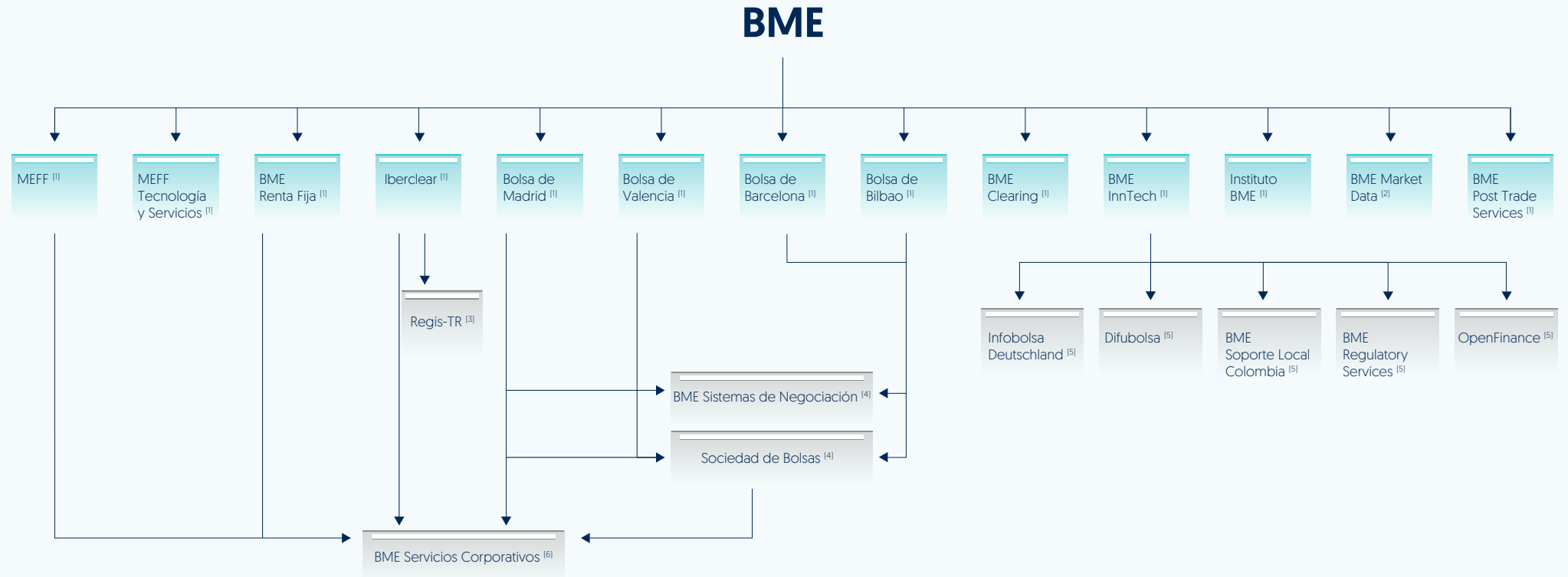
# 2. COMPANY PROFILE

The background is a complex digital composition. It features a large, semi-transparent wireframe globe in the upper left quadrant. A network of glowing blue nodes connected by thin lines is scattered across the scene, particularly concentrated in the lower left and right areas. On the right side, there is a blurred, blue-tinted image of a person walking through a modern office or hallway with large glass windows and pillars. The overall color palette is dominated by various shades of blue, from light cyan to deep navy.

COMPANY ORGANISATIONAL CHART AND OTHER COMPANY OWNERSHIP INTERESTS.

[G4-4, G4-5, G4-6, G4-8, G4-17]

The Bolsas y Mercados Españoles [BME] Group is made up of the following companies:



[1] BME holds a 100% stake in the share capital of MEFF Sociedad Rectora del Mercado de Productos Derivados. S.A.U. MEFF Tecnología y Servicios. S.A.U. Bolsas y Mercados Españoles Renta Fija. S.A.U. Sociedad Rectora de la Bolsa de Valores de Madrid S.A.U. Sociedad Rectora de la Bolsa de Valores de Valencia. S.A.U. Sociedad Rectora de la Bolsa de Valores de Barcelona. S.A.U. Sociedad Rectora de la Bolsa de Valores de Bilbao. S.A.U. BME Cleaning. S.A.U. Bolsas y Mercados Españoles InnTech. S.A.U. Instituto Bolsas y Mercados Españoles. S.L.U. and BME Post Trade Services. S.A.U.  
 [2] BME, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. y Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U. have a stake of 51%, 7.97%, 0.14%, 10.35%, 10.18%, 10.18% and 10.18% respectively in the share capital of Bolsas y Mercados Españoles Market Data. S.A.  
 [3] IBERCLEAR holds a 50% stake in the share capital of REGIS-TR.

[4] Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U., Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U., and Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.U. holds a stake of 25% in the companies Bolsas y Mercados Españoles Sistemas de Negociación, S.A. y Sociedad de Bolsas, S.A.  
 [5] Bolsas y Mercados Españoles InnTech, S.A.U. holds a 100% stake in the share capital of BME Regulatory Services, S.A.U., Infobolsa Deutschland, GmbH y BME Soporte Local Colombia, S.A.S., well as a stake of 99.99% and 81%, respectively, in the share of capital of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. y Openfinance S.L.  
 [6] MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U., IBERCLEAR, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U. y Sociedad de Bolsas, S.A. hold a stake of 11%, 9%, 21%, 48% and 11% respectively in the company Bolsas y Mercados Españoles Servicios Corporativos, S.A.

The corporate and operational headquarters of BME and of all the companies of the group (with the exception of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH, Regis-TR, S.A. and BME Soporte Local Colombia, S.A.S.) are located in Spain, the country where they carry out their activity, with the central headquarters of BME located in Madrid, Plaza de la Lealtad 1, and the main operational headquarters of the organisation in Las Rozas [Madrid], Calle Tramontana 2bis.

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

- **Cámara de Riesgo Central de Contraparte de Colombia, S.A.**, in which BME holds a stake of 9.91% in its share capital.
- **Bolsa Mexicana de Valores, S.A. de Capital Variable** with a 0.99% stake.
- **Operador del Mercado Ibérico de Energía – Polo Español, S.A. (OMEL)**, of which it indirectly owns through BME Regulatory Services 5.65% of its share capital.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.**, of which BME holds a 5% stake therein.
- **Sociedad Bilbao Gas Hub, S.A.**, in which BME holds a stake of 2.03%.

### Corporate transactions corresponding to the period 2017.

[G4-13]

The corporate transactions corresponding to the period 2017, were intragroup transactions which have not resulted in changes to the registered address nor the operational headquarters of BME, nor the closure or expansion of its offices.

