

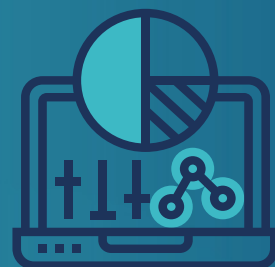


19 **BME** X
BOLSAS Y MERCADOS ESPAÑOLES

ANNUAL REPORT

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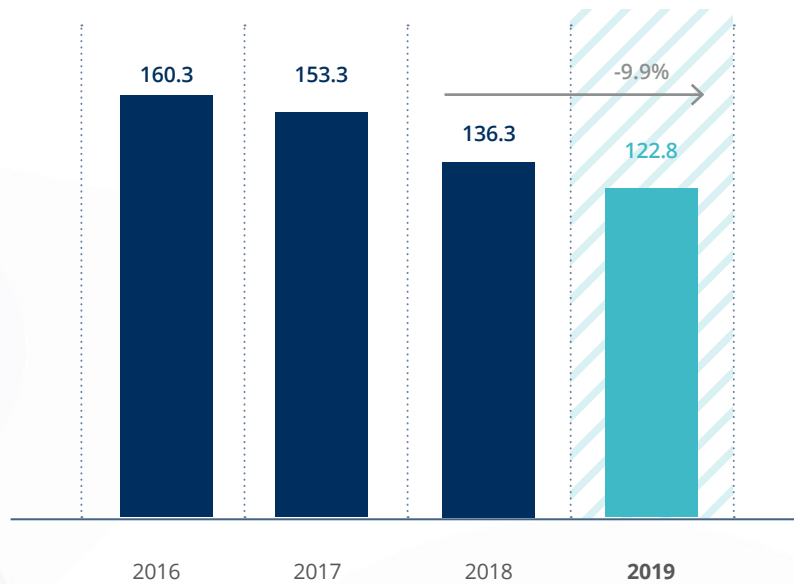


1. Year Highlights

>> Year Highlights

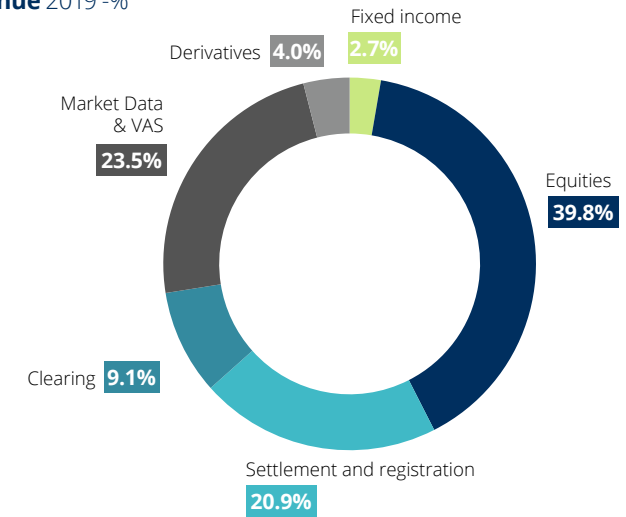
■ NET PROFIT

MILLION EUROS

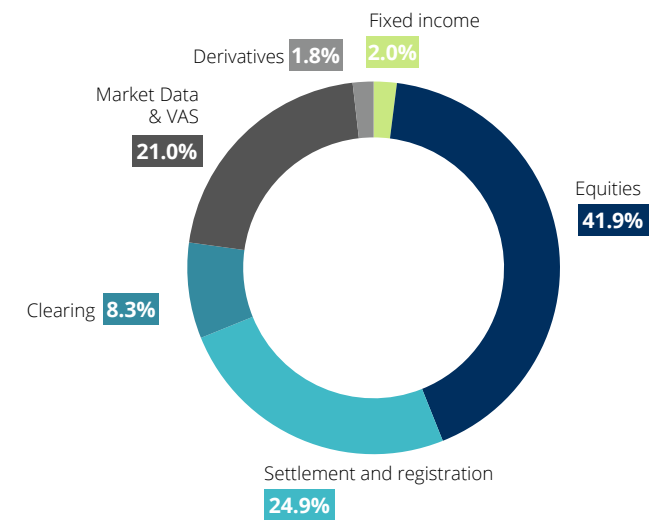


■ REVENUE + EBITDA

Net consolidated revenue 2019 - %



EBITDA 2019 - %



>> Year Highlights

■ BALANCE

(THOUSAND EUROS)

	2019	2018
Goodwill	87,725	87,725
Other non-current assets	110,017	90,813
Cash and cash equivalents	251,438	270,336
Current financial assets	7,219	6,247
Other current financial assets - operating	12,352,165	13,876,242
Other current assets	(11,447)	(8,772)
Total assets	12,885,680	14,410,328
Equity of Parent	382,844	399,210
Non-controlling interests	809	410
Non-current payables	61,670	40,233
Current payables	12,440,357	13,970,475
Total equity and liabilities	12,885,680	14,410,328

The comparative figures for 2018 correspond to pro-forma data for the adoption of IFRS 15.

■ INCOME STATEMENT

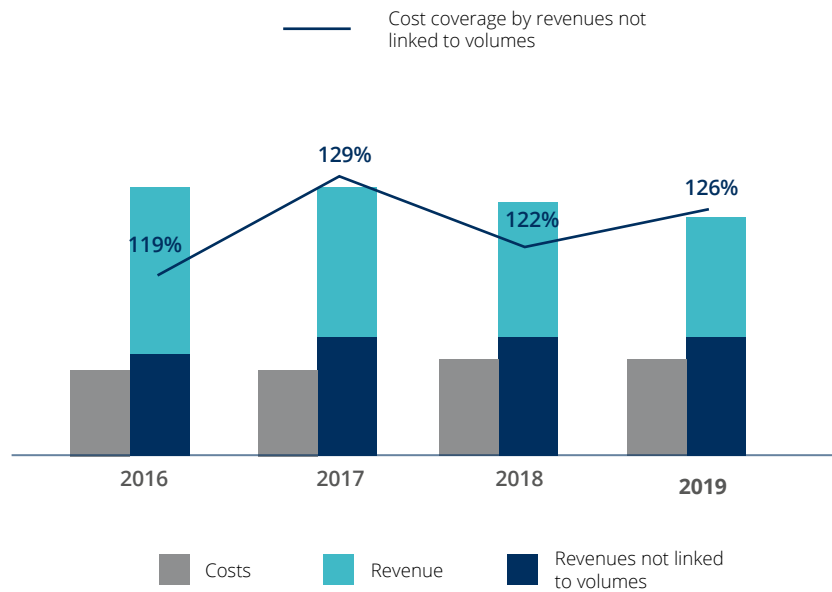
(THOUSAND EUROS)

	2019	2018	%
Revenue	285,392	304,156	-6.2%
Operating costs	(115,451)	(118,090)	-2.2%
EBITDA	169,941	186,066	-8.7%
EBIT	160,492	177,231	-9.4%
Net finance income	(503)	206	-344.2%
Share of profit/(loss) accounted for using the equity method	1,934	2,389	-19.0%
EBT	161,923	179,826	-10.0%
Net profit	122,756	136,288	-9.9%

The comparative figures for 2018 correspond to pro-forma data for the adoption of IFRS 15.

>> Year Highlights

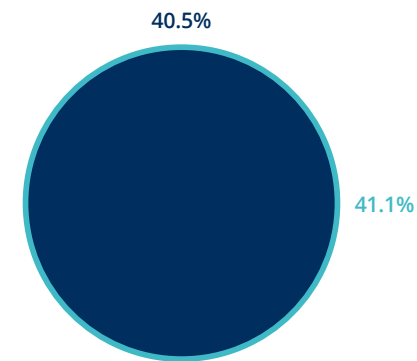
■ ROBUST OPERATIONAL LEVERAGE



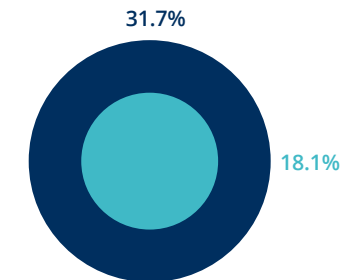
The comparative figures for 2018 correspond to pro-forma data for the adoption of IFRS 15.

■ CORE RATIOS VS. SECTOR

Efficiency



ROE



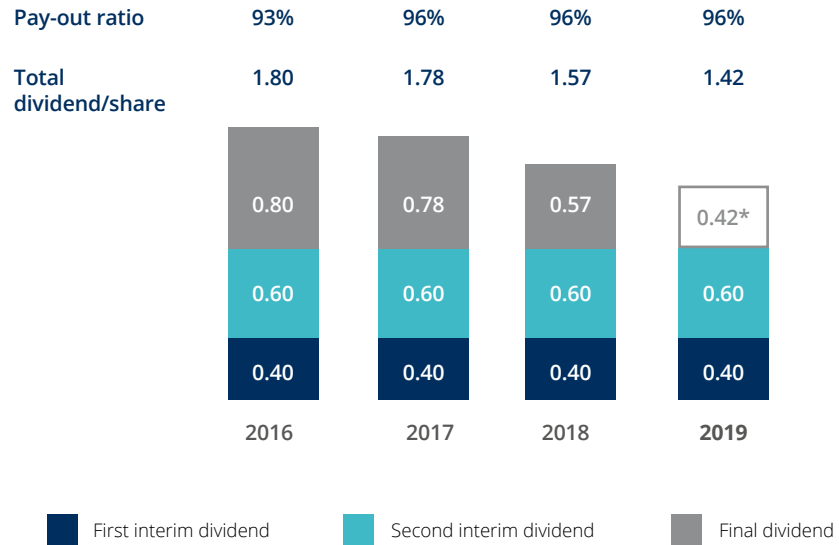
● BME ● Sector average

BME data for 31 December 2019.

The average data for the sector has been calculated using published pro-forma financial information without including goodwill impairment charges.

>> Year Highlights

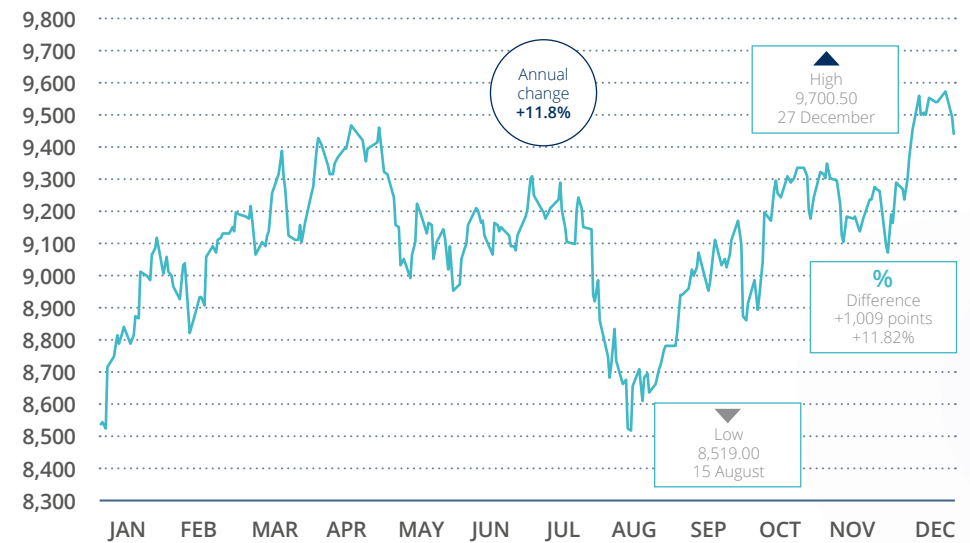
■ DIVIDENDS: MAXIMISE SHAREHOLDER REMUNERATION



(*) **Pay-out:** Proposed final dividend: €0.42/share (8 May 2020)

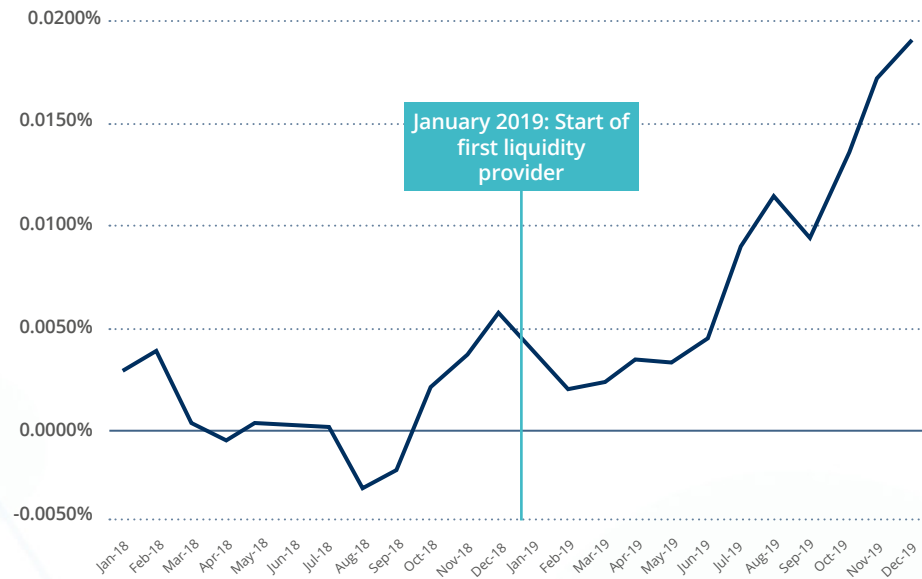
■ IBEX 35 IN 2019

DAILY FIGURES IN POINTS

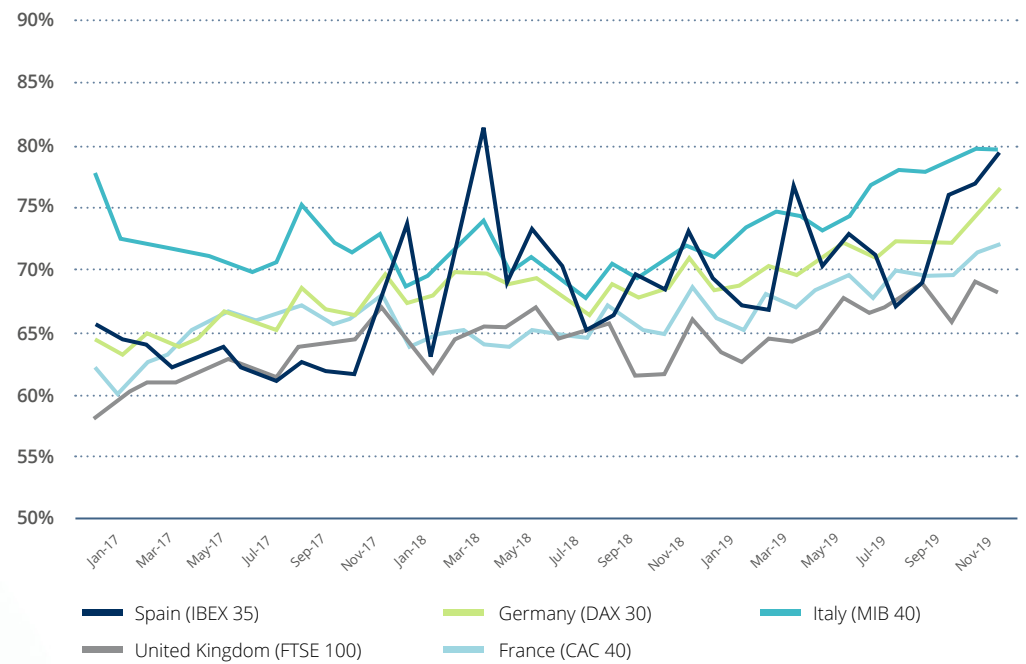


>> Year Highlights

■ SPREAD BETWEEN BME AND CBOE EUROPE (JANUARY 2018-2019)

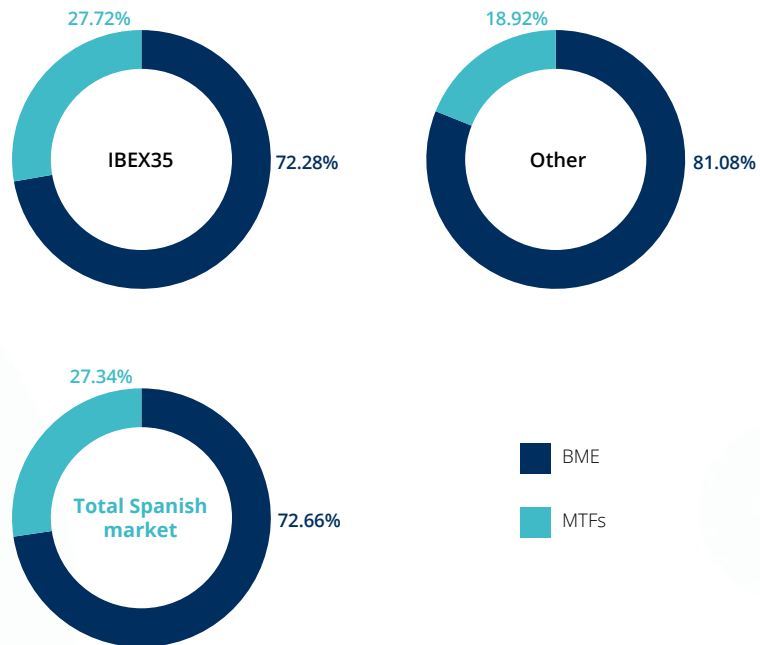


■ MARKET SHARES OF EQUITIES OF THE MAIN EUROPEAN EXCHANGES



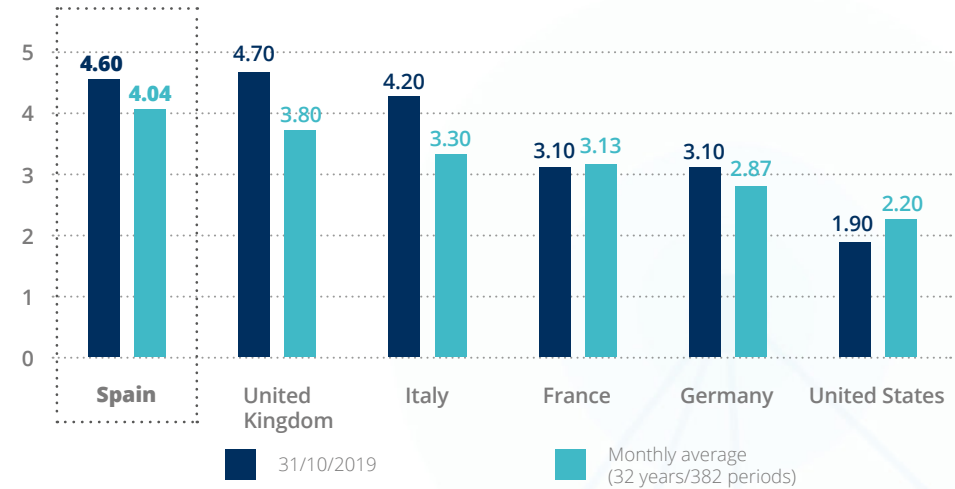
>> Year Highlights

2019 MARKET SHARES



INTERNATIONAL LEADERSHIP IN DIVIDEND YIELD

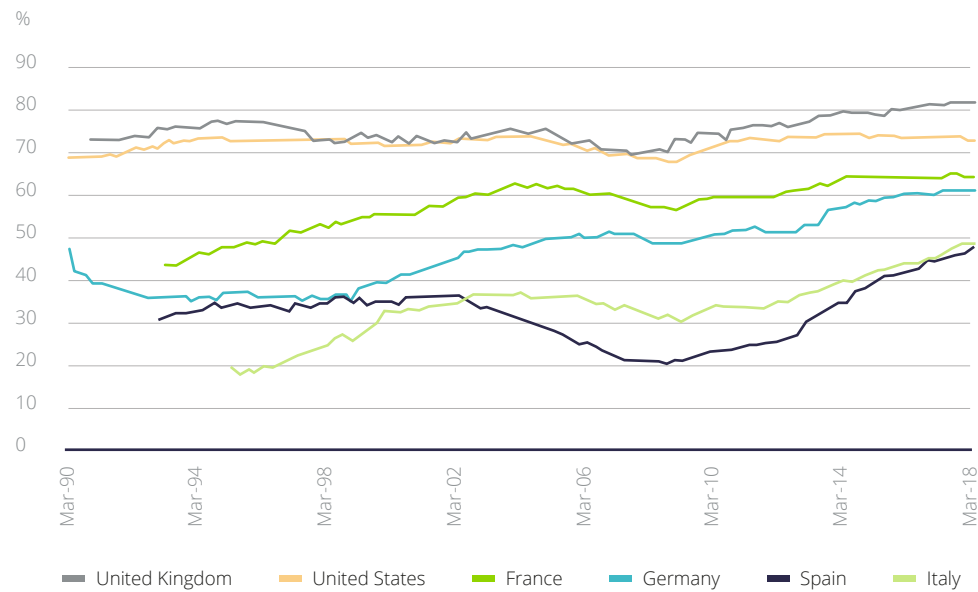
IN %



Source: Morgan Stanley Cap. Int (November 2019)

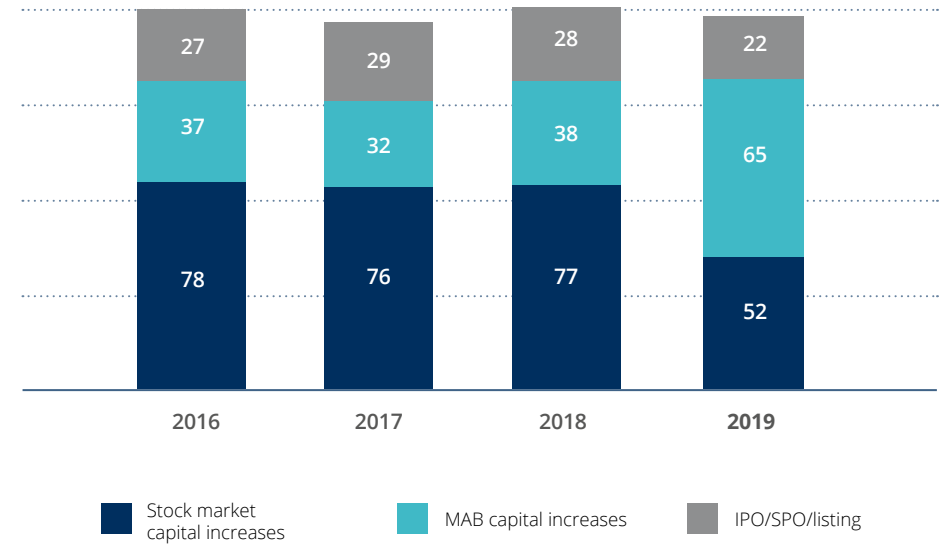
>> Year Highlights

MARKET FINANCING (%) VS. BANK FINANCING. NON-FINANCIAL COMPANIES (1990-2018)