The corporate transactions corresponding to the period 2017 consisted of the mergers by absorption of MEFF Euroservices, S.A.U. by MEFF Tecnología y Servicios, S.A.U. and Bolsas y Mercados Españoles Innova, S.A.U. and Visual Trader Systems, S.L.U. by Bolsas y Mercados Españoles InnTech, S.A.U. [previously known as Infobolsa, S.A.U.].

In addition, during the period 2017 Bolsas y Mercados Españoles InnTech, S.A.U. incorporated BME Regulatory Services, S.A.U. and BME Soporte Local Colombia, S.A.S. and Centro de Cálculo de Bolsa, S.A.U. have agreed to their dissolution and liquidation.

### Scale of the organisation.

[G4-9]

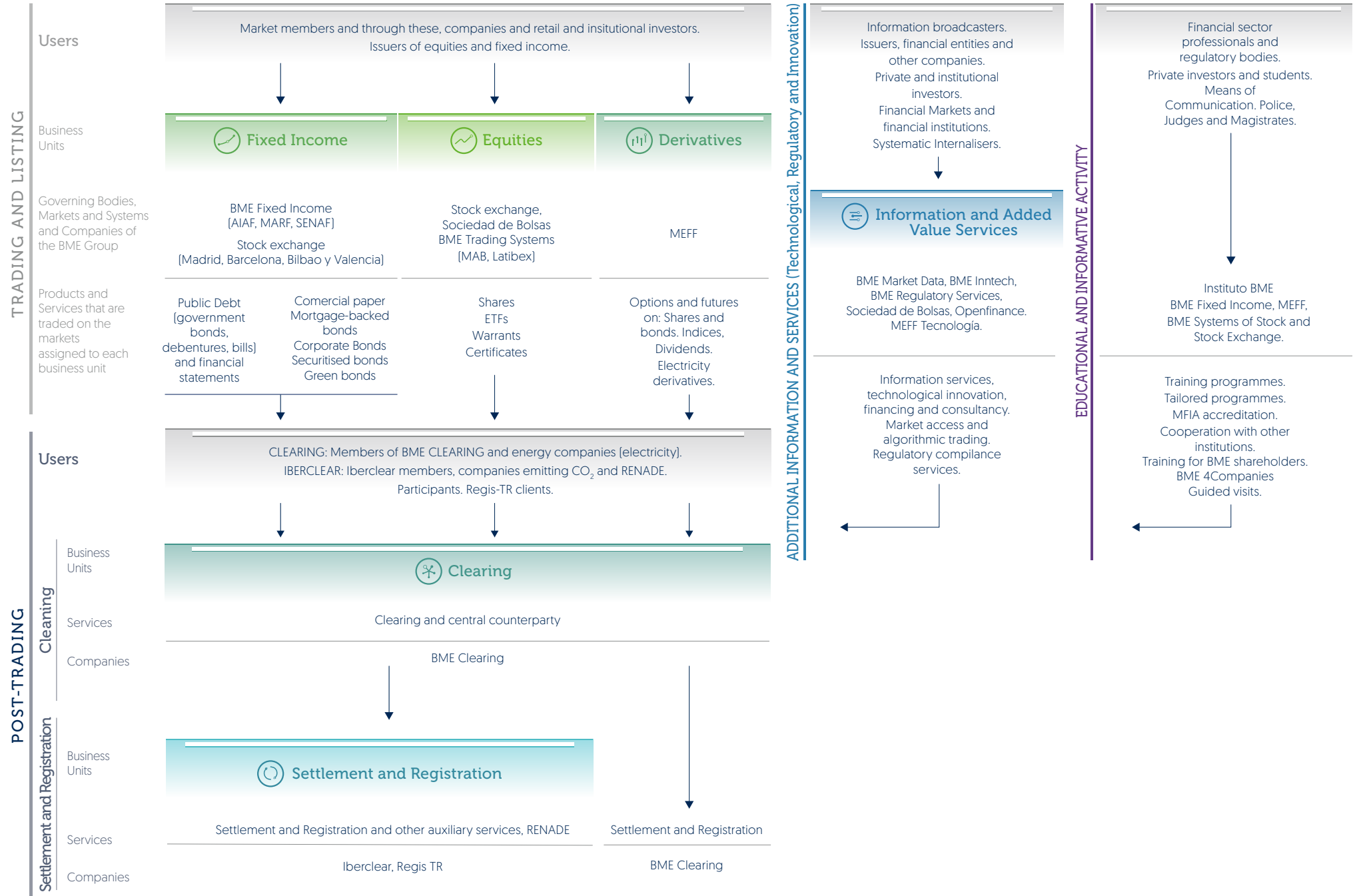
The following table details the necessary figures to determine the size of the organisation: total workforce, total capitalisation, equity, number of operations and net sales.

SIZE OF THE ORGANISATION			
	2015	2016	2017
Total Workforce	751	773	774
Total Capitalisation [Thousands of Euros]	433,082	423,792	430,147

### 2.1. Business model.

The following table contains a schematic representation of BME's value chain, which identifies the users of the main products and services provided by each one of the business units through the governing bodies and companies of BME Group. The educational and informative activity strengthens the aforementioned value chain and contributes to end-users and clients having necessary and sufficient knowledge to allow them to obtain their objectives with greater assurance, transparency and security.

**BUSINESS MODEL**



MISSION, VISION, VALUES AND OTHER KEY ELEMENTS OF THE BME BUSINESS MODEL

(G4-2)



Mission and Objectives

The mission of BME to be the go-to company for financial markets and systems in Spain, always striving to achieve service excellence and constantly innovate in markets and services. We also aim to create value for society and our shareholders.

The main objective of BME is to place the client in the centre of all corporate decisions and maximise the relationship with them in a manner so that excellence and the provision of the best service continue to be distinguishing features and BME's most recognisable hallmark.

BME also encourages the significant increase in its revenue through:

- organic and inorganic growth
- increased geographic and service diversification
- strengthening BME's solid business model by adapting it to the new environment
- customer equity.



Distinguishing Values

BME is a leader in the sector in terms of solvency, efficiency, impartiality, transparency and protection and returns for the shareholder. It is a dynamic and modern company that is committed to customer service, innovation and development, using its own technology which has been exported to numerous countries.



Necessary Resources

The necessary resources so that BME can carry out the activities detailed in the value chain centre on the workforce, the constant development of knowledge and in-house technology and the strengthening of the relationship with suppliers and users.



Value Generated by BME for its Stakeholders

- This is a source of financing and liquidity for companies, promoting the confidence of society in the financial system guaranteeing the proper functioning on the markets and undertaking the commitment to being a prominent leader of the economy of the Spanish companies and for Latin American companies through Latibex.
- It offers its users a wide range of products, services and trading systems based on an advanced and stable proprietary technology which adapts to its requirements. BME also provides global market access systems to issuers, intermediaries and investors around the world, with customers in Europe, America and Africa.
- It also encourages the professional and personal development of its employees through the constant improvement of the services and activities that it provides them, its training programmes and professional motivation.
- It focuses its activity on the generation of shareholder value and is trusted by millions of investors who benefit from one of the highest pay-outs on the Spanish stock market, exceeding more than 90%.
- It generates business between its suppliers, of a general and local nature.



Associated Risks and Policies Applied by the Group

Within the framework of its risk management system, BME considers, among others, the factors related to the environmental and social performance of the organization as well as other areas such as respect for human rights and the fight against corruption and bribery. The main risks associated with BME's activities are detailed in sections E and F of [BME's Annual Corporate Governance Report for 2017](#), which is available on the Company's corporate web site.

The policies applied by BME Group in relation to its activities, among others, the Corporate Governance Policy, Remuneration Policy for Directors, Dividend Policy, Communication Policy, Human Resources Policy, Remuneration Policy, Security Policy and Environmental Policy, as well as the measures adopted in relation thereto, are detailed in the Corporate and Social Responsibility Report which will be made available to shareholders on the occasion of the communication of the Ordinary General Shareholders' Meeting on the corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es)



Key Indicators of Non-Financial Results

See the key performance indicators of BME in Corporate Social Responsibility indicated in chapter 1.

## 2.2. Responsible management model.

[G4-56]

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

In this regard, BME and the Group's companies carry out their activity efficiently, responsibly and sustainably, managing the financial markets and systems in strict compliance with both domestic and international legislation, and in particular, economic, social and environmental legislation, as well as the codes it voluntarily embraces.

BME'S corporate social responsibility is an integral part of the Group's general strategy and day-to-day operations. It discloses all relevant information on financial and non-financial issues affecting the Company's activities with the utmost transparency.

Therefore, BME includes its basic principles of action in the Corporate Social Responsibility Report, which have taken into account the needs and priorities of the stakeholders in their definition.

### Issuance of green bonds

Through the markets and systems managed by the BME Group companies Fixed-Income issuers have begun in 2017 to issue financial assets associated with sustainable financing and investment criteria (green bonds), an increasingly important mechanism to mobilise financial resources towards environmentally and socially responsible projects, with a volume of capital channeled of 600 million euros.



### General conduct principles and guidelines.

[G4-DMA: Transparency and independence in operations, G4-DMA: Compliance]

BME has always been committed to setting a benchmark for the economy and for businesses in Spain and Latin America (through the Latibex). To achieve this, its actions are guided by the following principles:



#### Efficient service provision

Which is essential for the financial market to perform its key role in fostering sustainable economic growth.



#### Market integrity

Enabling several centres to undertake trading activity simultaneously and under identical conditions.



#### An impartial trading environment

Achieved through strict compliance with laws and regulations governing the financial markets and systems.



#### Transparency and fairness in the market

By providing complete information on market performance so that investors can operate under identical conditions, without privileges of any sort.



#### Innovation and cutting-edge technology

To provide the means necessary to help companies grow and participate actively in the creation of new financial products and the development of systems infrastructure.



#### Training

As a cornerstone for the sustainable development of financial markets.



#### Investor protection

Crucial for creating a bond of trust between investors and the market.

The Company's guidelines for the different actors involved in the markets and society in general can be summarised as:

- compliance with Spanish, Community and international laws and regulations, [among them, those that regulate the activities related to the securities market, accounting, employment, social, and environmental aspects and the supply and use of products and services deriving from their operations], and the codes to which it adheres voluntarily, as well as complying strictly with social ethics and best practice models in its business operations. In light of the foregoing BME has not made significant provision for fines or other concepts relating to environmental, social or corporate governance aspects in the audited financial statements;
- making the necessary efforts to ensure that relationships with users, investors and shareholders are profitable for all concerned;
- maintaining solid and fluid relationships with government and watchdog bodies through official channels;
- implementing clear procedures for selecting partners and marketing services and technology;
- continuing contact with shareholders and potential investors, and,
- building fluid relationships between the company, its employees and trade union organisations.

The BME group is committed to favouring transparency and free market rules, as well as competing in markets in a fair manner and not to carry out misleading or denigrating publicity of its competition or third parties. In 2017 no significant legal proceedings were filed for unfair or monopolistic practices or which were against free competition.

[G4-DMA: Transparency and independence in the operation, G4-DMA: Compliance, G4-56, G4-SO7]

## Initiatives and awards in 2017.

[G4-15]

The companies in the BME Group and its subsidiaries, and their employees, received the following awards in 2017:

- “All-Europe Executive Team” award by the magazine “Institutional Investor”, in which it has once again been recognised for the excellent work carried out by BME’s Investor Relations Department during 2016, reaping five awards.
- “Bonus 2017” Award from FREMAP MUTUA in recognition of BME as one of the main associate companies which contribute to the reduction of occupational fatalities and carrying out effective actions in the prevention of occupational accidents and occupational diseases.
- 2017 Award from the Board of Trustees of the Fundación Banco de Alimentos de Madrid [Food Bank Foundation of Madrid] in the Companies category for its contribution to the acquisition of machinery for its warehouses.



Human Resources Manager receives MAPFRE MUTUA “Bonus 2017” Award



Madrid Food Bank Foundation has granted BME with an award in 2017

**Tax transparency****25%**Average Corporate Tax rate  
(VS General Rate: 25%)

BME was also involved in the following national and international initiatives:

- [The Code of Best Tax Practices 2010](#). Practically all the companies forming the BME Group are adhered individually to the Code of Best Tax Practices, the aim of which is to promote a cooperative relationship between the Tax Agency and the BME Group companies that have adopted it, based on the principles of transparency, mutual trust, good faith and honesty between the parties.
- [The United Nations Global Compact \(UNGC\) since 2011](#), an initiative that aims to promote business sustainability through the implementation of 10 universal principles of conduct and action in relation to human and corporate rights, labour practices, the environment and the fight against corruption, in the strategy and the day-to-day operations of all types of entities, thus promoting sustainable development objectives. BME has complied with its fundamental responsibilities in the areas of human rights, employment, the environment and anti-corruption, by incorporating the principles of the Global Compact into its strategies, policies and procedures, and by fostering a culture of business integrity.
- [Sustainable Stock Exchanges \(SSE\), a United Nations project, since 2015](#), an initiative of which it is a Partner Exchange, the aim of which is to raise awareness of good corporate governance and social and corporate responsibility and to promote sustainable business practices.

Throughout 2017 BME has continued with its commitment with SSE through the dissemination of its ["Spanish stock exchange's Voluntary Market Guidance for Listed Companies for Corporate Reporting on ESG Information"](#), which contains, among other issues, the declaration in favour of the international standardisation of non-financial reports.