CAPITAL INCREASES ON THE SPANISH STOCK EXCHANGE

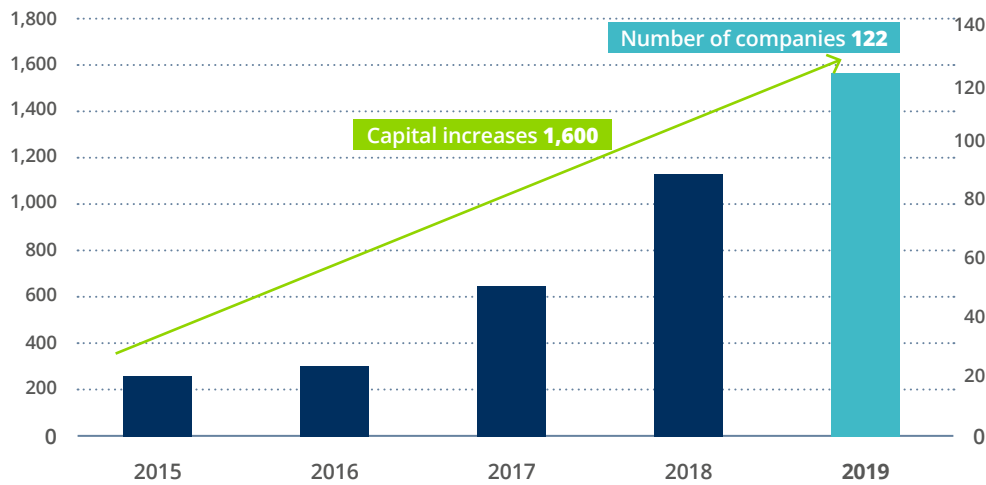
IN NUMBERS



>> Year Highlights

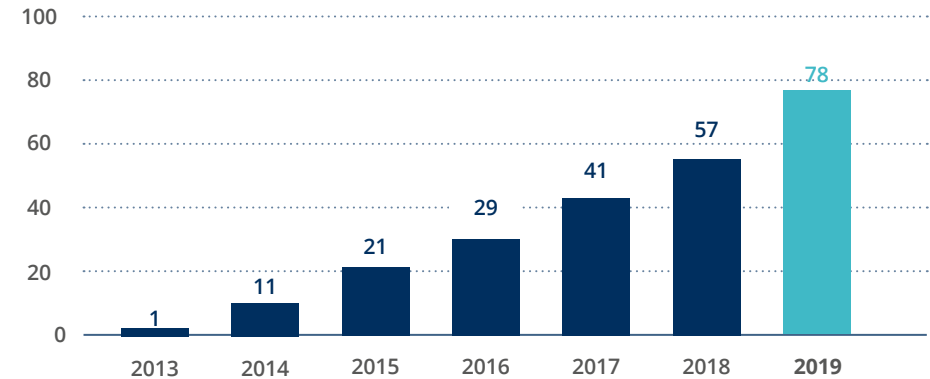
■ MAB. GROWTH IN FINANCING AND COMPANIES

MILLION EUROS



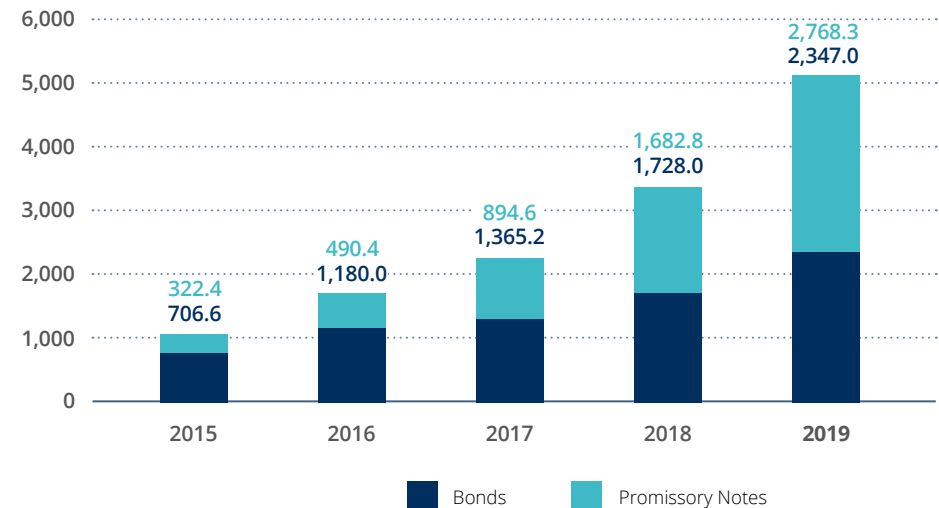
■ COMPANIES FINANCED THROUGH MARF SINCE ITS CREATION (2013-2019)

ACCUMULATED FIGURES FROM 2013 UNTIL THE END OF EACH YEAR.



■ MARF: OUTSTANDING BALANCE AT THE END OF THE PERIOD (2015-2019)

FIGURES IN MILLION EUROS



>> Year Highlights

■ MAIN KEY PERFORMANCE INDICATORS

ECONOMIC / OPERATIONAL



Economic value generated: **287,106** thousands of euros **(-6.91% vs 2018)**



Shareholder remuneration through dividends: **103,106** thousand euros in dividends **(-13.70% vs 2018)**



Record of financing small cap companies through alternative markets: **10,357** in fixed income in MARF **(+63% vs 2018)** and **1,642** million euros in shares in the MAB **(79% vs 2018)**

ENVIRONMENTAL



Indirect greenhouse gas emissions (associated with the consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle): **2,752.50 t of CO₂** **(-12.08% vs 2018)**



Internal energy consumption (consumption of electricity and natural gas): **33,577.64 GJ** **(2.08% vs 2018)**



13 years forming part of FTSE4Good IBEX

SOCIAL



Economic value distributed to stakeholders: **285,008** thousands of euros **(-8.67 vs 2018)**



BME economic investments aimed at benefitting the community: **1,243** thousand euros **(13.51% vs 2018)**



Training provided through the BME Institute with the aim of disseminating financial knowledge: **4,097** hours **6,062** students

>> Year Highlights

STAKEHOLDERS



SUPPLIERS

90.42% of BME's suppliers are local.



COMPANY

17.2% and **48.1%** of the value of listed shares are held by Spanish households and foreign investors, respectively.



USERS

Leading Exchange in Dividend Yield **4.5%** for listed companies (according to classification of market prepared by MSCI).



EMPLOYEES

14.09 hours/employee. Ratio of training hours received per employee.



SHAREHOLDERS

Based on the average number of BME shareholders during 2019, **95.53%** are minority which held **41.67%** of the share capital.



2.

Presentation Letters



Letter from the Chairman

>> Presentation Letters / Letter from the Chairman

Dear shareholders,

I am pleased to present the Annual Report for 2019, a favourable year for securities markets in terms of yield. Both equity and fixed-income markets performed well, despite expectations of a more sustained recovery in world economic growth not being met. This factor prevented the main central banks from returning to normalised monetary policies and led to further cuts in interest rates, which in some cases even entered negative territory.

In Europe, especially in the Eurozone, the economic slowdown - already visible at the end of 2018 - was exacerbated by the downturn in the German industrial sector and the uncertainty generated by Brexit. Meanwhile, the Spanish economy confirmed its entry into a more mature phase of the cycle.

Against this backdrop, global stock markets closed 2019 with gains of over 20%; offsetting the previous year's losses of 10%. The Euro STOXX 50 rose 24.8%, in line with France (+26.4%), Switzerland (+25.9%), Germany (+25.5%) and the Netherlands (+23.9%). The IBEX 35® increased by 11.8%, dragged down by the poor relative performance of the banking sector, which has considerable weight in the Spanish stock market. The Dow Jones gained 22.3%; the S&P 500 was up 28.9% and the benchmark Nasdaq 100 technology sector index increased by almost 38%. There was an 18.2% rise in the Nikkei index, while the MSCI EM showed a 15.1% growth in emerging market yields. More detailed information on all this is given elsewhere in the Report.

In 2019, the Spanish stock market was once again one of the international leaders in dividend yield, with a ratio of 4.5%, particularly attractive in an environment of interest rates close to zero. Without doubt, this is one of the attractions of the Spanish stock exchange for international investors, who own 48% of the total value of listed Spanish companies.



Antonio J. Zoido, BME Chairman

>> Presentation Letters / Letter from the Chairman

In absolute terms, total shareholder return reached 31,706 million euros in 2019, up 5.3% on the previous year. In this same period, total market capitalisation increased by 11.5% to once again exceed one trillion euros.

The solidity of the Spanish stock exchange was also reflected in the technical quality of its market operations, one of our key characteristics and to which we have always given our full attention and resources. At the end of 2019, the BME equity market maintained its benchmark position for Spanish listed securities, both in price spreads and the depth of its order book.

Despite all these positive factors, we must point out that the rise in prices occurred with lower levels of volatility and trading. According to the VIBEX index, the average daily implied volatility for the year was 13.7%, which represents a drop of 1.3 points compared to 2018 and 10 points compared to 2016.

BME's results

BME's 2019 earnings reflect this low level of equity trading activity. The Company recorded a profit of 122.8 million euros, 9.9% less than in the previous year. These results represent earnings per share of 1.48 euros.

It is also important to emphasise that BME closed the year with efficiency and return on equity ratios once again above those of other comparable market operators, demonstrating the solvency of its business model.

BME's CEO, Javier Hernani, takes a more in depth look at these figures in his welcome letter and there is extensive information on the financial data throughout this extensive Report.

Finally, I would like to refer to the takeover bid for BME's entire share capital that the company received on November 18, from the Swiss operator SIX Group and which, without a doubt, has been one of the main milestones in the Company's year. The offer includes an industrial plan which enhances BME's strategy and the Board of Directors has issued a favourable opinion on the tender offer.

I would like to end, by stressing the key role of markets in business financing. Spain continues to make positive progress along the right path. The belief that excessive leverage needs to be reduced, that more capital is needed, and, in short, a more evenly distributed overall financial balance sheet, is now generally accepted.

Changes in financing, technology and communication will lead to mechanisms where equity has a greater role and debt a lesser one. The end of the excessive weight of bank funding, the available technology and the existing communication culture, will lead to new substitution mechanisms, an increase in the importance of equity compared to debt, and to the use of other assets that can support the various different items on companies' balance sheet.

The results presented in this annual report are satisfactory and place BME in a favourable position to compete in the face of the challenges that lie ahead of us. The Company is ready to make the decisions necessary to ensure its continued growth.

Thank you very much.

Antonio J. Zoido
Chairman



Letter from the Chief Executive Officer

>> Presentation Letters / **Letter from the Chief Executive Officer**

Dear shareholders,

BME finished a positive year for the markets in 2019, but the environment of low interest rates, reduced volatility and moderate trading volumes in the main Equity markets around us were detrimental to the Company's results.

As regards BME's activity, we once again focused our efforts on transforming the company to consolidate ourselves as the benchmark market infrastructure provider for financial institutions, relying on technological development and the talent of our professionals.

Results

BME obtained a net profit of 122.8 million euros in 2019, which represents a decrease of 9.9% compared to the previous year. Net income was 285.4 million euros, 6.2% less, while operating costs fell 2.2% to 115.5 million euros.

The return on equity (ROE) outstripped peer companies again this year: it finished the year at 31.7%, which means that it is 13.6 percentage points better than the average value of the sector.

The ratio of non-volume revenues stood at 126%, four percentage points above the 2018 figure. This figure reflects the lower dependence of BME's results on the volume cycle, an exogenous issue over which we have no control.

Growth of financing via the stock market

One of the clearest lessons of the last financial crisis is the importance of diversifying companies' sources of finance, to make them less dependent on bank credit. Economies with a better balance between bank and capital markets funding overcame this adversity faster and more effectively. Spanish companies have taken due note of this, and 2019 was a relevant year in the transformation of the financing structure of listed companies.

This goal, which is promoted by the Capital Markets Union, connects with BME's core activity, insofar as it offers companies different alternatives to finance themselves through the markets.

Last year, new flows of investment and financing in shares stood at 16.71 billion euros, ranking the Spanish stock market thirteenth in the world and second in the EU, according to data provided by the World Federation of Exchanges (WFE).

The growth in financing through capital increases was especially significant. These operations amounted to 13.36 billion euros, 32.62% more than in 2018.

It is true that the new IPOs were scarce again, since the main market took in a single new share (Greenergy), while in the MAB, BME's Growth Market, there were 22 additions. The strong growth registered by the alternative markets of BME, MAB and MARF, BME's Fixed Income market, are the best sign of this change in the business financing model.



Javier Hernani, BME CEO

>> Presentation Letters / Letter from the Chief Executive Officer

BME offers companies the Pre-Market Environment ("EpM") before they reach MAB or the Main Market, as a project that allows them to rehearse their market listing. At the end of the year there were already 12 companies in the EpM, which offers them training and greater access to investors.

Another of the year's key markets was again the MARF. The outstanding balance of this BME market grew 54% last year, and by the end of 2019, 78 companies had financed themselves through this alternative Fixed Income market since its creation in 2013. Of these, six are Portuguese, demonstrating the interest shown by companies in the flexibility of this financing instrument.

The stock market is the ideal setting to diversify the financing of companies and strengthen their balance sheets. BME's job is to continue offering a multitude of access routes to it, so that each company can choose the one that best suits their needs.

Other highlights of the year

There are many milestones that marked the last year for BME, one in which we focused on continuing to improve our services. Some of the highlights of 2019, distributed by business areas, were as follows:

Flows channelled of listed shares amounted to 15.35 billion, up by 42.4%, thanks to capital increases.

Fixed Income trading on BME platforms rose last year by 63.1%.

The total volume of Financial Derivative contracts traded on BME increased last year by 3.3%, to 44.9 million contracts. We launched the new xRolling Fx product.

BME Clearing's net income grew by 2.2% in the fourth quarter of the year. Activity in energy segments such as gas and electricity has increased.

In 2019 Iberclear obtained the licence from the regulator to continue to provide its services in accordance with the requirements established in the Regulation on improving securities settlement in the European Union, also known as CSD Regulation.

At Market Data we have refocused business based on the consolidation of the traditional services offered and, in parallel, the creation of new products and services such as the LED project in Latin America to provide market data from the region.

In the area of Value-Added Services, new projects have been implemented such as the empowerment of the Regulatory Solutions Hub (RegTech Solutions) or the Innovation Labs project, with the Artificial Intelligence and DLT laboratories.

Finally, as you know, BME has received a tender offer for the acquisition of 100% of its shares by the Swiss group SIX, which is subject to the acceptance of 50% of the shareholders. As I write these lines already the Spanish Government and the stock market supervisor (CNMV) have officially authorised the transaction. The offer includes an industrial plan which enhances BME's strategy. The Board of Directors has qualified the Offer and the Transaction as amicable.

Our strategy, our investment plan and organisational efforts will continue to be focussed on improving this business model and transforming it towards the future: enhancing our range of products and services, listening carefully to our clients, and making BME part of the technology revolution that is already taking place.

We intend to remain front-line competitors to achieve growth that allows us to increase our size and specific weight, giving priority, as we have to date, to the generation of value for our shareholders.

Thank you very much.

Javier Hernani.
Chief Executive Officer



3

The Market Environment

>> The Market Environment

Activity in securities markets in 2019 was marked by a generalised global slowdown that started in the first half of 2018, followed by a return to growth following the reactions of monetary authorities.

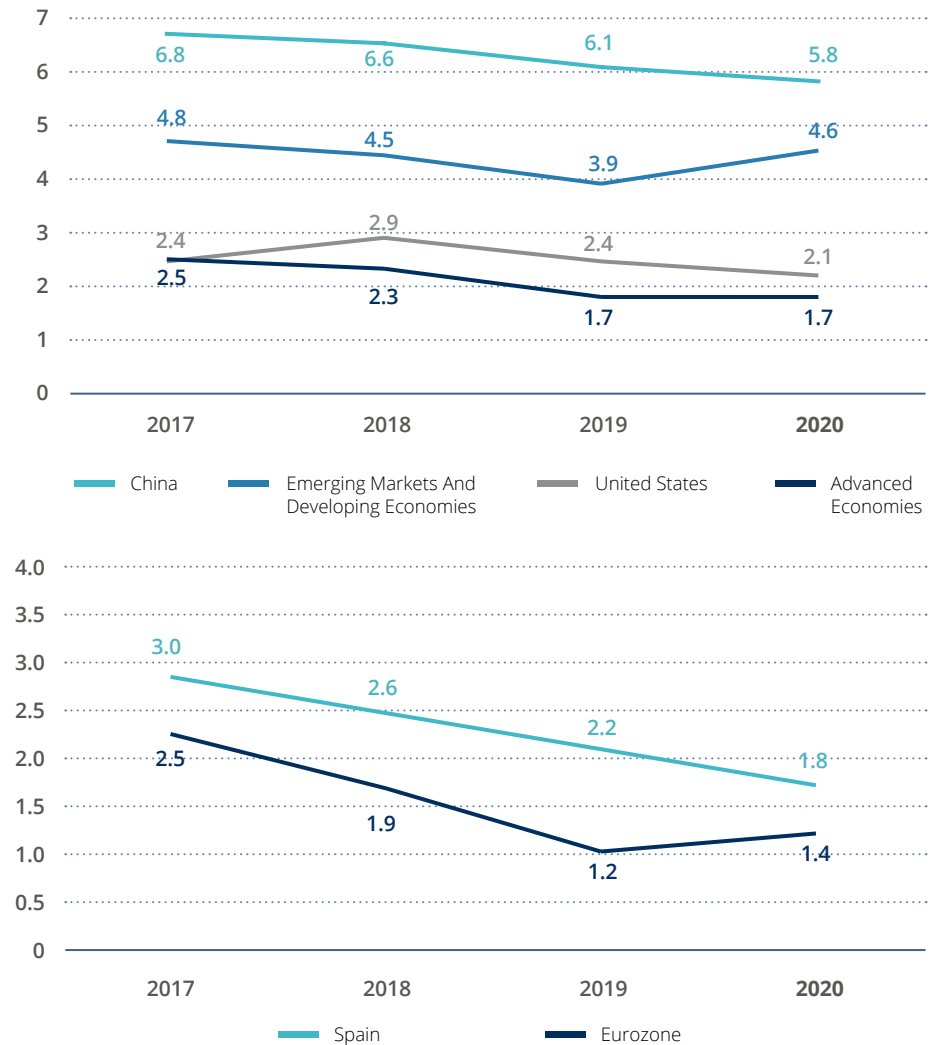
At a time of geopolitical and trade risks affecting both developed and emerging economies, the activity and results of listed Spanish companies have flagged somewhat. However, they are continuing to shore up their solvency and restructure their funding structures, even if the rapid reduction in debt levels on their balance sheets over recent years braked in 2019.

In summary, the global economic slowdown, political and internal sector factors, low volatility and very low rates contributed to lower trading in equities in 2019, but fostered the use of fixed income products by companies and investors. It seems likely that these trends will continue over the coming months.

In terms of business finance, this backdrop of economic pessimism, together with rock bottom interest rates, is making it difficult for companies to make decisions, such as whether to float on the stock market. However, it is encouraging financial leverage with lower public exposure (venture capital, for example) and other alternatives drawing on outside funds offering historically low financing costs. At the same time, equities and stable remuneration in the form of dividends have become more attractive for building portfolios, helping to explain the increases in share prices during the year. These trends were reflected in the figures for the Spanish securities markets during the year, like others worldwide. However, Spanish securities markets have been among the most active in terms of new funding and investment flows for their listed companies for more than a decade.

■ THE SLOWDOWN IN ECONOMIC GROWTH CONTINUED IN 2019

GDP (% ANNUAL VARIATION)



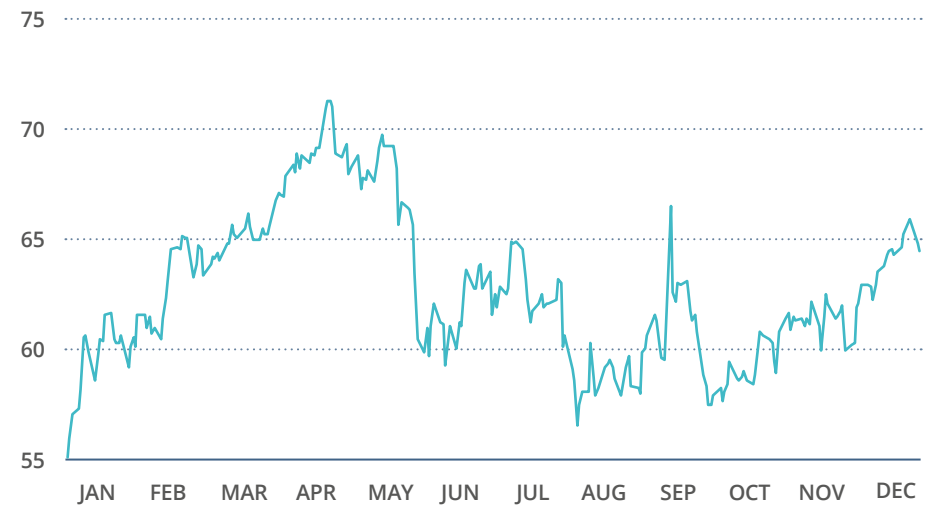
>> The Market Environment

Many of the business and macroeconomic factors in play a year ago remain:

- The change in the monetary policy cycle started by the US in 2018 came to a halt in 2019. This was reflected very intensively in Europe, taking the 10-year German bond to negative rates. This is unexplored financial territory, which is generating distortions and wide-ranging debate about the direct and collateral effects of this situation. Calls for a coordinated expansionary fiscal policy response from countries with the capacity to commit resources point to a path that seems essential for redirecting monetary policy to more recognisable terrain
- The euro continued to weaken against the dollar throughout the year, while oil prices repeated the pattern from 2018, when they rose continuously during the year before falling sharply by around 35% in the final quarter. However, the timing was somewhat different in 2019, with the price of Brent crude climbing 40% in the first four months of the year but falling by about 20% since then.
- This weakness of the euro is directly linked to the weakening of economic activity in Germany, the driver of the European economy. This is, after monetary policy, one of the main drivers of the behaviour of the Spanish risk premium, which increased by almost 80% in 2018, before falling from 120 basis points to almost half that in 2019.
- Listed companies are skirting these difficulties, reporting a slight decrease in aggregate profit (in the first half of the year), but improving their financial position by capitalising on favourable funding conditions.
- The aggregate net profit of IBEX 35® companies fell back by around 2.5% in the first six months of the year, compared to the same period in 2018. However, turnover increased by 3.5%, supported somewhat more than in recent years by a slight improvement in the domestic market.