Accordingly, in the performance of the aforementioned commitment, BME encourages among the issuers of securities and the new companies listed on the markets and systems managed by BME (more than 20 new listed companies during 2017), the importance of reporting non-financial, environmental, social and corporate governance information in their periodic reports.

[G4-15]

**Tax transparency.**

[G4-DMA: Fiscal policy]

Effective tax management and greater legal security in tax matters enhance the results of the Company and the Group, and lessens the risks inherent in complying with tax obligations.

In this regard, on 30 September 2010 BME signed the Code of Best Tax Practices and, in response to these recommendations, in 2011 it approved certain [tax policy principles](#), which were updated in 2015.

The Board of Directors, subject to a favourable report by its Audit Committee, will approve the corporate transactions that might take place and that are considered relevant for the Company given the special tax treatment they receive - such as creation or acquisition of holdings in special purpose vehicles or those domiciled in countries or territories considered tax havens - and any transaction or business of a similar nature that might undermine the Group's transparency.

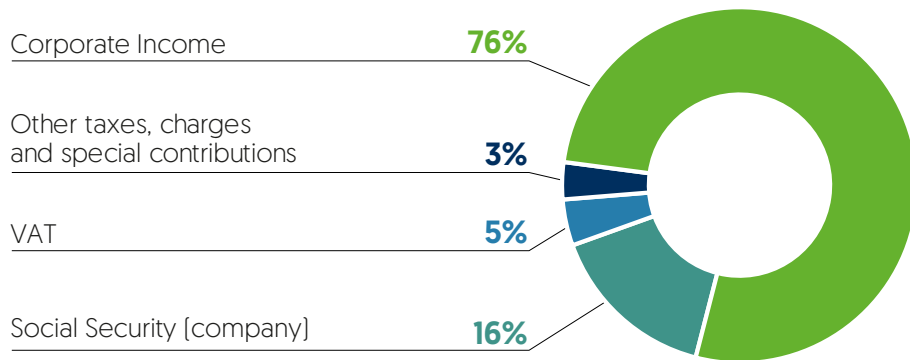


**Total tax contribution.**

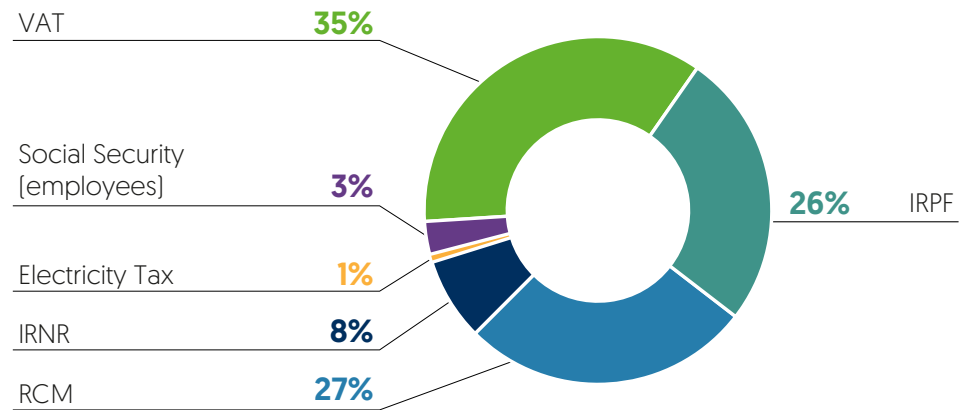
The total tax contribution of the Company, comprising taxes paid which involve a cash cost for the Company and taxes collected which are paid on behalf of other tax payers through the economic activity generated, amounted to 131,860 million in 2017, whereas in 2015 and 2016 this reached a figure of 134.4 million and 150.9 million respectively.

Within this context, special mention should be made of the fact that the average corporate income tax rate paid by BME Group in 2017, 24.73%, is very similar to the general rate for this tax, which is 25%.

**TAXES PAID 2017**



**TAXES COLLECTED 2017**



## 2.3. Security, ethics and integrity.

BME considers the assets of the BME Group, among which are its operational headquarters, data processing centres and the information associated with the services that it provides, as well as the information systems that support it, as strategic resources subject to special protection.

In this regard, the Company has identified as a material aspect of great importance for its stakeholders and its strategy, the secure, ethical and integral development of its activities, which is shaped by the logical and physical security policies adopted by the Company as well as by the Crime Prevention System and the Internal Code of Conduct and their implementing regulations. The documents containing the policies, regulations and procedures deriving from these issues have been distributed and made available to employees via the BME intranet.

### A) Security policy.

[G4-DMA: Security and accuracy of information]

With the aim of ensuring that the assets and persons associated with the BME Group are protected from threats and risks that may affect them, as well as safeguard the integrity of its employees, clients and partners, BME has approved the Security Policy which affects employees and directors of BME Group companies and any external contractors that may exist and, also the different assets of the Group, whether tangible and intangible, movable and immovable.

BME created the Security Committee, which has the participation of Senior Management, to direct and organise in a comprehensive manner the logical and physical security functions under a Comprehensive Security Management Model in line with the main standards such as ISO/IEC 27001, ISO/IEC 27002, ISO 22301 and ISO/IEC 31000.

#### Logical Security Policy.

BME's Logical Security Policy, which allows it to ensure the information and IT systems are protected from threats and the risk of data leaks such as intrusions, fraud, sabotage and industrial espionage, are implemented through the Information Security Policy and the Business Continuity Policy:

- *Information Security Policy*, the purpose being to prevent the abusive use of IT tools through the identification of prohibited and permitted conduct, the consequences that may derive from their abusive use and the control procedures to be adopted by Company Management.

To complement this Policy, BME has approved *the Policy on Handling Sensitive Information*, which sets out the criteria for classifying and handling documents depending on their level of confidentiality in order to reduce the risk of unauthorised access to the BME group's sensitive information.

BME has implemented a procedure, defined by the Information Security Department, which is applied to the management of Human Resources in the scope of the selection and recruitment of personnel, aligning it with the security requirements recommended by Standard ISO 27000, to ensure that the candidates understand their responsibilities and are suitable for the roles for which they are being considered, understand and comply with their duties in relation to information security and protect the interests of the organisation as part of the change process upon termination of employment.

In 2016 and 2017, a training program was implemented for employees to raise awareness and sensitivity regarding Information Security, this included questionnaires in order to test and reinforce knowledge on the subject. BME has also published an informative document with the most frequently asked questions by users when experiencing problems while browsing the Internet.

- *The Business Continuity Policy* details the technical and organisational initiatives that ensure the operations of BME in the case of a severe security incident.