■ OIL PRICE 2019 (BRENT \$)

DAILY DATA



>> The Market Environment

The macroeconomic backdrop displayed a gradual loss of steam in 2019, particularly in the manufacturing and, to a lesser extent, service sectors. Leading international economic organisations have repeatedly revised down their estimates of global GDP growth for 2019 and 2020. In October, the IMF estimated global growth for 2019 at 3%, six tenths less than in 2018 and the lowest rate of the last decade since the financial crisis. The world economy will grow by 3.4% in 2020, with developed countries growing by 1.7% in 2019 and 2020.

Turning to the European economy and the Eurozone in particular, the pace of the slowdown already noticeable at the end of 2018 has quickened, with the downturn in the German industrial sector and the uncertainty generated by Brexit. According to the IMF's October forecasts, the Eurozone will grow by 1.2% this year, 7 tenths less than in 2018, and will grow by hardly two tenths in 2020.

In Spain, the economy has confirmed that it has entered a more mature phase of the cycle, largely reined back by the global and European slowdown, the tensions and fall in international trade, and global and external political uncertainty. According to the IMF, Spanish GDP will grow by 2.2% and 1.8% in 2019 and 2020, compared to 1.2% and 1.4% in the Eurozone.

The global slowdown, and the European slowdown in particular, have also been characterised by inflation remaining well below the targets of the central banks of the main developed areas. This has led them to turn to expansionary monetary policies again, contributing to a scenario of very low and even negative interest rates in the main public debt and private fixed income markets. This has had significant collateral effects.

Turning to fiscal policy, the exhaustion of monetary policy in the Eurozone has increased pressure for fiscal stimuli by countries with the slack to do this, such as Germany and Holland. The financing of this increase in public spending would be facilitated by current funding conditions, with very low or negative interest rates.



>> The Market Environment

■ MACROECONOMIC SCENARIO FOR SPAIN 2019-2020

ANNUAL VARIATION (%) UNLESS INDICATED

	2019				2020			
	IMF (October 2019)	European Commission (November 2019)	Government (October 2019)	Spanish analyst consensus (November 2019) ⁽¹⁾	IMF (October 2019)	European Commission (November 2019)	Government (October 2019)	Spanish analyst consensus (November 2019) ⁽¹⁾
Macroeconomic scenario								
GDP	2.2	1.9	2.1	2.0	1.8	1.5	1.8	1.6
Household consumption	1.5	0.8	0.9	1.1	1.5	1.0	1.2	1.2
Public consumption	1.6	2.0	2.0	2.1	1.1	1.5	1.5	1.7
Fixed gross capital formation	2.9	2.5	3.1	2.6	2.7	2.5	3.0	2.4
Capital goods		1.9		3.2		2.3		2.7
Construction				2.4				2.3
Domestic demand	1.8			1.5	1.7			1.5
Exports	2.4	2.0	1.7	1.9	3.3	2.3	2.3	2.3
Imports	1.3	0.5	0.1	0.7	2.9	2.0	2.0	2.4
Other indicators								
Employment	2.2	2.2	2.3	2.2	1.4	1.0	2.0	1.4
Unemployment rate (% of active population), Active Workforce Survey	13.9	13.9	13.8	14.1	13.2	13.3	12.3	13.3
Wages and salaries	1.5	2.4	2.1	1.9	1.3	2.2	2.2	1.7
CPI (annual average)	0.7	0.9		0.7	1.0	1.1		1.0
Current account balance of payments (% GDP)	0.9	2.4	1.8	1.4	1.0	2.5	1.6	1.1
Public Administrations balance (% GDP)	-2.2	-2.0	-2.0	-2.3	-1.9	-1.4	-1.7	-2.0

Source: FUNCAS. (1) Source: FUNCAS forecasts panel (percentage points)

>> The Market Environment

Business results

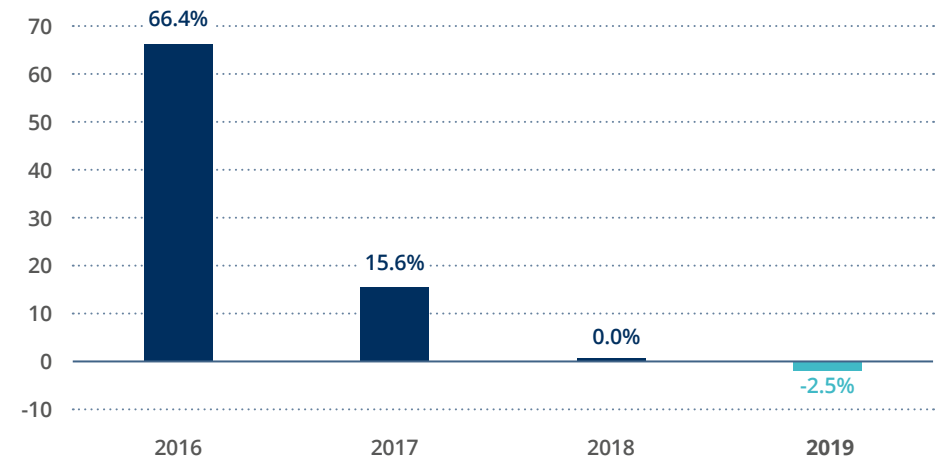
The loss of dynamism in the economy and the decline in the confidence of companies and investors in Spain and Europe over the last two years have also fed into the reduced expansionary dynamism of business results.

According to the Bank of Spain's annual central balance sheet survey, the decline in the pace of expansion that began three years ago has been extended and intensified by the activity of domestic non-financial companies. At the end of the third quarter, these companies, in which listed companies have significant weight, noted smaller increases in their ordinary profits and employment than in the previous year. This slowdown in ordinary profits in 2019 affected most sectors (except energy) and was particularly intense in industry (manufacturing of mineral and metal products and refining).

Although this sample of companies on the Spanish stock exchange also includes financial sector companies, particularly banks, the slowdown in the pace of growth of profits could also be seen in the aggregate data for IBEX 35® companies. The first-half results for the companies in the domestic selection were the worst in the last five semesters, similar to those for June 2016.

THE RESULTS FOR LISTED COMPANIES ALSO SUFFERED FROM THE ECONOMIC SLOWDOWN

AGGREGATE DATA FOR THE NET PROFIT OF IBEX 35 COMPANIES. VARIATION (%) COMPARED TO THE SAME PERIOD THE PREVIOUS YEAR.



Source: MSCI and in-house

>> The Market Environment

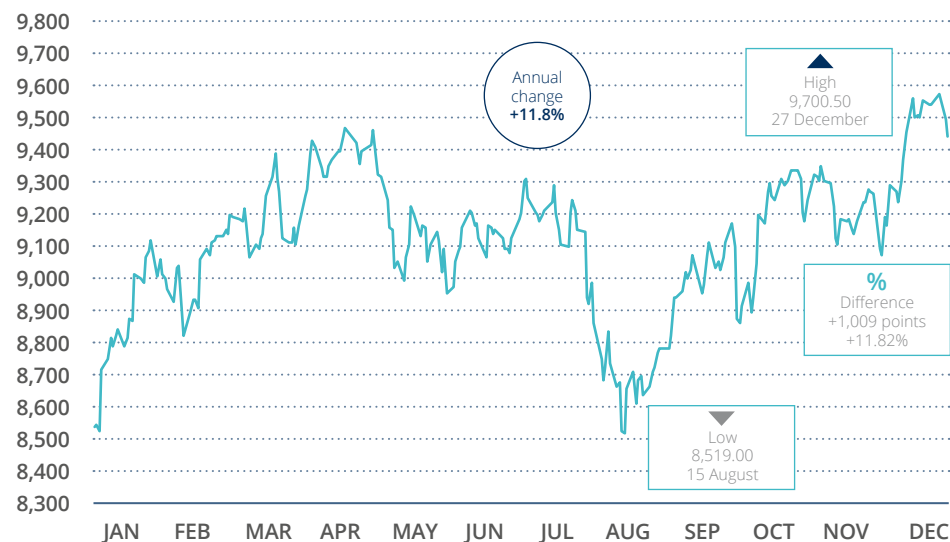
The profits of IBEX 35® companies fell by 2.5% in the first six months of the year, to 19.99 billion euros compared to 20.51 billion in the previous year. Revenues grew by 3.5%, compared to 5.5% in the same period in 2018.

The export market continues to contribute around 65% of their turnover, demonstrating their increasing internationalisation.

Although the IBEX 35® was up by 11.8% (16.6% with dividends) at year-end 2019, these increases were insufficient to raise their price-earnings ratios (PER) above their historical averages. According to calculations from the Morgan Stanley Capital International (MSCI) historical series, the current aggregate PER of the largest Spanish listed companies is close to 12.5 times, compared to an average of 15 times over the last 30 years, while the ratio of the share price to the book value of these companies was 1.2, compared to a historical average of 1.5. From this perspective, the classical theory indicates that the Spanish stock market is currently attractively priced.

■ IBEX 35 IN 2019

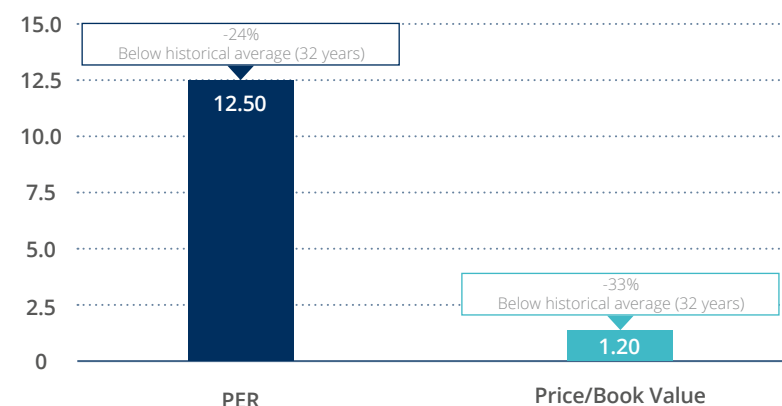
DAILY DATA. IN POINTS.



Spanish listed companies have taken advantage of recent years to reduce the financial cost of their indebtedness and change the debt structure of their balance sheets, reducing their vulnerability to recessions or slowdowns.

■ THE SPANISH STOCK MARKET BELOW ITS HISTORICAL FUNDAMENTAL LEVELS

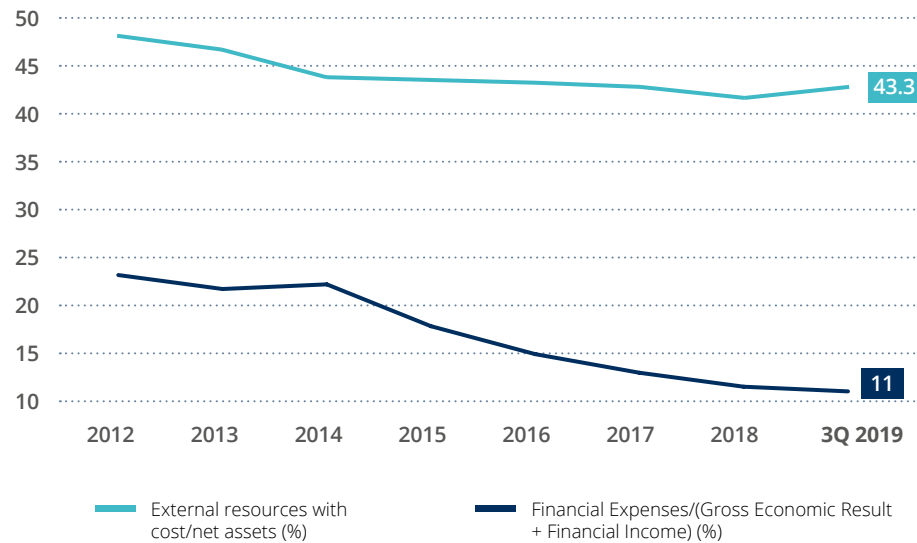
OCTOBER 2019. AGGREGATE FIGURES FOR SPANISH LISTED COMPANIES SELECTED BY MSCI



Source: MSCI

>> The Market Environment

■ FUNDING COSTS ARE FALLING FOR SPANISH COMPANIES

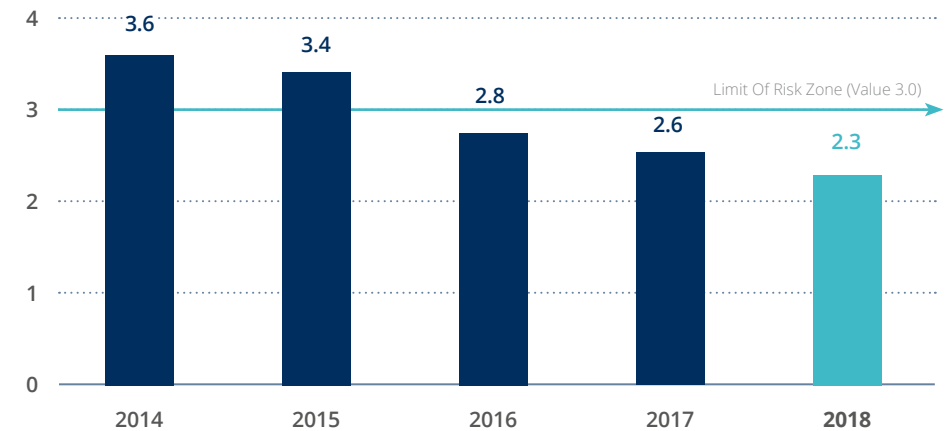


Source: Bank of Spain Quarterly Central Balance Sheet (CBT)

At the end of September, the net financial debt of non-financial companies in the IBEX 35® was around 165 billion euros, 5 billion euros higher than a year previously but 14% lower than in 2010, and slightly more than 23% lower if we consider the same IBEX 35® companies at the two ends of the period (the aggregate data for 2019 and 2018 are disproportionately affected by the application of IFRS 16 and the pro rata recognition of leases as debt).

■ SOLVENCY RATIO FOR NON-FINANCIAL IBEX 35 COMPANIES

THE FIGURE SHOWS THE WEIGHT (%) OF NET FINANCIAL DEBT OVER EBITDA





4.

Bussines Areas

>> Business Areas

1. EQUITIES

The 2019 balance sheet for equities markets in Spain was dominated by conflicting factors that pushed returns upward in general - and sharply in many cases - while the level of activity was slower than in previous periods. The IBEX 35® grew 11.8% in the year, with 66% of listed securities performing positively.

Market capitalisation remained above one trillion euros, in the club of the largest stock exchanges in the world. However, share trading registered an annual cumulative decrease of around 20% and IPOs were put on the back burner. Both of these weakening trends are global and, especially, European. However, capital increases by Spanish listed companies performed slightly better than in 2018. This resulted in an annual volume of financing flows of 16.71 billion euros, an outstanding figure in the international context.

The best activity was in dividends and the growth of the group of smaller companies on the Spanish stock market. Total dividend remuneration and other payments amounted to 31.71 billion euros in 2019, 5.3% more than the previous year, with MAB companies recording notable increases in prices, trading and financing volumes captured in the market.

Returns and investment

Global stock prices performed very positively in 2019, despite the economic and geopolitical uncertainties. The reason for this was the relative improvement in the concerns that had built up at the end of 2018 and the radical change in the slant of central bank monetary policy in the world's main economic areas. At the end of December, the annual increases in the global stock market indexes of developed markets ranged between 9% for the Hong Kong Stock Exchange index and 38% for the US Nasdaq 100. The accumulated increase in the year was over 25% in most European indexes.

The IBEX 35® was up 11.8% in the year. Prices were bullish until April interrupted their upward path, as the commercial confrontation between the US and China intensified, while other sources of uncertainty - such as the slowdown of activity in the Eurozone and doubts about how Brexit would unfold - also intensified. Most of this annual gain accumulated in the first quarter of the year (8.2%), with a slight decrease (0.4%) in the second and a 0.5% increase in the third, following a new phase of recovery in prices in September due to the new measures adopted by the European monetary authority and the Federal Reserve's rate cut.

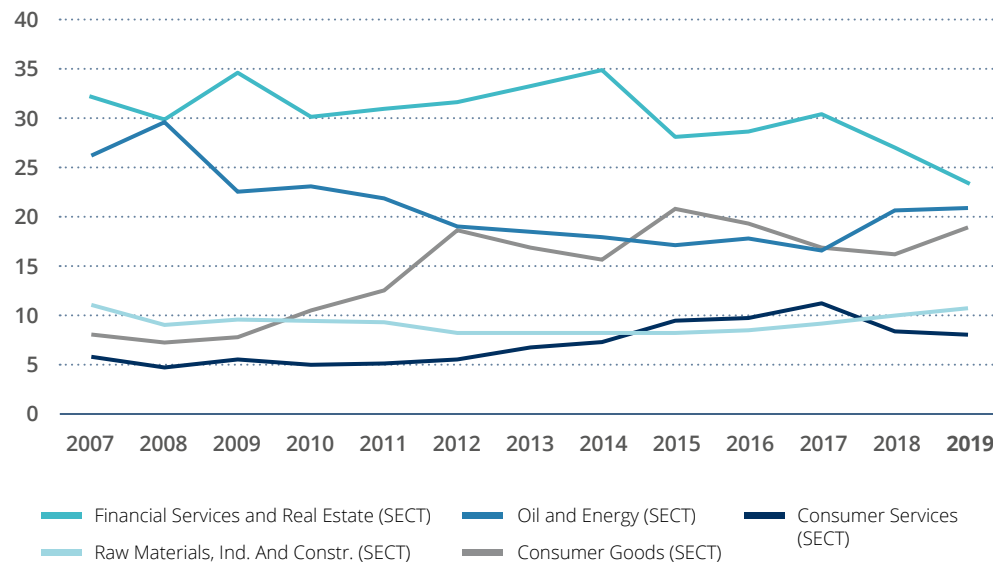
The IBEX 35® began the year with substantial price increases, but these moderated as the quarter progressed. The upward path reversed, ending the second quarter down 0.4%, after some daily falls of more than 1%, bottoming out at 8,519 points on 15 August. The IBEX 35® then climbed back above 9,000 points until reaching an annual high of 9,700.5 points on 27 December, ending the year 11.8% higher.

One positive aspect in relation to investor sentiment about Spanish stocks in 2019 is that it was one of the few years out of the last 15 in which the annual stock exchange performance in terms of prices was always positive, despite the oscillations. This happened in 2014 and also in 2007. The maximum annual increase in 2019 (measured using monthly closes) was in April, at 12.07%, and the smallest in August, at 3.02%. Most months ended with more than an 8% annual increase

>> Business Areas

■ WEIGHT OF SECTORS IN THE SPANISH STOCK MARKET

CAPITALISATION OF EACH AS A PERCENTAGE (%) OF THE SPANISH STOCK MARKET AT THE END OF EACH YEAR



However, the performance of the IBEX 35® in 2019 was weaker than that of other reference European (Euro Stoxx 50, +24.78%) and global (Stoxx Global 1800, +25.24%) indexes. This was influenced by the weak performance of banking stocks, which account for a large share of the main Spanish index. The IBEX 35 banks index fell by 3.4% during the year, while the construction index grew by 27.5% and the energy index was up 12.3%, offsetting the decline in the financial sector, but not enough to put the IBEX 35® on a par with its European counterparts. Internal political factors were also unhelpful: two lots of elections and tensions in Catalonia.

The thinning out of the financial and banking sector in the world and Spain in particular is gradually correcting the excessive influence of banks in Spanish stock indexes in favour of other sectors. In the last two years, the banking and real estate developers sector has lost seven points from its share of the Spanish stock exchange in terms of capitalisation, and 12 points in the last five years. The financial sector currently accounts for 23.3% of the capitalisation of listed Spanish companies, while the oil and energy sector accounts for 20.5% and the consumer goods sector 18.9%, when it only represented about 7% just ten years ago.

The current capitalisation of the banking and real estate developers sector is still 72% below its pre-crisis peaks in 2007. This gives an idea of the significant negative impact on this group of companies during the last 12 years, which is directly reflected in its stock prices.

In terms of returns from prices, the largest increases in 2019 were in the shares of smaller companies. The IBEX Small Cap®, comprising 30 companies, gained 9.4% in the first quarter, and fell back by just 1% in the second and third, to accumulate an annual gain of close to 12% by year-end. The price performance of the IBEX Medium Cap®, comprising 20 companies, was more moderate, held back by the uncertainties in conditions. It gained 4.7% during the first quarter and lost 1.4% and 5.5% in the second and third quarters. The year ended with accumulated annual gains of over 8%.

The securities of smaller listed companies, specifically those in the Alternative Stock Market (MAB), provided the best aggregate price performance in 2019. The IBEX MAB15® returned one of the largest annual increases of any stock index worldwide, up 65.4%. This index includes a group of companies from very diverse sectors that were a focus of increasing interest for many investors during the year, as the major increase in trading of MAB securities in 2019 shows.

>> Business Areas

Capitalisation exceeds one trillion euros

The slight increase in prices and the increase in funding obtained by companies through capital increases had an increasing impact on the capitalisation or added value of companies listed on the Spanish Stock Exchange, which was up 11.5% in December 2019 compared to the same month in 2018. This took capitalisation past one trillion euros again, to 1,105,662 million.

The strongest gainer in market value in the year was the oil and energy sector, which increased its capitalisation by 14%, mainly due to Iberdrola, which was up 30% at 58.40 billion euros. It is also important to mention the 33 billion euro increase in the consumer goods sector, where Inditex was the main driver of growth during the year. This textile group's share price rose by 40% compared to the beginning of the year, with its market value increasing proportionately to 98 billion, putting it in first place in the ranking of companies by market capitalisation, ahead of Banco Santander.

Of total capitalisation at 31 December 2019, 710.7 billion related to Spanish companies. The market value of domestic listed companies increased by 78.68 billion during the year.

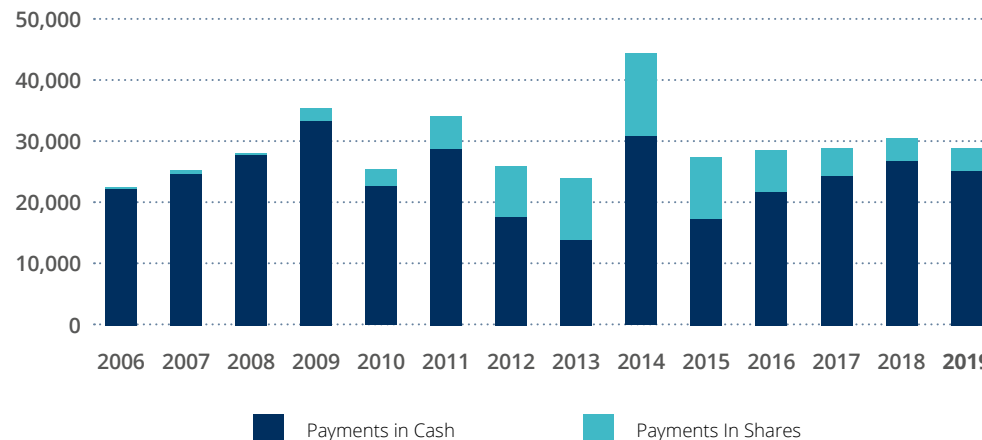
A total of 2,870 companies had shares admitted to trading on the trading systems managed by BME as at 31 December 2019.

Dividends: International reference

One of the factors that underpinned and drove stock market activity in 2019 was the various forms of shareholder remuneration, especially dividends. In 2019, 55 publicly traded securities out of the 85 in the three main IBEX indexes generated returns through annual dividends alone in excess of the 0.43% offered by the 10-year Spanish bond at 31 December 2019. Of these, 22 returned above 4% and 15 more than 5%.

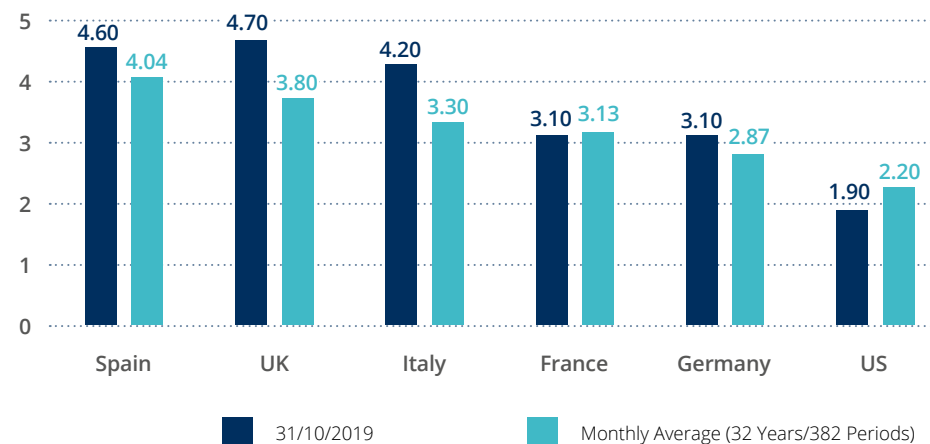
SHAREHOLDER REMUNERATION ON SPANISH STOCK EXCHANGE (2006-2019)

PAYMENTS IN CASH AND SHARES. (MILLION EUROS)



LEADING INTERNATIONAL POSITIONS FOR DIVIDEND YIELDS

IN %



Source: Morgan Stanley Cap. Int (November 2019)

>> Business Areas

The dividends of Spanish listed companies once again led the way for returns worldwide with the Spanish stock market again in a leading international position with annual returns from dividends of 4.5% at the end of December 2019, according to standardised MSCI data. In the last 12 years, the ratio that MSCI calculates for Spain has never been less than 4% in any month; in other words, it has exceeded that level for 144 consecutive periods. The historical average of this indicator for Spanish listed companies over the last 32 years (383 months) is 4.04%, putting it in first place for this ratio compared to other developed economy stock exchanges.

The Spanish stock exchange has been a leader for years in this section among all developed international stock markets. This sustained difference over time may be one of the factors that most attracts foreign investors to invest and take an active interest in the day-to-day business of our listed companies. Based on data from a year ago, non-residents owned 48% of the shares of Spanish listed companies, 14 points higher than 12 years ago.

Total shareholder remuneration in the Spanish Stock Exchange was 31.71 billion euros in 2019, 5.3% higher than in 2018. Of that, 30.54 billion was in the form of dividends, 6.1% up on the previous year. In 2019, 142 companies listed on BME's equity markets distributed dividends. Of these, 88 were publicly traded (4 were REITs) and the other 54 were listed on the MAB, of which 39 were REITs.

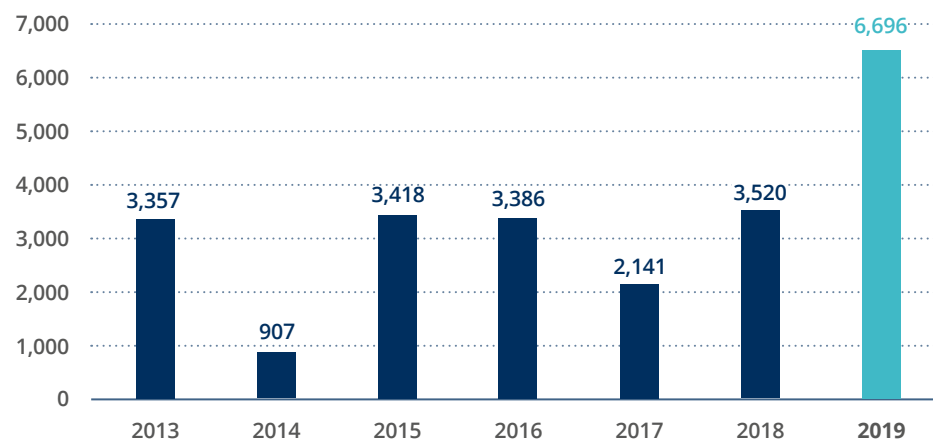
Companies listed on the Spanish stock market have paid out dividends of just over €454.55 billion so far this century, or 69% of the current market value of all listed Spanish companies. The average gross dividends paid out by listed companies to their shareholders between 2000 and 2005 amounted to 10.89 billion euros. In 2006, this figure was 21.81 billion and, since then, it has not fallen below 23 billion euros. And over the last 4 years it has never been less than 27 billion euros.

Dividends have a very significant effect on the long-term performance of the Spanish stock exchange. For example, from the trough of the crisis in 2012 to 31 December 2019, while the IBEX 35 grew by 60.32%, the IBEX with dividends increased by almost twice as much, by 119.08%.

In comparison, the current dividend yield (4.5%) is almost eleven times the yield offered by the so-called "risk-free interest rate" on 10 year Spanish government debt (0.43%). In the last 12 years, the Spanish stock market has offered an annual dividend yield of 5.5% (average of closing prices over 144 months). This average for the 10 year bond is 3.2%.

■ REDEMPTION OF SHARES IN THE SPANISH STOCK MARKET (2013-2019)

CASH VALUE AT REDEMPTION DATE IN MILLIONS OF EUROS



Source: BME

The return of issue premiums was 4.6-times higher than the figure for the previous year. The 1.11 billion euros paid in 2019 came mostly from REITs. Finally, 18 companies cancelled a total of 492 million securities in the year, with a cash value of 6.70 billion euros. These figures are exceptionally high compared to historical figures. In 2018, 11 companies cancelled securities with a value of 3.52 billion euros, which was a historical record at the time.

The amortisation of own shares is one of the options companies have for remunerating their shareholders, as this increases the per share ratios (profits, dividends, etc.). This type of operation is often linked to an earlier buy-back programme for own shares in the market.

>> Business Areas

Lower activity worldwide

The increases in prices for listed shares and the profusion of dividend payments were not sufficient to compensate the decrease in trading volumes in the secondary stock market in 2019. These declines had two exceptional supports in the form of the drying up of IPOs and sustained levels of historically low volatility. These have been widespread factors in most of the developed world's stock markets.

In 2019, annual trading in shares amounted to 469.63 billion euros, 20.1% down on 2018. This involved 37.2 million trades, 16% fewer than the previous year.

As with the indexes, the markets with the worst performance in terms of trading volumes were, with the exception of NYSE, those affected by the greatest political-economic complexity: such as the United Kingdom, Hong Kong and Spain. Faced with a scenario of negative interest rates, with pronounced market fluctuations in response to circumstances other than company results and regulation that has become ever more difficult to comply with, investors have become cautious in their exposure to equities, maintaining highly liquid positions. This has had a generalised effect on the velocity of circulation of the securities of listed companies.

As already mentioned, volatility continued to weigh negatively on activity in the equities market throughout the year, with historically low averages that were even lower than those for the previous year. It is however likely that there will be a reversion of volatility towards more normal levels in the coming years. This would have a positive effect on trading volumes for both stock markets and markets in equity and stock index options and futures.

Measures to improve liquidity

In 2019, pricing incentives were introduced to improve liquidity (liquidity providers). These are improving competitiveness compared to alternative platforms by reducing the bid-offer spread on the securities on which liquidity providers act.

The Spanish stock exchange is therefore continuing to be the main focus for trading and the liquidity of its listed securities, with about 70% by volume of the total traded on its platforms in 2019. This equates to a value close to the 469.93 billion euros of annual share trading previously mentioned. This is accompanied by independent monthly reports from Liquidmetrix, which indicate that BME's markets generally offer the most efficient and narrowest prices and spreads in terms of best execution.

In December, BME achieved a 72.2% market share of trading in Spanish securities for the year as a whole. The average spread was 4.91 basis points in the year at the first price level (12.9% better than the next trading venue) and 6.88 basis points with order book depth of 25,000 euros (34.3% better), according to the independent LiquidMetrix report. These figures include trading in trading centres in both the transparent order book (LIT), including auctions, and non-transparent (dark) trades arranged outside the book.

The best price spreads

In 2019 the Spanish stock market continued to be a benchmark for the liquidity of its listed securities. This factor, which is key to generating activity, is very attractive for investors. The changes to BME's technical, operating and organisational systems over recent years have enabled it to channel significant investment volumes, giving the market greater liquidity, transparency and efficiency.

Price spreads are used to estimate the quality of the execution of trades on the Spanish stock exchange. The smaller the difference between the purchase and sell prices of securities in a trading system, the greater the probability that a trade will be executed. This, combined with the depth of the orders (i.e. the number of securities associated with the bid and/or offer prices being sufficient for buyers and sellers to execute their transactions) is essential when matching a trade.

Throughout 2019, the average spread of securities in the IBEX 35® index remained at historical lows; At the end of December, the average spread was narrower than a year previously, at 5.12 basis points (bp). The spreads for the IBEX Medium and IBEX Small indexes also ended December 2019 below the levels recorded the year before: 2.7 bp for the IBEX Medium and 5.8 bp for the IBEX Small.

>> Business Areas

Intense activity in the MAB

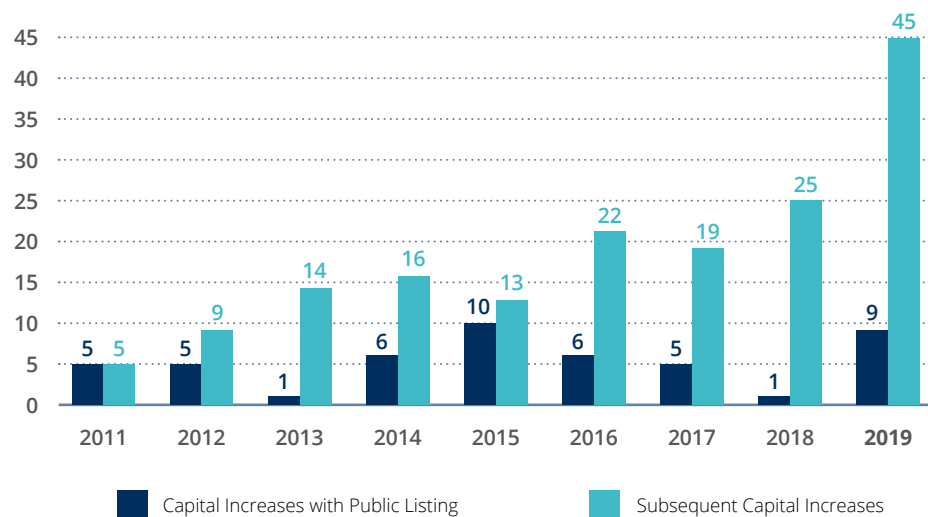
The best performance in the equities market in Spain in 2019 on an aggregate basis in relative terms was among companies on the MAB. This essentially involves Growth Companies segments and REITs. The IBEX MAB 15® was up 65.4% in 2019, one of the largest percentage increases in international stock exchanges worldwide. The IBEX MAB All Share® rose by 37.66% in that period.

These indicators include the prices of companies in the Growth Companies segment, of which there were 39 at the end of December 2019 after four new additions in the year in very different sectors (Proeduca, Plastics Kompuestos, Izertis and Holaluz).

The growth in the size and business of some of the companies in this market is the main explanation for this increase, together with the better functioning of the 15 liquidity providers registered in the MAB.

MAB CAPITAL INCREASES

(EXCLUDING SICAV SEGMENT)



The operation of the MAB as a financing mechanism for Growth Companies through capital increases was also very positive in the year, in terms of financing and even ignoring these new additions. There were 23 capital increases in the year, raising 114 million euros. There were 12 capital increases in the same period of 2018.

The year was again exceptional for REITs. 17 new REITs were registered in 2019, increasing the total number of REITs admitted to trading on the MAB to 77 at year-end. The REITs on the MAB performed 58 capital operations in 2019 (39 in 2018), through which they raised 1.43 billion euros (40% more than in 2018).

The sharp increase in the trading of shares of REITs in the MAB was significant: 133 million euros in the year (121% more than in 2018), with 59% growth in the number of trades in the secondary share market.

Overall, the capitalisation of MAB companies (excluding SICAVs, VCFs and CISs) was around 15.13 billion euros in December 2019, 29.5% more than the previous year, and about 36% of the 42.03 billion euros value of all of the segments of the alternative market, which, as we have said, includes SICAVs (of which there are about 2,600, accounting for the bulk of the MAB's total market value).

The BME Pre Market Environment (PME) is also playing an increasingly significant role in bringing companies and investors into the financing and investment ecosystem represented by securities markets. At the time of writing, 12 companies from very different sectors are taking part in advisory programmes and adjusting their businesses to the markets.

>> Business Areas



MAB -Opening Ceremony Bell-Ringing

>> Business Areas

BME indexes in the new European Benchmark Regulation register

On 14 November, the main BME indexes were included in the register for benchmark administrators under this European Regulation, which is also known as the Benchmark Regulation (BMR). This regulation reflects the importance of Indexes in the financial markets. The IBEX 35 was registered as a significant index, while the other indexes were considered not to be significant.

Increased financing from markets

Capital increases by companies already admitted to trading increased in 2019, with 117 transactions raising 13.37 billion euros. Spain remains very high in the world rankings for the volume of new investment and financing flows channelled to companies, according to data from the World Federation of Exchanges (WFE): thirteenth in the world and second in the EU. New flows in 2019 amounted to 16.71 billion euros, in a year when European stock exchanges once again recorded a shortage of IPOs, while the use of private equity increased as the preferred mechanism for financing based on companies' own funds.

Spanish stock exchanges have traditionally been well positioned on the international stage in terms of corporate funding in the form of capital. Financing flows and investments in shares have amounted to almost 800 billion euros since 2000.

IPOs

Figures for the global IPO market in 2019 reveal a slowdown in this activity, which began the previous year. According to PwC's annual "IPO watch Europe" report, IPOs fell by 40% in number and 55% in volume in the year to September in Europe, compared to the same period of 2018, with 69 IPOs raising 15.9 billion euros. The report points to global socio-economic uncertainty and low interest rates as the main factors discouraging companies from taking the plunge.

As the CNMV points out in its latest "Quarterly Report on the Securities Markets in Spain", equity issuances in the international financial markets in 2019 are continuing on the downward path that began several months ago. Issuances in the 12 months to the end of June stood at 625 billion dollars, well below the 800 billion in the same period of 2018. However, there are differences: while China and Japan showed notable decreases of 35.2% and 19.6%, the decline was more moderate in Europe (-6%) and the United States increased by 34.3%.

The behaviour of the Spanish market in terms of listings of new companies was also negative compared to the previous year, with 22 flotations raising 288.6 million euros. In 2019, the stock exchange only received one new security, in December: Greenergy. This company joined the MAB in July 2015 and made the leap to the main market on 16 December 2019. It is the third company to pass from the MAB to the main market, following MásMóvil and Carbuces (now Airtificial).



Greenergy Opening Ceremony Bell-Ringing

>> Business Areas

Capital increases

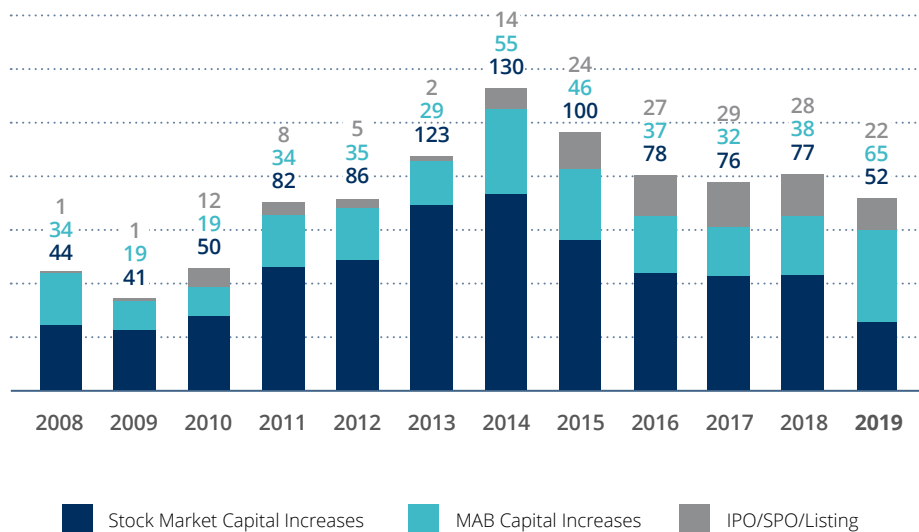
New financing flows channelled through the Spanish securities markets in the form of capital increases increased compared to 2018, up 32.62% to 13.37 billion euros.

Listed companies performed 52 capital increases, raising 11.727 billion euros.

Stock-exchange listed companies raised 8.67 billion euros through capital increases with preferential subscription rights, representing 74% of all capital increases (excluding the MAB). Of this amount, 4.10 billion euros corresponded to capital increases intended to cover dividend option payments. Since 2015, this type of capital increase has gradually fallen, to the benefit of those to finance corporate growth and investment.

CAPITAL INCREASES ON THE SPANISH STOCK EXCHANGE

IN NUMBERS

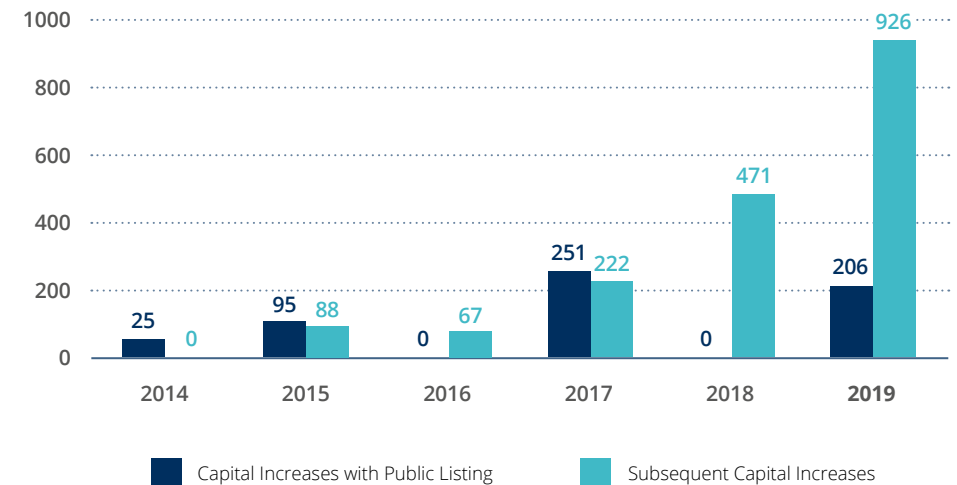


Positive performance of capital increases in the MAB

Once again, MAB companies turned to the market as their most important source of finance for growth and funding, this was particularly true for REITs. In 2019, the companies in this BME market performed 65 capital increases, raising 1.64 billion euros. This is 79% more than the amount raised in 2018.

CASH RAISED THROUGH CAPITAL INCREASES IN THE REITS SEGMENT

MILLION EUROS

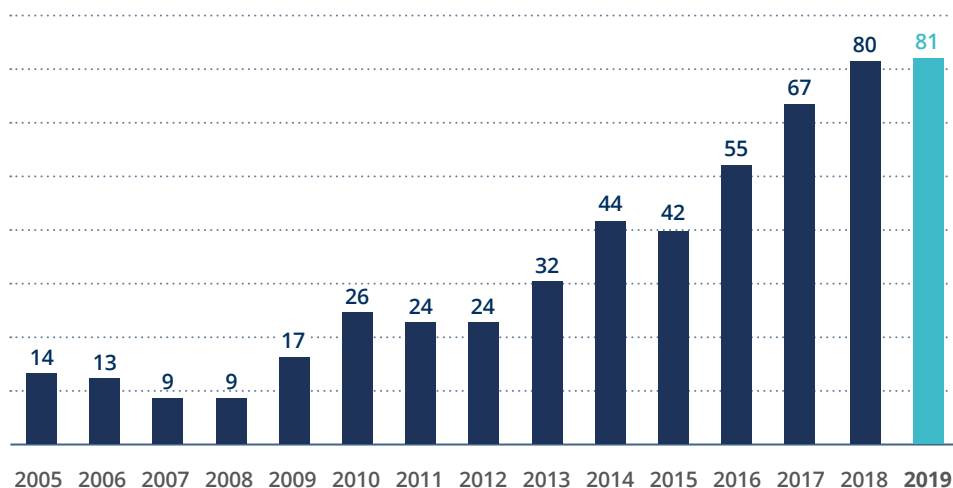


The total funds raised in 2019 from capital increases on the stock exchange by REITs and in the MAB amounted to 1.33 billion euros, representing 9.94% of the funds raised through capital increases in the market as a whole.