#### Physical Security Policy.

The Physical Security Policy is described in the Physical Security Plan, which details the physical security measures implemented by BME to protect the facilities, especially the data processing centres where all the IT equipment and information, storage and processing systems are located.

## B) Ethics and integrity.

[G4-DMA: Ethics and integrity, G4-56]

The ethics and integrity at BME are one of the cornerstones upon which its commitment with its stakeholders is built. With this in mind, the BME Group sets out the general principles of action of its directors, legal representatives, management and employees through diverse means with the aim of establishing a framework that allows BME to create efficient measures to prevent, discover, investigate and, where applicable internally penalise the crimes and inappropriate conduct that may be committed with the resources or during the performance of their activities in BME and the companies of the Group.

### General principles for operating in the securities market.

[G4-56, G4-57, G4-58]

The company has in place an [Internal Code of Conduct \(ICC\)](#), that the Board of Directors maintain up-to-date and the purpose of which is to define the principles and framework for operating in the securities market for all BME personnel and the companies of its Group and any other person providing their services or maintaining a professional relationship with BME and its Group.

As per the ICC, and in line with the guidelines for disclosing insider information to third parties published by the CNMV [Spanish National Securities Market Condition], BME's [policy for the treatment and transmission of insider information](#), lists the measures and internal control procedures that should be established at BME and its Group companies to safeguard insider information.

In addition to these rules of conduct, BME has established a Procedure for reporting weaknesses in internal control and management systems, which establishes the channels any employee can use to inform the competent internal body of any irregularities detected in these systems. No irregularities or weaknesses were reported in the risk management and internal control systems in 2017.

These regulations and the implementation of the procedure for reporting weaknesses in internal control and risk management systems are an effective mechanism for detecting potential cases of corruption and fraud.

### Monitoring and compliance bodies.

Until 31 December 2017, the Markets and Systems Operating Procedures Committee and the Standards of Conduct Committee, the body reporting to the Committee, were the bodies responsible for the application, interpretation and monitoring of the Internal Code of Conduct and ensuring its compliance. As of 1 January 2018, the Markets and Systems Operating Procedures Committee shall be responsible for the interpretation and monitoring of the Internal Code of Conduct, while the Audit Committee shall be responsible for the processing and, where applicable, the imposition of the penalties for non-compliance of the Internal Code of Conduct on the members of the Board of Directors and persons with managerial responsibilities.

The Board of Directors oversees the activities of its delegated Committees, among these being the Markets and Systems Operating Procedures Committee, with an annual assessment of its performance, through the Activities Report of these Committees. The monitoring of the actions carried out for the compliance of the Internal Code of Conduct may be consulted in the [Reports on the activities of the Board of Directors and of the committees](#), all corresponding to 2017, which are available on the corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es).

### General principles governing the actions of BME employees.

[G4-DMA: Ethics and integrity, G4-56, G4-57, G4-58, G4-SO4, G4-SO5]

With the aim of combating and preventing all types of crimes, and in particular fraud, corruption and bribery, which may potentially materialise in the performance of the activities carried out by the Company and to strictly comply with the legislation in force, BME has established a crime risk prevention system, which is based on general preventive controls, consisting of the rules, bodies and procedures and communication channels and other specific preventive controls such as the Integrated Risk Management System and the review carried out by the Regulatory Compliance and Internal Audit Departments.

Among the general preventive controls that facilitate the prevention of crime and the fight against corruption, bribery and fraud, are:

- [Code of Conduct; The Code of Conduct](#) which comprises the ethical principles and rules of conduct by which all directors, legal representatives, managers and employees must comply.

As an illustrative tool the “Principles of Action Guidelines for Employees” is available to employees, with the aim of providing them with knowledge of those conducts that may imply a risk of becoming classified as a crime.

- [Crime Risk Prevention Model: The Principles for crime risk prevention of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and its Group Companies](#), which are the basis of the Crime Risk Prevention System, described among other documents in the general and specific part of the Crime Risk Prevention Manual, were updated during 2015 and 2016 due to the entry into force of the modification to Spain’s Penal Code.

*The Whistleblowing Channel*, available to employees on the Human Resources intranet together with its Usage Policy, establishes the procedure for communicating and processing the facts from which it may be inferred that there is evidence of non-compliance with the policies or procedures implemented by the Group, non-compliance with the Code of Conduct or other aspects that may be evidence of a possible crime, such as corruption, bribery or fraud. In 2017, a communication was received through the Whistleblowing Channel, upon completion of the procedure no evidence was detected of a non-compliance with the policies or procedures implemented by the Group, non-compliance with the Code of Conduct or any other aspects that could be evidence of a possible crime.

The Crime Prevention Committee, answerable to the Audit Committee, was set up for the implementation, development of and compliance with BME Group’s criminal risk prevention system.

In order to raise awareness among employees of the importance of these crime prevention risk measures, the company has developed and given a specific training course on this topic to all of its employees with the aim of raising awareness of the crimes that may be committed within the scope of the activities carried out by BME and its Group companies.

In particular, the Code of Conduct establishes the principles and guidelines of conduct to prevent actions related to the typical conduct associated with, for example, the crimes of corruption among civil servants or bribery and corruption in international business transactions, as well as the crimes of passive bribery and the exercise of undue influence and against the Spanish Taxation Authorities and Social Security, the controls of which aimed at mitigating the risks of committing associated conduct are detailed in the Special section of the Crime Risk Prevention Manual.

In addition, the members of the Boards of Directors and certain positions of the companies of the BME Group that are considered supervised entities, must sign an Honesty Statement in which they declare that they do not have prior convictions for any serious fraudulent or negligent crime related to, for example, the provision of financial services and data services, acts of fraud, misappropriation of funds, bribery, or misconduct in the management of a company.

In this manner, BME, through the above channels effectively fights against any case of corruption, bribery or fraud that may affect, where applicable, the companies of the Group, the employees of BME and of its Group companies and the rest of persons who provide services or engage in a professional relationship with BME or its Group companies. No cases of corruption, bribery or fraud were reported or identified in 2017.

[G4-56, G4-57, G4-58, G4-SO3, G4-SO4, G4-SO5]

#### **Monitoring and compliance bodies.**

[G4-45, G4-46, G4-SO3]

The Risk Prevention Committee, reporting to the Audit Committee, is the internal control body that has autonomous power to act upon its own initiative and control and is charged with the supervision of the functioning of the compliance with the prevention model implemented in BME Group.

This Committee, which has the support of the Regulatory Compliance Department and the General Secretary and the Board, is charged with the supervision of the effectiveness of the internal controls implemented in BME Group, it monitors the measures adopted within the scope of crime risk prevention, regularly informs the Audit Committee regarding the activity carried out, proposing, where necessary, any improvements or specific updates to the controls and procedures of the Crime Prevention System.