>> Business Areas

2. FIXED INCOME

2019 was a very positive year for fixed income markets. The change in the bias of central bank monetary policy - with the return of quantitative easing, interest rate cuts and liquidity injections - attracted investors to fixed income assets. In this context, with the adaptation to the MiFID II transparency and reporting requirements which BME carried out in 2017, the electronic trading platforms of the Spanish fixed income markets increased their activity significantly.

■ NUMBER OF SPANISH FIXED-INCOME ISSUING COMPANIES AT BOTH SHORT AND LONG TERM


Source: Banco de España

The number of Spanish companies that finance themselves through debt instruments in the markets is growing consistently, reaching a historical record of 81 companies in 2019. The Alternative Fixed Income Market (MARF) has been an essential factor in this trend and consolidated its role in 2019, growing by 63% in terms of issuances and 54% in outstanding balance, reinforcing its role as a financing channel for companies of all sizes, with 78 companies financed since 2013.

European and, in particular, Spanish fixed income markets have undergone a very intensive transformation process over the last two years. They have adapted their operations to the new MiFID II regulation, with its more rigorous market and transparency rules, which are similar to those for equity markets. The global and European (particularly following the new regulation) trend of increased fixed income trading through electronic platforms has intensified.

Member entities are turning to the electronic markets and fixed income trading systems managed by BME to meet their transparency and reporting obligations deriving from the application of the new and increasing regulations. With an eye to the future, the market is trying to enhance its usefulness for issuers and investors by optimising its admission to trading processes for different types of fixed income issuances and its fee structure.

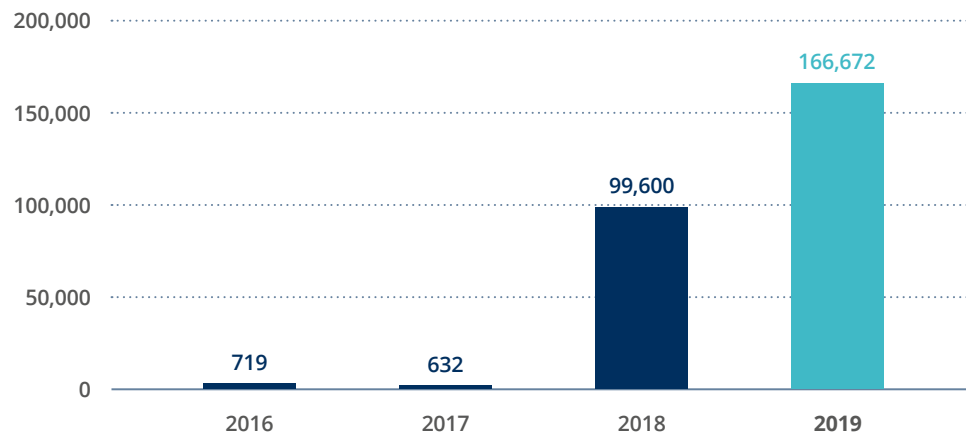
>> Business Areas

Government debt activity

The outstanding balance of Spanish government debt securities in the BME AIAF fixed income market increased at an annual rate of 2.1% at year-end 2019, to 1,020 trillion euros. The largest share of this relates to Treasury issuances, totalling 983.91 billion euros, 68.33 billion in treasury bills and 915.58 billion in bonds and debentures.

■ REGULATED FIXED-INCOME MARKET. VOLUME TRADED ON THE SEND PLATFORM

MILLION EUROS



Another noteworthy aspect of Spanish public debt securities in the AIAF market was the return of the Balearic Islands, Castille and León, Andalusia and the Principality of Asturias to the issuance markets in 2019, after having no fixed income activity in recent years. The Autonomous Communities issued a total of 6.08 billion in promissory notes and bonds in 2019, with the outstanding balance for these issuers standing at 35.25 billion.

In order to make use of the AIAF fixed income market's SEND electronic contracting platform universal, the Treasury issuances of Germany, France, Holland, Belgium, Italy Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) started to be incorporated into this system in December 2017. After these inclusions, totalling 4.9 trillion euros, the outstanding volume of government debt tradeable on the market's electronic platform exceeds €6.4 trillion.

As a result, the electronic trading of public debt on the SEND platform has achieved substantial momentum, reaching 173.03 billion in the year, 74% higher than the previous year. The Public Debt traded through SENAF, a multilateral platform for market makers in debt, which is also managed by BME, reached 160.66 billion euros in 2019, 70% higher than in 2018.

>> Business Areas

Corporate debt activity

The private fixed income market displayed significant growth in 2019, driven by increased activity by issuers, who benefited from favourable liquidity conditions and the historically low interest rates in debt markets. In this context, admissions to the AIAF fixed income market for securities issued by the private sector increased by 51% in 2019, to more than 114.03 billion euros.

■ AIAF REGULATED FIXED-INCOME MARKET

ADMISSION TO TRADING OF MEDIUM TO LONG-TERM PRIVATE DEBT. MILLION EUROS

	Bonds and debentures	Covered bonds	Securitised Bonds	Preference Shares	Total
2018	19,234	20,735	18,925	2,850	61,744
2019	45,083	34,175	18,741	1,000	98,999
% change	134.4%	64.8%	-1.0%	-64.9%	60.3%

The volumes contributed by companies that repatriated their issuances to the AIAF market was key to achieving these figures. This is the case with Endesa, Aena and Colonial. The recovery of issuances from financial institutions was also important, particularly mortgage bonds and territorial bonds, which returned to significant levels of activity, as were issuances of hybrid fixed income (CoCos, AT1s, subordinated debt and non preferred senior debt) by credit institutions to cover their liquidity ratios, which they had been carrying out in the United Kingdom under English law, but which they now prefer to register in Spain because of Brexit.

Despite the increase in activity in 2019 compared to 2018, the new issuances practically matched the accumulated maturities in the year. As a result, the balance of outstanding private debt issuances in the AIAF market decreased by 3.4%, to 463.80 billion euros at the end of the year. The volume of short-term assets (company promissory notes) in circulation fell by 30%, followed by securitised bonds, which decreased by 6.6%, to 166.13 billion euros.

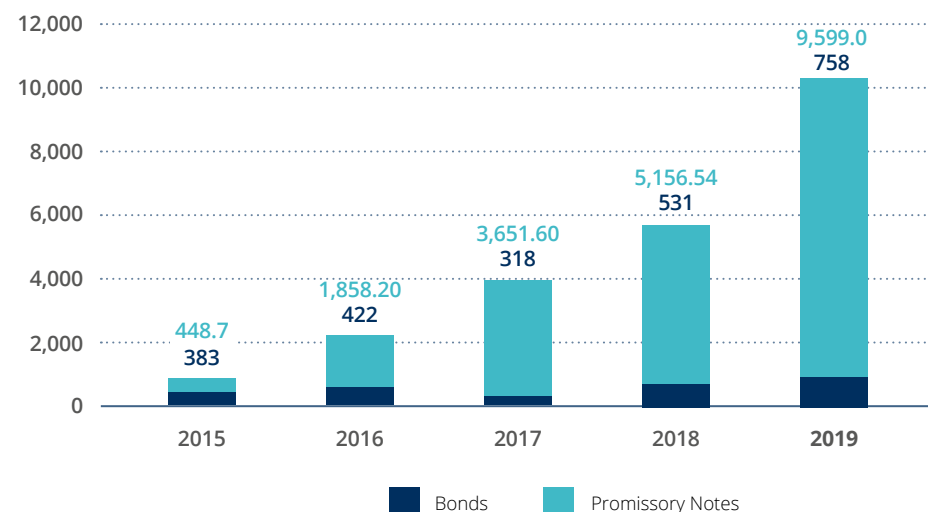
Highlights on the positive side include the growth in the balance of issuances of ordinary bonds and debentures, increasing by 31% to 61.25 billion euros, and covered bonds, which increased by 7% compared to 2018, to 217.96 billion euros.

MARF growth

This year saw MARF consolidate its position as an alternative for business financing. It was designed as a multilateral trading facility in 2013 to efficiently incorporate the fixed-income issuances of companies of a range of sizes, many of which had no presence in the capital markets. It was used by 78 companies to raise funds between its launch and 2019. Six of these were Portuguese, who chose to list their issuances of promissory notes and bonds on the MARF due to its flexibility and ease of use.

■ MARF: VOLUME ADMITTED TO TRADING IN THE YEAR (2015-2019)

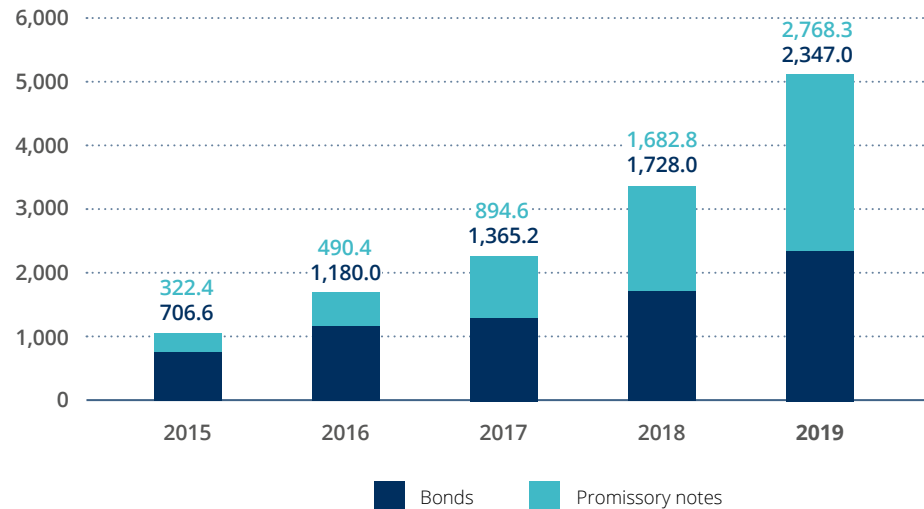
FIGURES IN MILLION EUROS



>> Business Areas

■ MARF: OUTSTANDING BALANCE AT END OF PERIOD (2015-2019)

FIGURES IN MILLION EUROS



The MARF had an outstanding balance of corporate debt issues of 5.11 billion euros at year-end 2019, comprising just over 2.77 billion euros in promissory notes and 2.35 billion euros in bond issues. The outstanding balance was 54% larger than at year-end 2018. In 2019, 52 companies used MARF to cover their financing needs, either through the registration of promissory note programmes or bond issue. Of these, 18 were using it for the first time.

Four of the new companies are Portuguese: Mota-Engil, with a 50 million euros promissory note programme; EFACEC, which registered a 58 million euro bond issuance in July; Vista Alegre, with a 45 million euro bond issuance; and Grupo Visabeira, which issued a 50 million euro promissory note programme on the MARF. These companies have taken advantage of the opportunities offered by this market to diversify their financing sources through the market, while accessing new Spanish and foreign investors. In 2019 as a whole, the volume of issuances and admissions to trading in the MARF amounted to 10.36 billion euros, 63% higher than in 2018.

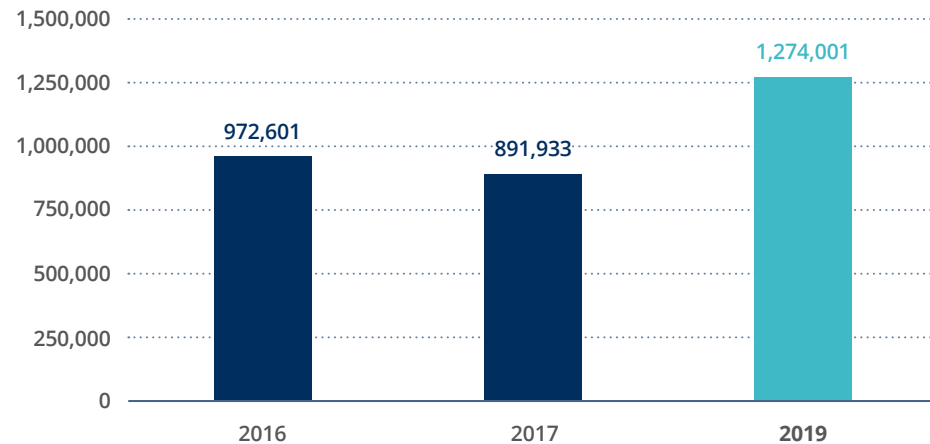
>> Business Areas

3. FINANCIAL DERIVATIVES FUTURES AND OPTIONS

The total volume traded in BME's MEFF derivatives market increased by 3% in 2019 compared to the same period in the previous year. Share futures grew by 43% and the volume of trading in hedging products for IBEX 35® dividend payments doubled in volume. Against a backdrop of reduced volatility, 44.8 million futures contracts and options on equity securities, indexes and shares were traded.

■ AVERAGE MONTHLY VOLUME OF IBEX 35 OPTIONS

TRADED IN MEFF

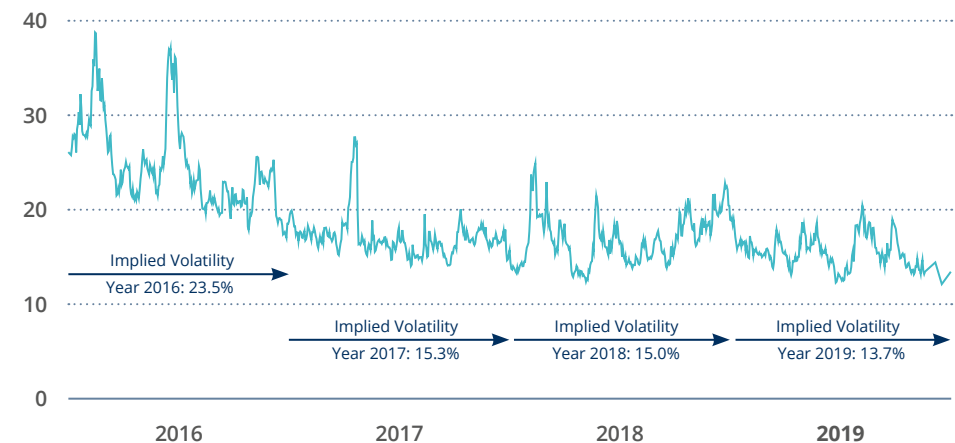


Volatility below its historic average

The very low level of volatility seen in the previous two years remained unchanged in 2019. The VIBEX index, which was created in 2018, allows market volatility to be followed daily using the most liquid IBEX 35® options traded on the MEFF. According to this indicator, the daily average implied volatility in 2019 was 13.7%, a 1.3 point fall compared to the previous year and almost 10 points lower than in 2016. Volatility peaked in August, but at lower levels than in the previous two years. This persistent low volatility is reflected in the average volatility in 2019 being 10 percentage points lower than the historical average of the VIBEX since 2008.

■ VIBEX VOLATILITY INDEX FOR THE SPANISH STOCK EXCHANGE

DAILY VOLATILITY DATA %



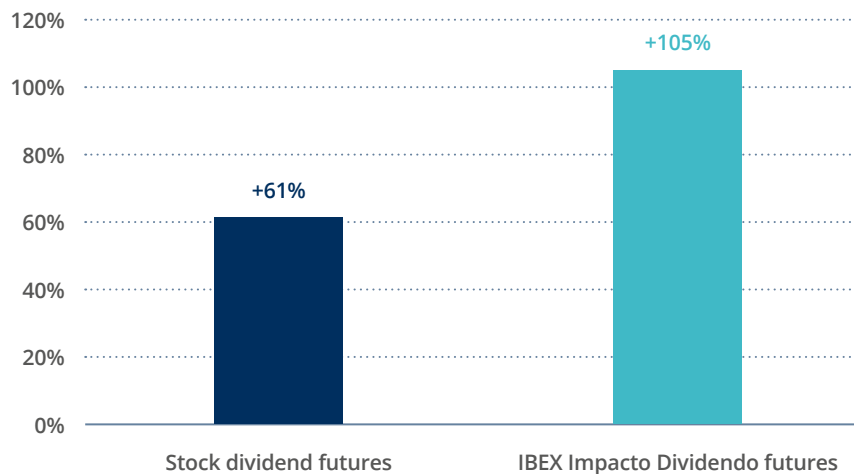
>> Business Areas

Growth in futures on share and dividend hedge contracts

Futures on share dividends grew by 61% to 758,700 contracts. IBEX 35® Impacto Dividendo futures, which allows hedging of dividend payments in the group of IBEX 35® companies, increased by 105%. In line with the trend in the main European markets, trading in futures on individual shares increased in MEFF by 43% to November 2019 compared to the previous year. In both cases, MEFF is in line with the trend in other European derivatives markets, where we have seen a reduction in trading in share options and an increase of trading in share futures.

HIGHEST GROWTH PRODUCTS IN THE SPANISH OPTIONS AND FUTURES MARKET IN 2019

CHANGE IN THE VOLUME OF CONTRACTS TRADED 2019 VS. 2018



More derivatives traded in regulated markets and registered in central counterparties

The notional volume of derivatives traded in regulated markets around the world grew by 26.8% to June 2019 compared to the same period in the previous year, prolonging the trend from previous years, increasing from a notional value of 94.8 trillion dollars to 120.12 trillion, according to figures from the Bank for International Settlements (BIS). The notional outstanding volume of OTC derivatives (traded bilaterally outside organised markets) at the end of the first half stood at 640.4 trillion dollars, approximately eight times global GDP, and 7.7% higher than in the same period in the previous year.

Regulatory pressure is leading to more and more derivatives being registered and settled through central counterparties (CCPs), in a way that generalises the use of collateral and margins, on which both the BIS and IOSCO (the International Organization of Securities Commissions, representing regulatory bodies worldwide) have insisted. In 2010, the European Commission published its initial regulatory proposal, with the EMIR regulation being approved in 2012. This regulation defines obligations with regard to clearing, information and risk control for OTC derivatives, and requirements for CCPs and the registration and supervision of trades register entities.

The outstanding volume of OTC derivatives settled in CCPs increased by 22.9%, from 334 trillion dollars to 411 trillion dollars, with interest rate derivatives representing 99% of this. Currently, almost 78% of all interest rate derivatives traded OTC are registered in CCPs.

>> Business Areas

4. CLEARING

BME Clearing is the Spanish stock exchange's central counterparty, offering clearing services in five segments: financial derivatives, electricity and natural gas derivatives, Spanish government debt repos, trades in securities listed on the stock exchange and OTC interest-rate derivatives. In 2019 it started to clear foreign currency instruments in the financial derivatives segment.

Financial derivatives

In 2019, BME launched xRolling® FX, "perpetual" Futures contracts on 17 currency pairs. Rather than having a standard maturity date, the xRolling™ product is a "perpetual" future, meaning the close-of-trade positions are rolled-over daily, ensuring that the xRolling™ close price is the same as the spot price. There is no physical delivery of the underlying and all settlements are in euros. Given the global nature of the FX market, the new contracts, which are MEFF listed and settled and cleared in BME Clearing, are traded 23 hours a day, from Monday to Friday. With this product, BME is offering investors the possibility of trading in currencies using an instrument quoted in MEFF with the security and transparency of trading in a regulated market and the guarantee of BME Clearing as the counterparty.

As a whole, measured in terms of contracts, activity in the financial derivatives segment in 2019 increased by 3.3% year-on-year. This rise was mainly due to the increase in trading in stock futures, dividend futures and IBEX 35 Impacto Dividendo futures. The volume of stock futures increased by 42.9% compared to 2018; while dividends futures on shares were up by 60.9% and IBEX 35® Impacto Dividendo futures rose by 105.0%.

Specifically, a total of 33.5 million in futures and options contracts on shares, including futures on share dividends, were cleared, 6.8% more than the previous year. Activity in futures and options on index contracts fell by 5.9% compared to 2018, with 11.4 million contracts being cleared in 2019, of which 6 million were IBEX 35® futures contracts and 3.8 million were IBEX 35® option contracts. The total open position in financial derivatives at the end of the year was down by 3.6%.

Equities

The equities segment provides the central counterparty service for securities traded on the Spanish Stock Exchange. This segment began operating on 27 April 2016 and its implementation was an important and significant part of the reform of the clearing, settlement and registration system in Spain.

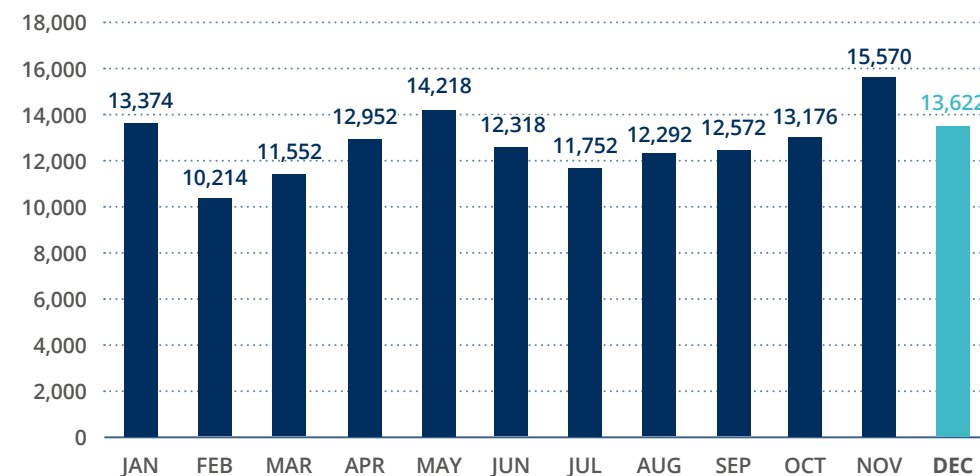
In 2019, 292,226 trades were registered on average per day (sales plus purchases) with average daily net cash (single side) traded of €1.83 billion, 18.01% lower than in 2018, with an average volume of nearly 688 million securities per day. This segment currently has 24 clearing members.

Repo

The fixed-income repo segment offers a central counterparty service for repo trades in Spanish government debt, eliminating counterparty risk for participants. The total volume registered in 2019 was 365.44 billion euros, with a monthly average of 316 transactions. The segment currently has 25 participants.

■ OUTSTANDING REPOS BALANCE 2019

OUTSTANDING (MOVING AVERAGE OF LAST 10 DAYS) IN MILLIONS OF EUROS



>> Business Areas

The open position at the end of December was 16.92 billion euros, with an average financing period of 21 days. The reception of trades involving Italian, Portuguese, French, German, Dutch and Austrian sovereign debt for registration and clearing in the clearing house began in November, adding to the services already offered for Spanish sovereign debt. This new development is part of the expansion of the segment for new debt, as well as the connection to new platforms. This was the case at the end of 2018 with the agreement under which participants in the Brokertec platform owned by NEX, the leader in electronic trading in Spanish Sovereign Debt repos, have since been able to operate in and send their trades to BME Clearing for registration and clearing.

Energy

The energy derivatives segment has continued to attract interest from numerous entities active in the electricity sector, with the number of participants increasing from 158 at the end of 2018 to 181 at the end of 2019.

The volume of electricity registered in 2019 rose to 26.4 TWh, more than double the total for 2018 (12.4 TWh). The open position also increased, from 5.5 TWh in 2018 to 9.0 TWh at the end of 2019.

Progress has continued since the beginning of gas operations in 2018, with a significant increase in the number of participants to 29 entities at the end of 2019. The volume recorded in the year was 233,839 MWh with an open position of 653,647 MWh, both of which are higher than expected.

Interest rate swaps (IRS)

The swaps segment offers a central counterparty service for trades involving interest rate derivatives. It commenced its activities in 2016 and in 2019 registered a total volume of 196 million euros. The segment currently has nine participants. The number of entities is expected to increase with the introduction of the obligation on smaller entities to register with a clearing house. The open position was 588 million euros at the end of December.



Iberclear attended SIBOS London as exhibitor

>> Business Areas

5. SETTLEMENT AND REGISTRATION

The most important milestone achieved by the Settlement and Registration unit in 2019 was directly related to European harmonisation. Last September, Iberclear obtained authorisation to continue providing its services in accordance with the requirements of Regulation No 909/2014, also known as the CSD Regulation.

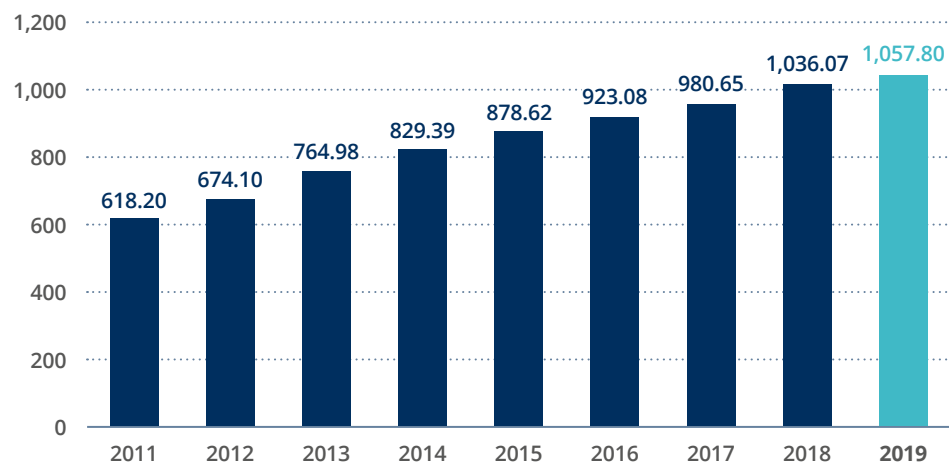
This European regulation seeks greater efficiency in settlement terms and enhanced security with the introduction of discipline and control mechanisms and more exhaustive supervision of the governance and operation of depository entities. With this licence, Iberclear is continuing to contribute actively to efforts to harmonise post-trading in Europe, taking another step forward in guaranteeing access to capital markets for issuers and participants, while BME achieves another of the milestones in its Strategic Plan.

The number of instructions from stock market operations settled in Iberclear in 2019 was down by 1.84% compared to the previous year, with a monthly average of 0.62 million trades. These figures confirm the general decrease in volumes that has been seen across securities markets.

There was a fall of 10.13% in the cash volume settled, with a daily average of 6.76 billion euros compared to 7.52 billion the previous year. However, the nominal balances at year-end showed a smaller decrease of 1.27% in the securities listed on the BME private fixed income market and a 2.10% increase in the public debt market. Equities increased more strongly, rising by 11.71% valued at market prices.

■ OUTSTANDING BALANCE OF PUBLIC DEBT REGISTERED IN IBERCLEAR

FIGURES IN MILLIONS OF EUROS.



>> Business Areas

Other initiatives

Following the entry into production of Cross-Border Services (CBS) for settlement and custody, through which Spanish financial entities can register and settle international securities through Iberclear, the Portuguese market was added in March through connection to Interbolsa, Portugal's central depository. Iberclear is the first central depository to establish a link in this country as a "Central Securities Depository - Investor".

This has added Portugal to the service that Iberclear already offers for the German, French, Italian, Dutch and Austrian markets. With regard to the loan principal collateral strategy pursued jointly by BME Clearing and Iberclear, the first BME LET (Treasury Liquidity and Efficiency) forum was held on 2 October. This enabled financial entities and the infrastructures involved in the Spanish market to share the latest developments in regulatory and strategic framework at the European level, and the initiatives and advances offered by BME to improve liquidity and efficiency in treasury and loan principal collateral management.

Work is continuing on the harmonisation of loan principal collateral management standards, seeking better tools for management of bilateral trades to expand the services offered to clients. The objective of this is to expand the offer of electronic pledges to almost all entities that need to use this tool for financing securities, regardless of their relationship with Iberclear. The electronic pledge procedure for securities pledges became available to entities that are not Iberclear participants in March. This responds to requests from participants to be able to open pledge transactions for their clients with the possibility of covering their securities financing.

REGIS-TR

REGIS-TR remains one of the largest repositories in Europe, with more than 1,600 open accounts, processing between eight and ten million new transaction messages per day. REGIS-TR has received more than 19 billion transaction messages since the introduction of EMIR in 2014. The intentions of regulatory bodies with the EMIR regulations are clear.

This year ESMA has focused its requests to trade repositories on optimising the information reported, so that European regulators can make reliable use of the data in their supervision work. The request to fully align the content of the reports using the two formats for providing data to the regulators (CSV and XML) has resulted in a considerable improvement in the quality of the information in the reports.

REGIS-TR UK, a sister company of REGIS-TR, has been set up to facilitate reporting services in the UK. This company was registered with the UK's Companies House in March 2019 and has been recognised under the Temporary Registration Regime for Trade Repositories by the Financial Conduct Authority (FCA), the competent authority in the United Kingdom. It is ready to start operating once Brexit materialises. REGIS-TR UK will provide services under the EMIR regulations and also under the new SFTR regulations, when it enters into force in the United Kingdom.

In Switzerland, REGIS-TR is continuing to consolidate its position as a trade repository recognised by FINMA for the provision of services in the country under the FinfraG regulations, which are accredited under EMIR. REGIS-TR is the largest foreign commercial repository in this market in terms of clients and volume. The first phase of the Securities Financing Transaction Regulation (SFTR) came into force in April 2020. There will be three subsequent waves of entry into force, depending on the classification of each market participant as a counterparty. REGIS-TR has launched a preliminary testing environment for the new service, which came into operation in March 2019, with an improved testing environment being launched in November 2019.

>> Business Areas

6. MARKET DATA

The number of clients for BME Market Data increased to a historical high in 2019, in terms of those who receive BME information through information distributors and those who have a direct connection to BME Market Data servers to minimise response and data processing times.

The monthly average of delivery points disseminating real-time information on the over 61,000 equity, fixed income and derivative instruments and indexes managed by BME group easily exceeds 90,000.

This year, BME Market Data significantly expanded its content offering, for both real-time and end-of-day information. The new real-time content available in its systems includes information provided by the integration of the new “xRolling FX” Forex futures trading platform. The developments required for inclusion of the new retail service for BME’s information distribution products has also been completed.

BME Market Data has also expanded its line of analytical and end-of-day products and services, with the incorporation of the Private Fixed Income Settlement Bulletin, and the end-of-day information from the xRolling FX Forex futures trading platform and BME Regulatory Services’ Authorised Publishing Agent (APA) service.

The Regulatory Filings in Processable Format product has also been enriched with the inclusion of regulatory filings in SWIFT format, while the Front Office Significant Events product has been enriched with the inclusion of significant events from the MAB. Fixed income data tick files have also been modified by incorporating new fields adapted to T2S.

BME Market Data currently delivers more than 1,500 end-of-day files at the end of each session. BME Market Data is in constant contact with its clients to understand their needs first hand and ascertain the keys to anticipating the challenges involved in disseminating information.

BME Market Data has continued to work to boost its market data business in Latin America, through the Latam Exchanges Data (LED) joint venture with the Mexican Stock Exchange (BMV). The goal of this joint initiative is to promote the generation, distribution and sale of information on Latin America financial markets using the highest levels of automation and processing. This is crucial information that is in high demand among entities with interests in these markets.

>> Business Areas

7. VALUE ADDED SERVICES

BME's technology subsidiary, BME Inntech, is continuing to roll out technological solutions for financial institutions, helping them in their digital transformation. The catalogue of services was consolidated in 2019 to cover the entire value chain for investment and financial advice processes, providing global coverage of buy-side and sell-side needs.

BME Inntech acts as a supplier of global solutions enabling comprehensive automation of front and middle-office activities associated with business processes for investment, portfolio management and financial advisory services, and the registration of clients with entities providing these services. Highlights in the Global Access to Trading Services and Infrastructure area include the start-up of the Smart Order Routing (SOR) service and enrichment of the Order Management System (OMS), with implementation of new types of orders, third-party sets and the incorporation of new sell-sides, increasing the global network of clients in the system.

In Latin America, development of the trading and order management platform is progressing in Colombia, with the incorporation of the new functionality required for the fixed income market. Financial information services have performed positively during the year, mainly due to online broker services that allow entities to offer securities trading solutions to their end clients.

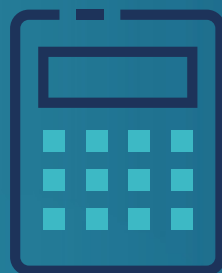
During this year, several customised online trading platforms were successfully implemented, enabling flexible, fast and simple trading in the main national and international equities and derivatives markets. Latin America has notched up a steady increase in commercial activity, through the sale of new ASP solutions and integration of new information content in Mexico. In advisory and portfolio management (WealthTech) services, development of new securities functionality has been successfully completed in a number of Spanish and Portuguese financial institutions.

Work is ongoing in market abuse services (SICAM) and services related to MiFID II regulatory compliance, such as the Best Execution and TCA reports for managers. These are being very well received in the domestic market, developing into indispensable compliance tools for entities.

In terms of infrastructure, the number of clients of the HIGHWAY financial communication services has continued to grow. BME makes these services available to financial entities for the outsourcing of their SWIFT infrastructure, and to non-financial entities to allow customers access to messaging with all of their banks in a single window. In another new development in line with the digital transformation strategy, a specific Innovation line has been created, grouping the laboratories for specific technologies, such as the DLT and AI labs.

The DLT lab analyses and experiments with Blockchain technology in the digitalisation of processes and new operating models that improve current financial processes, in consultation and collaboration with regulators, other BME areas and financial institutions. We are working on a number of initiatives, some of which have already been implemented in production after the success of their proof of concept. Be DLT-Pledge recently came into operation, automating the certification process for current pledges, achieving a 70% saving in time and costs.

The Artificial Intelligence lab is working on a range of initiatives in which artificial intelligence can add value to financial processes. Highlights in this area include bringing execution and investment algorithms into production that maximise the investments and efficiency of our clients' processes. This commitment to technology and innovation is the main feature in all areas of Inntech's business as it seeks to become the benchmark technology partner for our clients, making them more competitive and efficient, in line with BME group's global strategy.



5.

Annual Accounts

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Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Subsidiaries comprising the Bolsas y Mercados Españoles Group

Auditor's Report on the Consolidated Annual Accounts,
and the Consolidated Management's Report at 31 December 2019

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

>> Auditor's Report



Informe de auditoría de cuentas anuales consolidadas emitido por un auditor independiente

A los accionistas de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (la Sociedad dominante) y sociedades que componen el Grupo Bolsas y Mercados Españoles (el Grupo), que comprenden el balance a 31 de diciembre de 2019, la cuenta de pérdidas y ganancias, el estado de ingresos y gastos reconocidos, el estado total de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2019, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del período actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

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Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.
y sociedades que componen el Grupo Bolsas y Mercados Españoles

Cuestiones clave de la auditoría

Sistemas y procesos informáticos que intervienen en el reconocimiento de ingresos

Los derechos por prestación de servicios (contratación, compensación, liquidación, admisión de valores a negociación, de permanencia, de exclusión, y de difusión de información, entre otros – véase las Notas 2.n y 17 de las cuentas anuales consolidadas adjuntas) se registran, en función del momento en que se satisfacen las obligaciones de ejecución, conforme a los cánones y tarifas publicados en los respectivos boletines de cotización, y su cuantía depende, entre otros, de factores propios de la operativa del Grupo, como el número de operaciones o transacciones, el importe de cuotas de acceso a infraestructuras y derechos de uso de las mismas, o la gestión del mantenimiento de posiciones, entre otros.

Para el cálculo de los mencionados ingresos, intervienen numerosas fuentes de información que se mantienen en distintos sistemas informáticos y electrónicos, susceptibles a fallos o errores en el propio funcionamiento de cada uno de los sistemas y/o en las comunicaciones entre ellos, tal y como se indica en la Nota 24.a de las cuentas anuales consolidadas adjuntas.

Identificamos esta área como aspecto clave a considerar en la auditoría del Grupo por el número de sistemas intervinientes en el proceso de cálculo para el registro de los ingresos, así como por las características de los procesos informáticos que soportan dichos cálculos, de forma que identificamos como riesgo de incorrección material de nuestra auditoría el adecuado registro de los ingresos, conforme a la normativa aplicable.

Modo en el que se han tratado en la auditoría

Hemos obtenido un entendimiento de los servicios y cánones asociados a los mismos y de los procedimientos y criterios empleados por el Grupo en la determinación, cálculo, contabilización y facturación de los servicios a los clientes del Grupo, así como del entorno de control interno y los controles clave que forman parte del mismo.

En relación con los principales sistemas que intervienen en los cálculos de los ingresos por servicios y cánones, con la participación de nuestros especialistas en sistemas de tecnología de la información, hemos analizado el entorno general de control informático sobre los principales sistemas y aplicaciones que soportan los procesos informáticos automatizados en el reconocimiento de ingresos, evaluando, entre otros, aspectos como la organización del Área de Tecnología, los controles establecidos sobre el ciclo de vida del mantenimiento de las aplicaciones, los controles relacionados con el control de acceso a los sistemas de información y aquellos relacionados con la gestión automatizada de los procesos que determinan el cálculo de los ingresos.

Asimismo, hemos realizado las siguientes pruebas:

- Hemos realizado pruebas sobre la eficacia operativa de los controles clave de los procesos relacionados con la determinación, cálculo, contabilización y facturación de los servicios a los clientes del Grupo.
- A partir de los datos registrados en los distintos sistemas de información y de la descripción de las diferentes tarifas aplicables, con la participación de nuestros especialistas en sistemas de tecnología de la información, hemos realizado un recálculo de los ingresos con pruebas de tratamiento masivo de datos, para contrastar los resultados obtenidos con los registrados por el Grupo.

>> Auditor's Report



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. y sociedades que componen el Grupo Bolsas y Mercados Españoles

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
	Adicionalmente, hemos obtenido confirmaciones externas de una muestra de los saldos de las cuentas a cobrar y de la facturación efectuada durante el ejercicio 2019. Como consecuencia de dichos procedimientos, consideramos que hemos obtenido evidencia suficiente y adecuada respecto a si los sistemas del Grupo calculan razonablemente estos ingresos.
Valoración de los fondos de comercio	
El Grupo realiza con carácter anual una evaluación para determinar si existe deterioro en sus fondos de comercio, conforme requieren las NIIF-UE.	Hemos obtenido, con la colaboración de nuestros expertos en valoraciones, un entendimiento del proceso de estimación efectuado por la dirección, así como del entorno de control interno en el que la misma se efectúa, centrando nuestros procedimientos en aspectos como:
La dirección utiliza para sus estimaciones los distintos planes operativos de cada Unidad Generadora de Efectivo (UGE), siendo los mismos la base para determinar el valor en uso de cada UGE. Los fondos de comercio se asignan a una UGE o conjunto de UGEs, según se describe en las Notas 2.b y 5.a de las cuentas anuales consolidadas adjuntas.	- El análisis de los criterios para la definición de las UGEs aplicado por el Grupo. - La evaluación de la metodología de la dirección para la estimación del deterioro del fondo de comercio, incluyendo la evaluación de los controles de supervisión del proceso y de las aprobaciones establecidas en el mismo. - El análisis de los informes anuales de valoración sobre la evaluación del deterioro en los fondos de comercio.
Al 31 de diciembre de 2019 el valor contable de los fondos de comercio registrados por el Grupo asciende a 87.725 miles de euros. Por su relevancia, la dirección otorga especial seguimiento al fondo de comercio procedente de la adquisición de Iberclear, tal y como se indica en la Nota 5.a de las cuentas anuales consolidadas adjuntas.	Por otra parte, hemos efectuado pruebas para contrastar los modelos de previsión de flujos de efectivo utilizados por el Grupo con su estimación, considerando lo establecido por la normativa de aplicación, la práctica de mercado y las expectativas específicas del sector.
La metodología de valoración utilizada por la dirección para la obtención del valor en uso asociado a la sociedad Iberclear es la del descuento de los flujos libres de caja futuros asociados a dicha sociedad para un período de proyección hasta 2024.	Adicionalmente, hemos realizado los siguientes procedimientos:
	Comprobamos la exactitud matemática de los modelos.



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. y sociedades que componen el Grupo Bolsas y Mercados Españoles

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
Identificamos esta área como relevante dado que la estimación del valor en uso de cada UGE, según se describe en las Notas 2.b y 5.a de la memoria consolidada adjunta, incluye un elevado nivel de juicio puesto que se basa en hipótesis de valoración sobre aspectos como los flujos de caja estimados, las tasas de crecimiento a largo plazo utilizadas, y las tasas de descuento aplicables.	- Contrastamos las hipótesis clave utilizadas por la dirección con datos obtenidos de fuentes externas, a partir de lo cual consideramos que son adecuadas para el ejercicio de estimación realizado por su parte. - Evaluamos la capacidad de la dirección para realizar estimaciones razonables mediante la comparación de las previsiones de años anteriores con la realidad de la actividad del Grupo en los últimos ejercicios. - Analizamos la razonabilidad del análisis de sensibilidad efectuado por la dirección. Como resultado de los procedimientos anteriores, consideramos que la evaluación efectuada por la dirección es razonable y las estimaciones de las hipótesis clave no se encuentran fuera de un rango razonable.
Los modelos de valoración utilizados por la dirección son sensibles a las hipótesis utilizadas, existiendo, por su naturaleza, riesgo de incorrecciones en la estimación, sujeta a incertidumbre, del valor en uso de las UGEs, motivo por el cual consideramos que la evaluación de los mismos es una cuestión clave de nuestra auditoría.	

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2019, cuya formulación es responsabilidad de los administradores de la Sociedad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

- Un nivel específico que resulta de aplicación al estado de la información no financiera consolidado, así como a determinada información incluida en el Informe Anual de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión, o en su caso, que se ha incorporado en éste la referencia correspondiente al informe separado sobre la información no financiera en la forma prevista en la normativa, y en caso contrario, a informar sobre ello.
- Un nivel general aplicable al resto de la información incluida en el informe de gestión consolidado, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

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Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. y sociedades que componen el Grupo Bolsas y Mercados Españoles

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en el informe de gestión consolidado y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2019 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría en relación con las cuentas anuales consolidadas

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los citados administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. y sociedades que componen el Grupo Bolsas y Mercados Españoles

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.
- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.
- Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.
- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.
- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la comisión de auditoría de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría de la Sociedad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

>> Auditor's Report



Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.
y sociedades que componen el Grupo Bolsas y Mercados Españoles

Informe sobre otros requerimientos legales y reglamentarios

Informe adicional para la comisión de auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad dominante de fecha 28 de febrero de 2020.

Periodo de contratación

La Junta General Ordinaria de Accionistas celebrada el 25 de abril de 2019 nos nombró como auditores del Grupo por un período de un año, contado a partir del ejercicio finalizado el 31 de diciembre de 2019.

Con anterioridad, fuimos designados por acuerdo de la Junta General de Accionistas para el periodo de tres años y hemos venido realizando el trabajo de auditoría de cuentas de forma ininterrumpida desde el ejercicio finalizado el 31 de diciembre de 2013.

Servicios prestados

Los servicios, distintos de la auditoría de cuentas, que han sido prestados al Grupo auditado se desglosan en la Nota 20 de la memoria de las cuentas anuales consolidadas.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Ignacio Martínez Ortiz (23834)

28 de febrero de 2020



PRICEWATERHOUSECOOPERS
AUDITORES, S.L.