The Audit Committee is charged with the supervision of this System and of submitting before the Board of Directors for approval any proposals to modify the Crime Risk Prevention Manual, as well as inform this body of any actions initiated as a result of any breach or non-compliance of a criminal nature.

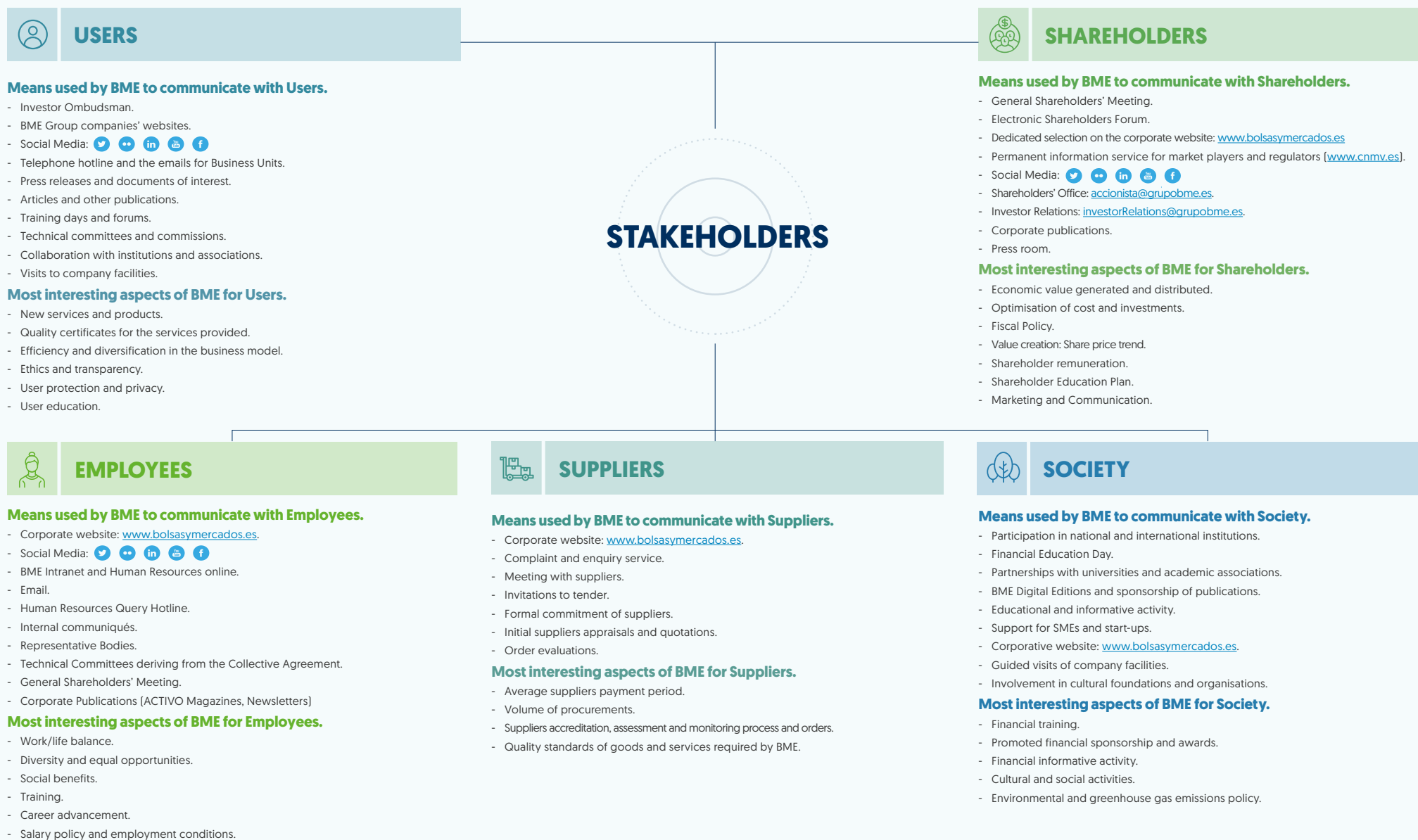
The Company’s Internal Audit Departments is responsible for periodically auditing those processes likely to be affected by corruption, bribery or fraud, as well as the risks of fraud that the Board of Directors have identified as a result of determining the management and risk control policy.

## 2.4. Relationships with stakeholders and other relevant sectors.

### A) Relationships with its stakeholders.

[G4-27]

BME has in place a series of measures for relating with its stakeholders through which these may be informed of the activities carried out by the Company and through which they may communicate their queries and suggestions.



## B) Relationships with Public Administrations and other relevant sectors.

[G4-DMA: Transparency and independence in operations, G4-EC4, G4-SO6]

In view of the importance of the functions performed by BME in ensuring the smooth running of financial markets and, by extension, the Spanish economy, the company must maintain a smooth relationship with public bodies through official channels, predicated on strict adherence to applicable regulations, and with the domestic and international media.

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

BME did not receive any financial aid from the government or public authorities in general in 2017. Notwithstanding the foregoing, BME is adhered to the system that the State Foundation for On-the Job Training makes available to all companies and which consists of financial aid, which is made effective by way of Social Security contribution credits.

	2015	2016	2017
Monetary value of financial aid deriving from the State Foundation for On-the-job Training system	64,372 €	59,241 €	67,690 €

## 2.5. Corporate governance and risk management.

[G4-DMA: Good governance]

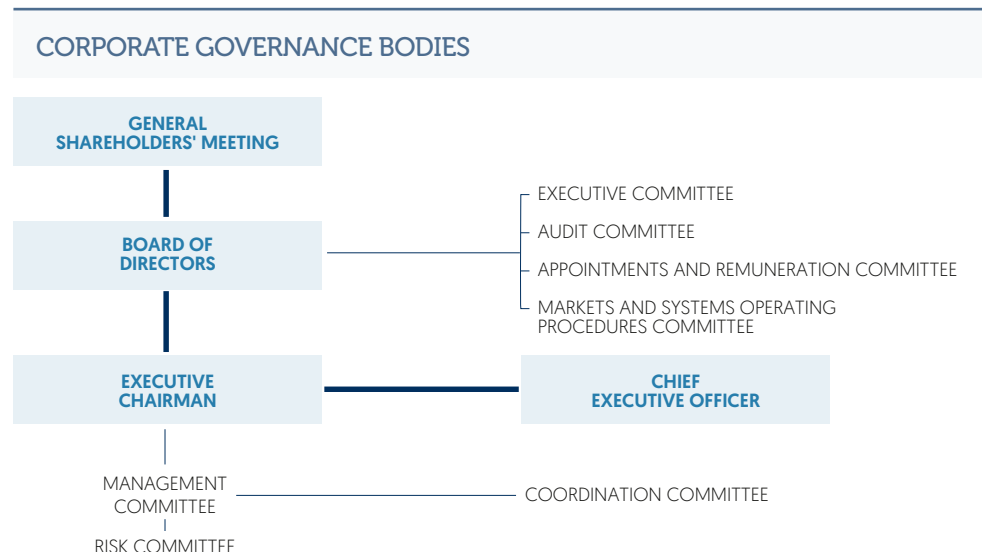
### A) Corporate Governance.

[G4-8, G4-34, G4-39]

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

In this regard, BME’s Board of Directors has approved its [Corporate Governance Policy](#), which is available on the corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es) together with the other [Corporate Policies](#) (such as, [the Directors’ Remuneration Policy](#)), and which details the principles and aspects that govern the actions of the Company and its Group in this area, as well as the commitments undertaken for the continuous improvement and review of the corporate governance regulations of the Company and its Group.

BME’s internal regulations are available under the [“Shareholders and investors”](#) section on the corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es).



As at 31 December 2017, the **Board of Directors**, the most senior governing and administrative body of the Company and responsible for approving the Corporate Capital Social Responsibility Policy, was made up of 12 members of recognised capacity, integrity and independence. After the passing of Manuel Olivencia Ruiz on 1 January 2018, an external independent director, the Board of Directors was reduced to eleven members.

## Composition of the Board

75%

External directors



The composition of the Board of Directors as at 31 December 2017 complied with the recommendations of the Good Governance Code for listed companies, with 9 external directors (2 proprietary, 6 independent and 1 other external director) and only 3 executive directors.

## COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2017

DIRECTORS	Position on the Board	Character	Length of service on the Board	Committee			
				Executive Committee	Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Procedures Committee
Antonio J. Zoido Martínez	Chairman	Executive	15.02.2002	Chairman	-	-	-
Javier Hernani Burzako	Chief Executive Officer	Executive	27.04.2017	-	-	-	-
Ignacio Garralda Ruiz de Velasco	First Deputy Chairman	External independent	27.02.2014	Member	-	-	-
Margarita Prat Rodrigo	Second Deputy Chairman	External independent	05.06.2006	Member	Chairman	-	-
Manuel Olivencia Ruiz	Lead Director	External independent	05.06.2006	-	-	Chairman	-
Maria Helena dos Santos Fernandes de Santana	Director	External independent	28.04.2016	-	-	-	-
Álvaro Cuervo García	Director	External independent	05.06.2006	Member	Member	Member	-
Carlos Fernández González	Director	Other external director	25.03.2014	-	-	Member	-
Joan Hortalá i Arau	Director	Executive	15.02.2002	-	-	-	Chairman
Karel Lannoo	Director	External independent	05.06.2006	-	-	-	Member
Juan March Juan	Director	External proprietary	30.10.2014	-	Member	-	Member
Santos Martínez-Conde y Gutiérrez-Barquín	Director	External proprietary	30.10.2014	Member	-	Member	-

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

\* Deputy Secretary of the Board and of the Committee: Cristina Bajo Martínez.

\* Legal advisor: Jaime Aguilar Fernández-Hontoria.

The Directors classified as internal proprietary directors represent the only legal entity shareholder with a significant share of the share capital, whereas the presence of directors classified as external independent directors on the Board guarantees the protection of the interests of the minor shareholders.

The professional backgrounds of the members of the Board of Directors, which are available on the corporate website [www.bolsasymercados.es](http://www.bolsasymercados.es), detail the posts and activities they perform in the companies of BME Group and other companies outside of the Group.

The Executive Committee, as per the Board of Directors' Regulations, is responsible for supervising the implementation of the Company's corporate social responsibility policy and monitoring the strategy and practices of corporate social responsibility.

[G4-8, G4-34, G4-39]

All the information on corporate governance is available under the “[Shareholders and investors](#)” section on the corporate website. In particular, the information relating to the powers of the Board of Directors, the roles allocated to the Company’s chief executives, the appointment, re-election, evaluation and removal procedures of Directors, the management of conflicts of interest, the measures adopted to guarantee there is a sufficient number of women Directors on the Board to ensure the balance between genders, the evaluation processes of the performance of the Executive Chairman, Chief Executive Officer and the Board of Directors and its Committees is detailed in the [Annual Corporate Governance Report](#) and the [Report on the Activities of the Board of Directors](#), for 2017.

BME’s [Directors’ Remuneration Policy](#) is transparent, reasonably proportional to the importance of the Company, its financial situation and the market standards of comparable companies and is compatible and in line with the business strategy, values and long-term interests of the Company and of its shareholders and is such that it promotes the long-term profitability and sustainability of BME. For Executive Directors, it shows a balanced and efficient relationship between fixed and variable components, with an appropriate proportion of variable components linked to (i) the delivery of medium- and long-term objectives, and (ii) the deferred delivery of Company shares. Likewise, the information relating to the remuneration policies of the Directors, their remuneration process and the consideration of stakeholders with regard to these remunerations is detailed in the [Annual Report on Directors’ Remuneration](#) for 2017.





## BME's structure

[G4-35, G4-36]

As established in the company's Articles of Association and Board of Directors' Regulations, the Board of Directors has entrusted the running of its ordinary business to its delegate bodies, the Board's executive members and the senior management team, and it falls to the Board of Directors to foster, direct and supervise those issues of special importance for the Company.

Accordingly, the Company has an **Executive Chairman**, the most senior executive and hierarchical superior, and a **Chief Executive Officer**, entrusted with managing the ordinary course of the Company's business with maximum executive functions, and who shall directly inform the Board of Directors and its Chairman regarding the progress of the Company.

BME's senior management forms the **Management Committee**, which is the body that directly supervises the management of the Business Units and Corporate Areas, ensuring a coordinated action between them, as well as that between the Company and the Group's companies.

### MANAGEMENT COMMITTEE (\*)

Antonio Zoido Martínez (Chairman)

Javier Hernani Burzako (Chief Executive Officer)

Jorge Yzaguirre Scharfhausen (Head of Markets And the Fixed Income, Equities and Derivatives Units)

Jesús Benito Naveira (Head of the Settlement and Registration Business Unit)

Ramón Adarraga Morales (Head of the Market Data and Value-Added Services Business Unit)

Marta Bartolomé Yllera (Financial Director)

Francisco Nicolás Tahoces (Technology Director)

Pablo Malumbres Muguerra (Corporate Communication Director)

Jaime Aguilar Fernández-Hontoria (Legal Services Director)

[\*] Ignacio Solloa Mendoza and Luis García Berral, the respective Head of the Clearing Business Unit and Director of Human Resources, may also attend the meetings of the Management Committee.