2020 Núm. 01/20/01120
96,00 EUR

SELLO CORPORATIVO:
Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Companies comprising the Bolsas y Mercados Españoles Group ("BME")

Consolidated Annual Accounts and Consolidated Director's Report for
the year ended 31 December 2019, together with the Audit Report

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

>> Annual Accounts

■ CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

(THOUSANDS OF EUROS)

ASSETS	NOTE	31/12/2019	31/12/2018 ^(*)
NON-CURRENT ASSETS			
Intangible assets-		99,965	101,210
Goodwill	5	87,725	87,725
Other intangible assets	5	12,240	13,485
Property, plant and equipment	6	57,967	42,280
Investment properties		-	-
Investments in associates	2	8,616	6,661
Non-current financial assets	7	16,961	14,149
Deferred tax assets	16	14,233	14,238
Other non-current assets		-	-
		197,742	178,538
CURRENT ASSETS			
Non-current assets held for sale		609	439
Trade and other receivables		74,519	77,055
Trade receivables for sales and services	8	34,591	34,131
Companies accounted for using the equity method	8	1,273	443
Current tax assets	8	34,837	38,851
Other receivables	8	3,818	3,630
Current financial assets	7	7,219	6,247
Other current financial assets-	7	12,352,165	13,876,242
Realisation of guarantees received from participants		3,004,517	2,320,332
Financial instruments in CCP		9,303,064	11,529,131
Receivables for settlement		43,644	25,244
Realisation of cash withheld for settlement		940	1,535
Cash receivables for settlement		-	-
Other current assets	10	1,988	1,471
Cash and cash equivalents	9	251,438	270,336
		12,687,938	14,231,790
TOTAL ASSETS		12,885,680	14,410,328

EQUITY AND LIABILITIES	NOTE	31/12/2019	31/12/2018 ^(*)
EQUITY			
CAPITAL AND RESERVES	11	383,653	399,620
Capital		378,309	396,759
Share premium		250,847	250,847
Reserves		-	-
(Parent shares and equity holdings)		102,606	102,682
Prior years' profit and loss		(19,207)	(15,407)
Other equity holder contributions		-	-
Profit/(loss) for the year		-	-
(Interim dividend)		122,756	136,288
Other equity instruments		(82,852)	(83,078)
Other equity instruments		4,159	5,427
OTHER COMPREHENSIVE INCOME		4,535	2,451
Items not reclassified to profit or loss		4,616	2,464
Items that may be reclassified to profit/(loss) for the year		(81)	(13)
Debt instruments at fair value with changes in other comprehensive income		-	-
Hedging transactions		-	-
Translation differences		(81)	(13)
Other valuation adjustments		-	-
EQUITY ATTRIBUTABLE TO THE PARENT		382,844	399,210
NON-CONTROLLING INTERESTS	11	809	410
NON-CURRENT LIABILITIES			
Grants		-	-
Non-current provisions		20,149	18,685
Other provisions	12	3,334	3,334
Long-term employee benefit obligations	13	16,815	15,351
Non-current financial liabilities	7	20,937	-
Deferred tax liabilities	16	5,909	5,191
Other non-current liabilities	15	14,675	16,357
		61,670	40,233
CURRENT LIABILITIES			
Liabilities associated with non-current assets held for sale		-	-
Current provisions		-	-
Current financial liabilities	7	1,440	-
Other current financial liabilities-	7	12,352,156	13,876,230
Guarantees received from participants		3,004,508	2,320,320
Financial instruments in CCP		9,303,064	11,529,131
Payables for settlement		43,644	25,244
Payables in cash withheld for settlement		940	1,535
Payables in cash for settlement		-	-
Trade and other payables-		80,490	87,140
Suppliers	14	19,336	21,661
Suppliers, companies accounted for using the equity method	14	1	2
Current tax liabilities	14	37,717	43,890
Other payables	14	23,436	21,587
Other current liabilities	15	6,271	7,105
		12,440,357	13,970,475
TOTAL EQUITY AND LIABILITIES		12,885,680	14,410,328

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of financial position at 31 December 2019

>> Annual Accounts

■ CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(THOUSANDS OF EUROS)

		(DEBIT)/CREDIT	
	NOTES	2019	2018 (*)
Revenue	17	291,168	307,359
Own work capitalised	5-b	3,709	3,215
Other operating income	17	1,962	2,354
Variable direct cost of operations	17	(11,447)	(8,772)
REVENUE		285,392	304,156
Staff costs-	19	(73,135)	(75,952)
Wages, salaries and similar expenses		(57,721)	(62,155)
Social welfare expenses		(11,195)	(10,285)
Provisions and other staff costs		(4,219)	(3,512)
Other operating costs	20	(42,316)	(42,138)
External services		(40,165)	(41,102)
Taxes other than income tax		(954)	(660)
Losses, impairment and changes in trade provisions	8	(1,197)	(376)
Amortisation and depreciation		(9,473)	(7,902)
Amortisation of intangible assets	5	(4,946)	(4,698)
Depreciation	6	(4,527)	(3,204)
Grants released to non-financial assets and other		-	-
Impairment and gains/(losses) on disposal of non-current assets	5 and 6	24	(933)
Other gains and losses		-	-
OPERATING PROFIT (LOSS)		160,492	177,231

		(DEBIT)/CREDIT	
	NOTES	2019	2018 (*)
Finance income-		12,884	11,327
From equity investments	7 and 21	643	509
From marketable securities and other financial instruments	7, 9 and 21	12,241	10,818
Finance cost-		(13,358)	(11,088)
Third-party borrowings	21	(946)	(146)
Provision adjustments	21	(185)	(180)
Guarantees received from participants	7 and 21	(12,227)	(10,762)
Change in fair value of financial instruments-		-	-
Held for trading and others		-	-
Taken to results for the year - financial assets at fair value with changes in other comprehensive income		-	-
Exchange gains/(losses)	21	(29)	(33)
Impairment and gains/(losses) on disposal of financial instruments	7 and 21	-	-
NET FINANCIAL INCOME		(503)	206
Share of profit (loss) accounted for using the equity method	2	1,934	2,389
PROFIT/(LOSS) BEFORE TAX		161,923	179,826
Income tax expense	16	(39,450)	(43,724)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		122,473	136,102
Profit/(loss) after tax for the year from discontinued operations		-	-
CONSOLIDATED PROFIT FOR THE YEAR		122,473	136,102
Profit/(loss) attributable to parent	11	122,756	136,288
Profit/(loss) attributable to non-controlling interests		(283)	(186)
EARNINGS PER SHARE (€)			
Basic	3	1.48	1.64
Diluted	3	1.47	1.63

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 25 and Appendix I are an integral part of the consolidated income statement for the year ended 31 December 2019.

>> Annual Accounts

■ CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(THOUSANDS OF EUROS)

	NOTE	Year 2019	Year 2018 (*)
CONSOLIDATED PROFIT/(LOSS) PER INCOME STATEMENT		122,473	136,102
OTHER COMPREHENSIVE INCOME - ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS		663	2,497
Due to revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets		-	-
Actuarial gains and losses and other adjustments		(1,235)	2,681
Share in other recognised comprehensive income from investments in joint ventures and associates.		-	-
Equity instruments at fair value with changes in other comprehensive income	7 and 11	2,869	365
Other income and expenses not reclassified to profit or loss for the year		-	-
Tax effect	11	(971)	(549)
OTHER COMPREHENSIVE INCOME - ITEMS THAT MAY BE RECLASSIFIED TO PROFIT/(LOSS) FOR THE YEAR		(56)	(2)
Debt instruments at fair value with changes in other comprehensive income:		-	-
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-

	NOTE	Year 2019	Year 2018 (*)
Cash flow hedges:		-	-
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Amounts transferred to the initial value of the hedge item		-	-
d) Other reclassifications		-	-
Translation differences:	11	(56)	(2)
a) Valuation gains/(losses)		(56)	(2)
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Share in other recognised comprehensive income from investments in joint ventures and associates.		-	-
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Other income and expense not reclassified to profit or loss for the year		-	-
a) Valuation gains/(losses)		-	-
b) Amounts transferred to profit or loss		-	-
c) Other reclassifications		-	-
Tax effect	11	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		123,080	138,597
a) Attributable to the parent		123,351	138,783
b) Attributable to non-controlling interests		(271)	(186)

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2019.

>> Annual Accounts

■ CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(THOUSANDS OF EUROS)

	Equity attributable to the parent											
	Capital and reserves											
	Share premium and reserves						(Parent shares and equity holdings)	Profit for the year	Other equity instruments	Other comprehensive accumulated income	Non-controlling interests	Total Equity
	Capital	Share premium	Reserves	Gain and losses years' Profit and loss	Other Equity shareholder contributions	Total dividend / share Interim dividend						
Closing balance at 31 December 2017 (*)	250,847	-	112,260	-	-	(83,133)	(12,426)	153,319	7,101	2,179	279	430,426
Adjustments for changes in accounting criteria	-	-	(16,993)	-	-	-	-	-	-	-	-	(16,993)
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance (*)	250,847	-	95,267	-	-	(83,133)	(12,426)	153,319	7,101	2,179	279	413,433
Total recognised income and expense	-	-	2,223	-	-	-	-	136,288	-	272	(186)	138,597
Transactions with shareholders	-	-	(175)	(64,819)	-	(83,078)	(4,267)	-	-	-	(110)	(152,449)
Capital increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(64,819)	-	(83,078)	-	-	-	-	-	(147,897)
Transactions with parent company shares and equity holdings	-	-	-	-	-	-	(4,267)	-	-	-	-	(4,267)
Increases/(reductions) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/(disposals) of non-controlling interests	-	-	(175)	-	-	-	-	-	-	-	(110)	(285)
Other transactions with shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	5,367	64,819	-	83,133	1,286	(153,319)	(1,674)	-	427	39
Equity-settled share-based payments	-	-	-	-	-	-	1,286	-	(1,674)	-	-	(388)
Transfers between equity items	-	-	5,367	64,819	-	83,133	-	(153,319)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	427	427
Closing balance at 31 December 2018 ^(*)	250,847	-	102,682	-	-	(83,078)	(15,407)	136,288	5,427	2,451	410	399,620
Adjustments for changes in accounting criteria	-	-	(4,542)	-	-	-	-	-	-	-	-	(4,542)
Adjustments for errors	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted opening balance	250,847	-	98,140	-	-	(83,078)	(15,407)	136,288	5,427	2,451	410	395,078
Total recognised income and expense	-	-	(1,489)	-	-	-	-	122,756	-	2,084	(271)	123,080
Transactions with shareholders	-	-	-	(47,255)	-	(82,852)	(5,189)	-	-	-	-	(135,296)
Capital increases/(decreases)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	(47,255)	-	(82,852)	-	-	-	-	-	(130,107)
Transactions with parent company shares and equity holdings	-	-	-	-	-	-	(5,189)	-	-	-	-	(5,189)
Increases/(reductions) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/(disposals) of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	5,955	47,255	-	83,078	1,389	(136,288)	(1,268)	-	670	791
Equity-settled share-based payments	-	-	-	-	-	-	1,389	-	(1,268)	-	-	121
Transfers between equity items	-	-	5,955	47,255	-	83,078	-	(136,288)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	670	670
Closing balance at 31 December 2019	250,847	-	102,606	-	-	(82,852)	(19,207)	122,756	4,159	4,535	809	383,653

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of total changes in equity for the year ended 31 December 2019

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■ CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(THOUSANDS OF EUROS)

	NOTES	FINANCIAL YEAR 2019	FINANCIAL YEAR 2018 ^(*)
CASH FLOWS FROM OPERATING ACTIVITIES:		111,014	130,644
Consolidated profit before tax		161,923	179,826
Adjustments to profit (loss)		7,817	11,682
Amortisation and depreciation	5 and 6	9,473	7,902
Other adjustments to profit/(loss) (net)		(1,656)	3,780
Changes in working capital (1)		(17,814)	(15,824)
Other cash flows from operating activities:		(40,912)	(45,040)
Interest paid		(12,834)	(11,088)
Dividends and interest on other equity instruments paid		-	-
Dividends received		-	-
Interest received		12,241	10,816
Income tax received (paid)	16	(39,450)	(43,724)
Other amounts received/(paid) in operating activities		(869)	(1,044)
CASH FLOWS FROM INVESTING ACTIVITIES:		(2,190)	8,087
Payments for investments		(5,995)	(4,120)
Group companies, jointly controlled entities and associates		(526)	(285)
Property plant and equipment, intangible assets and investment properties	5 and 6	(4,497)	(3,083)
Other financial assets		(972)	(752)
Other assets		-	-
Proceeds from disposals		3,805	12,207
Group companies, jointly controlled entities and associates		500	-
Property plant and equipment, intangible assets and investment properties	6	1,985	1,295
Other financial assets		650	10,485
Other assets		670	427

	NOTES	FINANCIAL YEAR 2019	FINANCIAL YEAR 2018 ^(*)
CASH FLOWS FROM FINANCING ACTIVITIES:		(127,722)	(144,134)
Proceeds from and payments for equity instruments		(5,189)	(4,267)
Issue of equity instruments		-	-
Redemption of equity instruments		-	-
Acquisition of parent company equity instruments		(5,189)	(4,267)
Disposal of parent company equity instruments		-	-
Acquisitions of non-controlling interests		-	-
Disposals of non-controlling interests		-	-
Grants, donations and bequests received		-	-
Proceeds from and payments for financial liabilities			-
Issue		-	-
Redemptions and repayment		-	-
Dividends and interest on other equity instruments paid-		(120,661)	(139,867)
Gross dividend	11	(130,107)	(147,897)
Withholding	16	9,446	8,030
Other cash flows from financing activities-		(1,872)	-
Interest paid		-	-
Other amounts received/(paid) in financing activities ⁽²⁾		(1,872)	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(18,898)	(5,403)
Cash and cash equivalents at beginning of year		270,336	275,739
Cash and cash equivalents at end of year		251,438	270,336
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR END:			
Cash in hand and at banks	9	220,442	195,338
Other financial assets	9	30,996	74,998
Less: Bank overdrafts repayable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT YEAR END		251,438	270,336

(*) Figures presented solely and exclusively for comparison purposes.

Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of cash flows for the year ended 31 December 2019.

(1) In order to more clearly present the changes in working capital, the cash flows generated by other current financial assets and liabilities (see Note 7) are included in the statement of cash flow at their net value.

(2) Corresponds to cash payments corresponding to the principal of the lease liability (Note 1-b).

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Notes to the consolidated annual accounts for the year ended 31 December 2019**1. Background, basis of presentation of the consolidated annual accounts and other information****a) Background**

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (the "Company", "Bolsas y Mercados Españoles" or "BME") was incorporated by public deed dated 15 February 2002, through the performance of the preliminary agreement signed between the shareholders of the companies that administrated the markets and systems for the trading, registration, settlement and clearing of securities, the "Affected Companies", (FC&M, Sociedad Rectora del Mercado de Futuros y Opciones sobre Cítricos, S.A.; MEFF AIAF SENAF Holding de Mercados Financieros, S.A.; Servicio de Compensación y Liquidación de Valores, S.A.; Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.; Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A.; Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.; and Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.).

On 7 May 2002, the Board of Directors of Bolsas y Mercados Españoles resolved to carry out a wide-reaching share swap for all the shares of the Affected Companies. In 2003, with effect from 1 January of that year, Banco de España acquired 9.78% of the Group's share capital in a rights issue in which the preferential subscription rights of the remaining shareholders were waived. Banco de España was accordingly the sole subscriber of the non-monetary capital increase carried out by Bolsas y Mercados Españoles. The in-kind consideration contributed by Banco de España for this ownership interest consisted of 100% of the shares it held at that time in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (the Systems Company) (4,541 shares). As a consequence of this transaction, the Bolsas y Mercados Españoles Group (the "Group"), of which Bolsas y Mercados Españoles is the parent company, started to perform not only the registration, settlement and clearing of securities already carried out by the Affected Companies, but also the clearing, settlement and registration activities which up until that time had been carried out by the Central de Anotaciones del Mercado de Deuda Pública en Anotaciones del Banco de España (the Banco de España public debt book-entry trading system, or "CADE"). This transaction also gave rise to the recognition by the Group of goodwill, specifically attributed to the functions formerly tasked to CADE and supported by future revenue from this

activity, as well as operating and business synergies deriving from the consolidation of the settlement platforms (Notes 2-b and 5).

On 14 July 2006, the shares of Bolsas y Mercados Españoles were admitted for trading on the stock exchanges of Madrid, Barcelona, Valencia and Bilbao, and all the outstanding shares of Bolsas y Mercados Españoles were included in the Spanish electronic trading platform (Sistema de Interconexión Bursátil).

The corporate purpose of Bolsas y Mercados Españoles is active ownership of the share capital of the companies that manage the securities registration, settlement and clearing systems, central counterparties, secondary markets, and multilateral trading systems; and responsibility for the unity of action, decision-making and strategic co-ordination of trading, registration, clearing and settlement systems, central counterparties, secondary markets and multilateral trading systems. To this end, it may implement operational, functional and structural improvements, including raising its international profile. The foregoing without prejudice to the Companies that form the Group maintaining their own identity, operating capacity, governing bodies and managerial and general staff.

The registered offices of Bolsas y Mercados Españoles are in Madrid at Plaza de la Lealtad, 1.

Appendix I provides significant information on the companies comprising the Group

b) Bases of presentation of the consolidated annual accounts

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 all companies that are governed by the Law of a member state of the European Union and whose shares are traded on a regulated market of any of such member states, must prepare their consolidated annual accounts corresponding to the periods commencing as at 1 January 2005 in accordance with the International Financial Reporting Standards (hereinafter IFRS) previously adopted by the European Union (hereinafter, IFRS-EU).

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The consolidated annual accounts for 2019 of the Group have been prepared by the Company's Directors (at its Board of Directors Meeting on 27 February 2020), in accordance with the International Financial Reporting Standards adopted by the European Union and taking into consideration the applying the commercial law applicable to the Group, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 2, to fairly present the Group's consolidated equity and financial position of the Group as at December 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended. These consolidated annual accounts, which were prepared from the accounting records of the Company and of each of the entities composing the Group, include the restatements and re-classifications required to standardise the accounting policies and measurement bases applied across the Group.

The 2019 consolidated annual accounts have yet to be approved by BME's General Shareholders' meeting. However, the Company's directors believe that they will be approved without modification. The consolidated annual accounts for 2018 were authorised for issue by the Company's Directors (at the Board meeting on 27 February 2019) and approved by the General Shareholders' Meeting held on 25 April 2019.

Unless indicated otherwise, the consolidated annual accounts are presented in thousands of euros (€).

All the 2018 figures in these notes to the consolidated annual accounts are presented solely and exclusively for comparison purposes.

All accounting principles and measurement bases with a significant effect on the consolidated annual accounts statements were applied

i. Adaptation to new standards and interpretations issued

Standards and interpretations effective in this financial year

The following Standards and Interpretations adopted by the EU became effective in 2019:

- IFRS 16 "Leases": in January 2016 the IASB published a new standard on leases derogating IAS 17 "Leases", as part of a joint project with the FASB.

IFRS 16 defines a lease as a contract, or part of a contract, that grants the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. The tenants recognise a lease liability that reflects future lease payments and a "right of use asset" for almost all lease agreements. This represents a significant change compared to IAS 17, according to which tenants were required to make a distinction between a financial lease (recognised on the consolidated statement of financial position) and an operating lease (off the consolidated statement of financial position). IFRS 16 grants tenants optional exemptions for certain short-term leases and leases in which the underlying asset is of a low value.

In terms of accounting by the lessor, the decision was made to make no substantial changes and to maintain requirements similar to those stipulated in IAS 17 that had previously been in force.

This standard is applicable to annual periods beginning on 1 January 2019.

The Group's Management decided to adopt the criteria established by IFRS 16 for the recognition of lease contracts using a modified retrospective approach, adjusting the opening balance on the date of first application without restating the comparative figures for the financial year prior to the initial adoption. The Group's management also decided to apply the practical solution permitted by IFRS 16 of not evaluating the first application if the contracts are, or contain, a lease under the new definition, and will therefore apply IFRS 16 to those contracts that were previously identified as lease contracts.

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Given the Group's operations, the leases subject to the application of the standard are mostly related to property contracts, with the remainder being immaterial leases. With these contracts in mind and with a view to applying IFRS 16, the Group performed the following estimates:

- Lease term: the Group evaluated the possibility of executing extension or early cancellation options and this is considered in the estimate of the lease term.
- Discount rate: bearing in mind that the Group decided to apply the standard using a modified retrospective approach, the discount rate used in the appraisal has been the incremental interest rate of the lessee estimated at said date. To this end, the Group calculated said incremental interest rate using a synthetic rating depending on the comparable companies in the sector and an interest rate depending on the lease terms. In 2019, BME obtained an A- rating, with a stable outlook, granted by S&P Global Ratings, in line with the rating initially estimated by the Group.

Applying the aforementioned standard, the Group recognised, as at 1 January 2019, right of use assets worth €20,853 thousand (Note 6) and financial lease liabilities for the sum of €26,908 thousand, as well as a negative impact on reserves net of the tax effect amounting to €4,542 thousand, corresponding to the difference between the asset and liability for recognised lease. As at 31 December 2019, the Group maintains right of use assets for the sum of €16,246 thousand and lease liabilities for the amount of €22,377 thousand (Note 7-b).

Furthermore, as a result of the application of this standard, the costs relating to lease contracts, previously recognised as operating costs under "Other operating costs - Leases of offices and installations" are recognised as at 1 January 2019 as a combination of the depreciation of fixed assets and financial costs, under "Amortisation and depreciation - Depreciation of property, plant and equipment" and "Financial costs - Third party borrowings" on the consolidated income statement. In addition, in the consolidated cash flow statement, cash payments corresponding to leases that, prior to the entry into force of this standard, were considered as operating cash flows, as upon the entry into force of the standard they corresponded to payments of the principal of the lease liability, and are now considered as a cash flow corresponding to financing activities under "Other cash flows from financing activities - Other amounts received/(paid) in financing activities".

Below, details of lease liabilities at 1 January and 31 December 2019 can be found:

Lease liabilities	31/12/2019 (Thousands of euros)	01/01/2019 (Thousands of euros)
Current lease liabilities	1,440	1,348
Non-current lease liabilities	20,937	25,560
Total lease liabilities	22,377	26,908

The right of use assets recognised correspond to the following types of assets:

Right of use assets	31/12/2019 (Thousands of euros)	01/01/2019 (Thousands of euros)
Property	16,246	20,853
Total right of use assets	16,246	20,853

- IFRS 9 (Amendment) "Component of advance payment with negative offsetting": the terms of instruments with advance payment characteristics with negative offsetting, where the lender may be obliged to accept an advanced amount substantially lower than the unpaid amounts of principal and interest, were incompatible with the idea of "fair additional compensation" due to the early termination of contract according to IFRS 9. Subsequently, these instruments would not have any contractual cash flows which are only capital and interest payments, which would be accounted for at fair value with changes recognised in the income statement. The amendment to IFRS 9 clarifies that a party can pay or receive fair compensation when a contract is terminated early, which would allow these instruments to be measured at amortised cost or fair value with changes in other comprehensive income.

This amendment is effective for annual periods beginning on or after 1 January 2019.

This amendment did not have a significant impact on the consolidated annual accounts.

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- IFRIC 23 “Uncertainty over income tax treatments”: the interpretation provides requirements that are added to those of IAS 12 “Income taxes”, detailing how to reflect the effects of uncertainty in the accounting of income taxes. This interpretation clarifies how to apply the recognition and measuring requirements of IAS 12 when there is uncertainty concerning their accounting treatment.

The interpretation is effective for annual periods beginning on or after 1 January 2019.

This interpretation did not have a material impact on the consolidated annual accounts.

- IAS 28 (Amendment) “Long term interests in associates and joint ventures”: this amendment to the limited scope clarifies that long-term interests in associates and joint ventures which, in substance, form part of the net investment in the associate or in the joint-venture, but to which the equity method is not applied, are accounted for according to the requirements set forth in IFRS 9 “Financial Instruments”. Similarly, the IASB published an example which illustrates how the requirements of IAS 28 and IFRS 9 should be applied with regard to said long-term interests.