In the performance of their duties, the Management Committee shall have the support of the **Coordination Committee**, formed by members of the Management Committee and any other directors that the Chief Executive Officer should appoint. The Coordination Committee is responsible for the supervision and monitoring of the results of the Business Units, the projects that are being developed in the Group and the Groups' Strategic Plan.

Given the group's corporate structure, the coordinated management of its activities is based on a structure of six business units and seven corporate areas providing support functions to all business units. With the aim of improving efficiency and advancing in the diversification of the Group, during 2017 BME reorganised the resources, departments and companies of the Market Information and the IT & Consulting Business Units, grouping the different activities of the companies relating to information and added value services in the areas of technology, regulation and innovation into the Information and Added Value Services Unit.

[G4-35, G4-36]

## BUSINESS UNITS

Head

	<b>Fixed Income:</b> Trading of private fixed-income and public debt securities as well as listing and maintenance services for issuers on the private fixed-income market.	
	<b>Equities:</b> Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) or on the stock exchange floor, as well as listing and maintenance services for issuers on the equity market.	Jorge Yzaguirre Scharfhausen
	<b>Derivatives:</b> Trading of derivatives by electronic means.	
	<b>Clearing:</b> Clearing and central counterparty activities for equities, financial derivatives, public debt repos, interest rate derivatives and electricity derivatives.	Ignacio Solloa Mendoza
	<b>Settlement and Registration:</b> Registration and settlement of equity, private fixed income and public debt trades.	Jesús Benito Naveira
	<b>Market Data and Value-Added Services:</b> Primary information, index licences and other, technological, financial and consultancy innovation services, global access and algorithmic trading services and Regulatory Compliance services.	Ramón Adarraga Morales

## CORPORATE AREAS

Person Responsible

<b>Legal Services</b>	Jaime Aguilar Fernández-Hontoria
<b>Corporate Communications</b>	Pablo Malumbres Muguerza
<b>International Coordination</b>	Ramón Adarraga Morales
<b>Financial</b>	Marta Bartolomé Yllera
<b>Human Resources</b>	Luis García Berral
<b>General Secretariat</b>	Luis María Cazorla Prieto
<b>Technology</b>	Francisco Nicolás Tahoces

### Independence of the external auditor.

Irrespective of the maximum time limits for contracting auditors set down in audit regulations, BME has considered and continues to consider the number of consecutive years in which the external audit firm has audited the annual financial statements of the Company and its Group, in order to foster the independence of the auditors so as to increase transparency in the Company. Accordingly, an [annual report is approved regarding the independence of the external auditor of BME and its consolidated Group](#), available on the corporate website, which details the fees received by the external auditor and its associated companies from BME and its consolidated Group for auditing work and services additional to those of auditing accounts.

### B) Risk management.

[G4-45, G4-46]

The risks associated with the activities of BME Group companies are managed with criteria which enable the Company to combine the achievement of its aims of maximising its value, profitability and efficiency, with other legitimate interests, both public and private, in a way that allows the best development and functioning of those markets and systems operated by BME Group companies.

BME's risk management is based on two main pillars: good corporate governance and a rigorous internal control system.

As a result of the corporate governance structure mentioned in the above section, the management of the risks deriving from the various activities that BME carries out are initially channelled through the specific systems of identification, measurement, assessment and management that each Business Unit and Corporate Area has available in relation to the risks that may be incurred.

In addition, the Risk Committee which reports to and works with the Management Committee to implement risk management and control policy is responsible for, among other duties, the preparation of the corporate Risk Map and the implementation and monitoring of the risk assessment model defined and adopted by the Management Committee.

In the preparation and maintenance of the Global Risk Map risks are prioritised according to their importance and with the production of matrices that include the operating processes that manage such risks.

BME has put in place an Integrated Risk Management System (IRMS), based on the methodological framework set out in the COSO II report. This ensures that any significant risks that could affect the Group's objectives and activities are identified, evaluated and controlled, and which permits the integration of different risk management systems already existing in the Company, among which are: the Internal Control over Financial Reporting System (ICFRS), the Criminal Risk Prevention System (CRPS) and the Information Security Management System (ISMS). This integration exercise enables the optimisation, at an organisational level, of all risk management efforts and also establishes a formal and coordinated risk information channel from the base of the different corporate Areas and Business Units to the Board of Directors.

Having evaluated the relevant risks, BME Management must define how to respond to them, for which it must take into account both its effect on the risk probability and impact, as well as the costs and benefits.

Although BME's IRMS affects and involves all Company personnel, the main participants in the risk management model, in addition to the Management Committee, are the following:

- The **Board of Directors**, as the Company's senior governance and administrative body, defines the control and management policy for risks, including tax risks, and annually monitors internal information-management and control systems, to ensure that the main risks are adequately identified, managed and made known.
- The **Audit Committee**, which reports to the Board of Directors, monitors the effectiveness of the Company's internal control and risk-control systems, including tax risks, the Company's internal and external audit services, and the Group's Regulatory Compliance function.
- The **Crime Prevention Committee**, reporting to the Audit Committee, is responsible for the implementation, development of and compliance with BME Group's criminal risk prevention system.
- The **Risk Committee**, is the body answerable to the Management Committee, responsible for the monitoring and analysis of risks deriving from the activities carried out by the companies of the Group and for maintaining the Board of Directors informed, through the Audit Committee, of the actions performed in the implementation of the risk control and management policy.
- The **Security Committee**, is the body responsible for defining and applying BME Group's Security Policy, which includes the information, IT, and physical security.
- The **IT Security Team**, is responsible for implementing, operating and maintaining the Information Security Management System (IRMS), in accordance with the Security Committee's guidelines.
- The **Internal Audit Department**, is charged with providing senior management and the Board, through the Audit Committee to which this department reports, with information that enables them to fulfil the company's objectives, including assessment and evaluation of the efficiency of the risk assessment tasks carried out. Its remit is therefore aimed at evaluating and improving the efficiency of the risk management processes, control and governance, by identifying key risks and controls.
- The **Regulatory Compliance Department**, a body independent to the Company's executive officers with the aim of ensuring compliance with the regulations applicable to the activities carried out by BME and its Group companies and which reports to the Audit Committee.
- The **heads of the Business Units and Corporate Areas**, are the ultimate owners of the risks arising therefrom.
- The **employee responsible for the risk**, is the owner of the risk for each Business Unit or Corporate Area appointed by their respective heads.

The main risks associated with BME's activities are detailed in sections E and F of [BME's Annual Corporate Governance Report for 2017](#), which is available on the Company's corporate web site. In particular, BME explains how to manage and mitigate the risks identified in section E.6 of the aforementioned report, in which it describes the response and supervision plans for the Company's main risks.

[G4-45, G4-46]