This amendment is effective for annual periods beginning on or after 1 January 2019.

This amendment did not have a significant impact on the consolidated annual accounts.

- IAS 19 (Amendment) “Amendment, reduction or settlement of the plans”: this amendment specifies how the companies must determine the pension expense when changes occur in a defined benefit plan.

The amendment takes effect on 1 January 2019.

This amendment did not have a significant impact on the consolidated annual accounts.

- Annual improvements to IFRS. 2015 - 2017 Cycle: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and apply to the annual periods beginning on or after 1 January 2019. The main amendments refer to:

- IFRS 3 “Business Combinations”: an interest previously held in a joint-venture is remeasured when control of the business is obtained.
- IFRS 11 “Joint Arrangements”: an interest previously held in a joint-venture is not remeasured when joint control of the business is obtained.
- IAS 12 “Income taxes”: all tax effects arising from the payment of dividends are accounted for in the same manner.
- IAS 23 “Borrowing costs”: any borrowing directly attributable to the construction or production of a qualifying asset forms part of the general borrowing when the asset is ready for use or sale.

These amendments did not have a significant impact on the consolidated annual accounts.

Standards, amendments and interpretations that are not yet in force, but may be adopted ahead of financial years beginning on or after 1 January 2020

At the date on which these consolidated annual accounts were prepared, the IASB had published the modifications described below, the application of which is mandatory for tax years beginning on or after 1 January 2020, and that the Group has not decided to adopt in advance.

- IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of materiality (or relative importance)”: these amendments clarify the definition of “material”, and also introduce the omitted or inaccurate items that could influence the decisions of the users, namely the concept of “dark” information. The IFRS are more coherent as a result of these amendments, but it is not expected that they will have a significant impact on the preparations of the financial standards.

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They will take effect for the annual periods beginning on or after 1 January 2020, although early adoption is permitted.

The application of these amendments is not expected to have a significant impact on the Group.

- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Interest Rate Benchmark Reform": these modifications provide for certain exemptions in relation to the reform of the benchmark interest rate (IBOR). These exemptions correspond to hedge accounting and mean that the IBOR reform generally should not result in the end of hedge accounting. However, any hedging inefficiency must continue to be recognised in the income statement.

The amendments are applicable to annual periods beginning on or after 1 January 2020, although early application is permitted.

The application of these amendments is not expected to have a material impact on the Group.

Standards, interpretations and modifications to existing standards that cannot be adopted in advance or that have not been adopted by the European Union

On the date on which these consolidated annual accounts were prepared, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below, which are pending adoption by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture": these amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates or joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of a business, the investor recognises the gain or loss to the extent of other investors' interests. The amendments will apply only when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015 the IASB decided to defer their date of application (although it did not set any specific new date), as it is planning to undertake a more extensive review that could lead to the simplification of accounting for these transactions and other aspects of accounting for associates and joint ventures.

- IFRS 17 "Insurance contracts": in May 2017, the IASB completed its long-term project to develop an accounting standard for insurance contracts and published IFRS 17, "Insurance contracts". IFRS 17 replaces IFRS 4 "Insurance contracts", which currently permits a wide variety of accounting practices. IFRS 17 will fundamentally change the accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features.

This standard shall be applicable for annual periods beginning on or after 1 January 2021 and may be adopted early, if IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments" is also applied simultaneously. IFRS 17 is pending approval by the European Union.

- NIIF 3 (Amendment) "Definition of a business": these amendments will aid in determining whether it is an acquisition of a business or a group of assets. The amended definition places emphasis on that the product of a business is to provide goods and services to customers, whereas the previous definition focuses on providing a return in the form of dividends, lower costs and other economic benefits to investors and others. In addition to amending the text of the definition, additional guidelines are provided. For it to be considered a business, an acquisition would have to include materials and a process which together significantly contribute to the capability to create products. The new guidelines provide a framework for evaluating when both elements are present (including companies in an early stage that have not generated products). To be a business without profit or loss, it will now be necessary to have organised labour.

These amendments will apply to the business combinations for which the acquisition date is after the commencement of the first financial year in which it is informed that starts after 1 January 2020 and to the acquisitions of assets that occur as of the start of said financial year. Early application is permitted. This amendment to IFRS 3 is pending approval by the European Union.

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- • IAS 1 (Amendment) “Classification of liabilities as current or non-current”: These amendments clarify that liabilities are classified as current or non-current, depending on the existing rights at the end of the reporting year. The classification is not affected by the entity’s expectations or events that take place after the closing date of the year (for example, the receipt of a waiver or breach of an agreement). The amendment also clarifies what IAS 1 means when it refers to the “settlement” of a liability. This standard comes into force from 1 January 2022, although early adoption is permitted.

As at the reporting date the Group is analysing the possible impacts deriving from these new standards or amendments.

c) Use of estimates

The Group’s consolidated profits and the determination of its equity are determined by the accounting policies and standards, measurement bases and estimates applied by the Directors in preparing the consolidated annual accounts. The main accounting policies, standards and measurement bases used are disclosed in Note 2.

These consolidated annual accounts occasionally rely on estimates made by the Senior Management of the Group and of the consolidated entities in order to quantify certain assets, liabilities, revenue, expenses and commitments recognised. These estimates basically relate to the following:

- The assessment of potential impairment losses on certain assets (Notes 2, 5, 6, 7, 8, 9, 10 and 16).
- Assumptions used in the actuarial calculation of provisions for long-term employee benefits (Notes 2-k and 13).
- The useful life of property, plant and equipment and of intangible assets (Notes 2-c, 2-d, 5 and 6).
- The assessment of the potential impairment of goodwill (Notes 2-b and 5).
- The fair value of certain financial instruments (Notes 2-e and 7).

- The calculation of provisions (Notes 2-i; 2-j; 2-k; 12 and 13) and the consideration of contingent liabilities (Note 2-j),
- The period for the recognition of income (Notes 2-n and 17) and contract liabilities (Notes 2-h and 15),
- Assumptions used to determine share-based payment arrangements (Notes 2-m and 19-c),
- Recognition of deferred tax assets (Notes 2-p and 16),
- Assumptions used to determine lease liabilities (Notes 1-b and 2-r);

These estimates were drawn up on the basis of the best information available at 31 December 2019. However, it is feasible that future events may require them to be modified (upwards or downwards) in subsequent years. Under IAS 8, the effect of a change in accounting estimates is recognised prospectively by including it in profit or loss in the period of the change.

d) Environmental impact

In view of the business activities carried on by the Group companies, it does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its consolidated equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

e) Events after the reporting period

At the date of authorisation for issue of these consolidated annual accounts, no significant events have occurred that have not been disclosed herein.

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2. Accounting policies and measurement bases

The accounting policies, standards and measurement bases applied in preparing these consolidated annual accounts were as follows:

a) Consolidation principles

i. Subsidiaries

"Subsidiaries" are defined as entities over whose management the Company has the ability to exercise control. The Group is exposed to, or has the right to receive, variable returns from its involvement with the investee and it has the ability to use its power over the investee to influence the amount of the Group's returns. Subsidiaries are consolidated from the date their control is transferred to the Group, and they are excluded from consolidation from the date the Group ceases to exercise control.

The share of non-controlling interests of subsidiaries in the Group's equity is presented in "Non-controlling interests" in the accompanying consolidated statement of financial position and in "Profit/(loss) attributable to non-controlling interests" in the accompanying consolidated income statement.

The financial statements of subsidiaries are fully consolidated with those of the Company. Therefore, all material balances and results of transactions carried out between consolidated companies are eliminated on consolidation. Where necessary, adjustments are made to the subsidiaries' financial statements to adapt the accounting policies used to those of the Group.

The results of subsidiaries acquired during the year are included in the consolidated income statement only from the date of acquisition to the year-end. Similarly, the results of subsidiaries disposed of during the year are included on the consolidated income statement from the beginning of the year to the date of disposal.

Appendix I provides a list of the main subsidiaries, along with key information (corporate name, registered address, and ownership interest held by the parent).

All subsidiaries are consolidated using full consolidation, except for the 50% shareholdings in Regis-TR, S.A. and Regis-TR UK, Ltd. and the 49% shareholding in LATAM Exchanges Data México, S.A. de C.V., which have been accounted for using the equity method (see sections below).

ii. Joint arrangements

"Joint arrangements" are investments in companies that are not subsidiaries, but which are jointly controlled by two or more unrelated companies. Joint control is evidenced by a contractual arrangement whereby two or more entities ("joint venturers") invest in entities (jointly-controlled entities) or undertake activities or hold assets such that any strategic financial or operating decision affecting the joint venture requires the unanimous agreement of all the joint venturers.

The Group applies IFRS 11 "Joint Arrangements" to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on each investor's contractual rights and obligations. The Group evaluated the nature of its joint arrangements and determined that they are joint ventures. The Group accounts for its joint ventures using the equity method, i.e., at the Group's share of the net assets of the joint venture, after taking into account the dividends received and other equity eliminations. Gains and losses resulting from transactions are eliminated to the extent of the Group's interest in the joint venture.

The value of investments in joint ventures is recognised in "Investments accounted for using the equity method" in the consolidated statement of financial position. At 31 December 2019, the balance for this item includes the measurement of the investment in Regis-TR, S.A. and Regis-TR UK, Ltd. At 31 December 2018, all of the balance for this item related to the measurement of the investment in Regis-TR, S.A.

Information on joint ventures is disclosed in Appendix I to these notes to the consolidated annual accounts.

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iii. Associates

Associates are entities over which the Group has significant influence and that are neither a subsidiary nor a jointly controlled entity. Usually, this influence is evidenced by a direct or indirect holding of 20% or more of the investee's voting rights.

In the consolidated annual accounts, the Group accounts for its investments in associates using the equity method, i.e. at the Group's share of the net assets of the associate, after taking into account the dividends received and other equity eliminations. Gains and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate.

The value of investments in associates is recognised in an "Investments accounted for using the equity method" in the consolidated statement of financial position. At 31 December 2019, the balance of this heading includes the evaluation of the investment in the associate LATAM Exchanges Data México, S.A. de C.V. At 31 December 2018, the Group did not have any investments in associates.

iv. Changes in the scope of consolidation

2019

During 2019, the scope of consolidation was modified following the incorporation of Regis-TR UK, Ltd. and LATAM Exchanges Data México, S.A. de C.V. (see section v. of this Note), which is why the consolidated annual accounts include the consolidation of these companies using the methods described in sections ii and iii of this Note from their date of incorporation.

2018

As a result of the incorporation of LATAM Exchanges Data, Inc. (see section v. of this Note), this company is fully consolidated within the consolidated annual accounts from its date of incorporation.

v. Acquisitions, disposals and other corporate transactions

The following changes took place in the Group's scope of consolidation in 2019:

- *Incorporation of LATAM Exchanges Data México, S.A. de C.V.:*

On 6 March 2019, the incorporation was formally arranged of a company under the laws of the United States of Mexico, called "LATAM Exchanges Data México, S.A. de C.V.", whose registered address is located in Mexico City. The minimum fixed capital without withdrawal right is 2,000 thousand pesos (equivalent to €92 thousand on the date of incorporation), subscribed and represented by 200 series "A" shares, with a nominal value of 10 thousand Mexican pesos each, of which 500 thousand pesos (equivalent to €23 thousand on the date of contribution) have been paid up both by the shareholders (49% by Bolsas y Mercados Españoles Market Data, S.A. and 51% by Bolsa Mexicana de Valores, S.A.B. de C.V.) on 7 October 2019.

The Company's corporate purpose is the usual and professional provision of services to produce global information products, to be distributed exclusively at an international level by LATAM Exchange Data, Inc.

- *Constitution of Regis-TR UK, Ltd.:*

On 11 March 2019, the constitution was formally arranged of a private company limited by shares, in England and Wales (United Kingdom), by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal y Clearstream Holding AG whose registered address is located in London. The company has a share capital of 891 thousand pounds sterling, fully subscribed and disbursed by both shareholders in equal parts, equivalent to €1,029 thousand on the date of incorporation.

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Its corporate purpose is:

- a. The company shall act as a trade repository and authorised communication mechanism under the laws of England and Wales (United Kingdom).
- b. Its corporate purpose is the administration and registration of information relating to any derivative contract and with transactions (hereinafter “Derivatives”, including, but not limited to, over-the-counter derivatives (OTCs), exchange traded derivatives (ETDs), contracts and trades) entered into by financial and non-financial counterparties, as well as the reporting of information received on these derivatives, inter alia, to the market Supervisory authorities and regulatory authorities and derivative market participants.
- c. The purpose of the company is also the administration and registration of information related to any contract involving financing transactions through securities and reuse transactions (“Securities Financing Transactions”, hereinafter SFTs) agreed between financial and non-financial counterparties, as well as the reporting of the information received regarding such SFTs, among others, to the market’s supervisory and regulatory authorities, to the participants in SFT markets, to other trade repositories and to the public.
- d. The company may provide collateral evaluation and management services in relation to Derivatives. It may also delegate its services to a third party, and perform any commercial activity with regard to intellectual property in relation to the company’s corporate purpose described above.

The company may provide supplementary financial, commercial and/or industrial services necessary to fulfil and develop its corporate purpose.

– *Dissolution and liquidation of Infobolsa Deutschland, GmbH:*

On 20 December 2017, Bolsas y Mercados Españoles Inntech, S.A.U. as the Sole Shareholder of the investee company “Infobolsa Deutschland, GmbH”, agreed to the dissolution and simultaneous liquidation of this company, as well as the appointment of the sole liquidator. The application for termination by dissolution and liquidation filed on 16 September 2019 was registered in the Companies Register of Frankfurt am Main (Germany) on 11 October 2019.

The following relevant corporate operations were carried out within the Group in 2018:

– *Acquisition of an additional 9% of Open Finance, S.L.:*

On 8 March 2018, Bolsas y Mercados Españoles Inntech, S.A.U. acquired an additional shareholding of 9% of the capital in Open Finance S.L. for the amount of €285 thousand, and as a result, on such date was the owner of 90% of the shares in said company.

– *Incorporation of LATAM Exchanges Data, Inc.:*

On 15 May 2018, the incorporation of a company pursuant to the laws of the State of Florida of the United States of America, known as “LATAM Exchanges Data, Inc.” was formally arranged. The registered address of the company will be the city of Miami, Florida (United States of America). The fully subscribed and paid up shares total \$1,000 thousand (€873 thousand on the date of constitution), distributed among 100 ordinary shares which were fully subscribed and paid up by Bolsas y Mercados Españoles Market Data, S.A. (51%) and Bolsa Mexicana de Valores, S.A., de C.V. (49%).

The corporate purpose of this company is the design, commercialisation and sale of the information pertaining to the Latin American markets.

b) Goodwill

Goodwill represents advance payments made by the acquirer for future economic benefits arising from assets that have not been individually identified and separately recognised. Goodwill is recognised only when the business combination is set up for valuable consideration. Goodwill is not amortised, but is tested periodically for impairment and in the case of impairment the appropriate write-down is made. For the purposes of these consolidated annual accounts, goodwill refers both to that arising on consolidation and that originating in Group companies’ financial statements (in the latter case, only with reference to Iberclear - Note 5).

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For the purpose of analysing impairment, goodwill is assigned to one or more cash-generating units (CGUs) which are expected to benefit from the synergies deriving from the business combinations. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows for the Group that are largely independent of the cash inflows generated from other assets or groups of assets. Each unit or units to which goodwill is assigned:

- Represents the lowest level at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment.

Cash-generating units to which goodwill has been allocated are tested for impairment including the portion of the goodwill allocated to their carrying amount. This test is performed at least annually, and whenever there are indications of impairment.

For the purposes of measuring impairment in the value of a cash-generating unit to which a portion of goodwill has been allocated, the unit's carrying amount, adjusted, as appropriate, for the amount of goodwill attributable to non-controlling interests, unless the non-controlling interests are measured at fair value, is compared with its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

If the carrying amount of the cash-generating unit exceeds its recoverable amount, the Group recognises an impairment loss. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then, if losses remain, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. If non-controlling interests are measured at fair value, the impairment of goodwill attributable to these non-controlling interests is recognised. In any event, impairment losses relating to goodwill cannot be reversed.

Goodwill impairment losses are recognised in "Impairment losses and gains (losses) on disposal of non-current assets" on the attached consolidated income statement. In 2019, no goodwill impairment losses were written-down given that it was considered unnecessary to do so in light of the results of the tests conducted. In 2018, the Group restructured the goodwill assigned to the cash-generating unit Open Finance, S.L. for the amount of €993 thousand, without identifying additional restructuring for the other cash generating units.

c) Other intangible assets

Intangible assets are identifiable (i.e. separable from other assets) non-monetary assets without physical substance which arise from contractual or other legal rights or which are developed internally by the Group. They are recognised only when their cost can be estimated reliably and when it is probable that the expected future economic benefits will flow to the Group.

Intangible assets are measured initially at acquisition or production cost, and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets can have an indefinite useful life (when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group) or a finite useful life (all other cases).

All the Group's intangible assets have a finite useful life and correspond primarily to computer software. Most of the computer applications are developed internally by the Group (Note 5). These assets are amortised over the best estimate of their useful lives, using methods similar to those used to depreciate property, plant and equipment (Note 2-d).

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Expenditures on in-house research initiatives related to software are recognised as an expense for the period in which they are incurred. Expenditure during the development phase of computer software of an internal project is recognised as an intangible asset with a credit to “Own work capitalised” in the consolidated income statement, if, and only if, the entity can demonstrate all of the following:

1. the availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
2. the intention to complete the software and use or sell it.
3. the ability to use the software.
4. the usefulness of the software.
5. its ability to reliably measure the expenditure attributable to the software during its development.

The annual amortisation charge for software is recognised under “Depreciation and amortisation - Amortisation of intangible assets” in the consolidated income statement.

Maintenance costs of computer systems are recognised in the consolidated income for the period in which they are incurred.

The Group recognises any impairment losses on intangible assets with a balancing entry against “Impairment losses and gains (losses) on disposal of non-current assets” in the consolidated income statement. The criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in prior years are similar to those used for property, plant and equipment (Note 2-d).

d) Property, plant and equipment

Property, plant and equipment for own use (which represents all the property, plant and equipment and includes, basically, own assets intended for continued use) is presented at acquisition cost less accumulated depreciation and any impairment losses estimated by comparing the carrying amount of each item with its recoverable amount.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value. The land on which Group buildings and other constructions are located is deemed to have an indefinite life and, therefore, is not depreciated.

The annual depreciation charge for property, plant and equipment is recognised with a balancing entry in “Depreciation and amortisation - Depreciation of property, plant and equipment” in the consolidated income statement. Generally, the following annual depreciation rates are used (based on the remaining estimated useful lives of the different items taken as an average):

	% Annual
Buildings (except land)	2%
Furniture and installations	8% - 20%
Information technology equipment	17% - 33%
Motor vehicles and other	5% - 17%
Right of use assets	8%

At the end of each reporting period, management assesses whether there are any internal or external indications that the net amount of an item of property, plant and equipment exceeds its recoverable amount, in which case the carrying amount of the asset is written down to the recoverable amount and the future depreciation charges are adjusted in proportion to the revised carrying amount and the new remaining useful life, if it needs to be re-estimated.

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Similarly, if there is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, the impairment loss previously recognised is reversed and the future depreciation charges are adjusted accordingly. The increased carrying amount attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Similarly, the useful lives of all items of property, plant and equipment for own use are reviewed at least at each financial year-end. If expectations differ significantly from previous estimates, the changes are recognised prospectively in the consolidated income statement by adjusting the depreciation charges to reflect the new estimated useful lives.

Upkeep and maintenance costs on property, plant and equipment for own use are charged to the consolidated income statement in the year in which they are incurred.

Impairment losses, and any reversals therefore, are recognised in "Impairment losses and gains (losses) on disposal of non-current assets" in the consolidated income statement.

e) Definitions, recognition, classification and measurement of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

An "equity instrument" is any contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest or exchange rate, financial instrument price or market index, including credit ratings) and that requires only a very small initial investment relative to other financial instruments that have a similar response to changes in market factors, and is generally settled at a future date.

The following are scoped out of the accounting standards for financial instruments:

- Investments in subsidiaries, joint ventures and associates.
- Rights and obligations under employee benefit plans (Note 13).
- Contracts and obligations related to share-based payment transactions (Note 19-c).

ii. Classification of financial assets for measurement purposes

Firstly, the financial assets are grouped within the different categories into which they are classified for the purposes of their management and measurement. The Group classifies its financial assets into the following measurement categories:

- those which are subsequently measured at fair value through (whether with changes in comprehensive income or in profit and loss), and
- those measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For those assets measured at fair value, the gains and losses are recognised in income or comprehensive income. For equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable choice at the time of initial recognition to recognise its equity investments at fair value with changes in other comprehensive income.

The Group reclassifies debt investments only when its business model for managing these assets changes.

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The Group uses the following criteria for classifying its financial instruments:

Debt instruments

The Group uses three different categories to classify its debt instruments:

- Amortised cost: the assets that are held for the collection of contractual cash flows when these cash flows represent only payments of principle and interests are measured at amortised cost. The interest income from these financial assets are included in the financial income in accordance with the effective interest method. A gain or loss arising from the de-recognition in accounts is directly recognised in income under “Impairment losses and gains (losses) on disposal of financial instruments” together with the gains and losses due to exchange rate differences. Impairment losses are presented in the same previous item of the income account, with the corresponding breakdown, as appropriate, in the notes.
- Fair value with changes in comprehensive income: the assets that are held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of the assets represent only payments of principle and interest, are measured at fair value with changes in other comprehensive income. The changes in the carrying amount are recognised in other comprehensive income, except for the recognition of impairment gains or losses, ordinary revenue from interest and gains or losses due to exchange rate differences that are recognised in income.

When the financial asset is de-recognised, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income and recognised as “Impairment and income due to disposal of financial instruments”. The interest income from these financial assets are included in the financial income in accordance with the effective interest method. Exchange rate gains and losses are presented in the same previous item of the income statement, with the corresponding breakdown, as appropriate, in the notes.

- Fair value with changes in income: the assets that do not meet the criteria for amortised cost or for fair value with changes in comprehensive income are recognised at fair value in profit and loss. A gain or a loss in a debt investment that is subsequently recognised at fair value with changes in income is recognised in income and presented net within the “Changes in fair value in financial instruments” heading for the year in which they occur.

Own equity instruments

When the Group's Management decided to present the gains and losses at the fair value of the investments in equity instruments in other comprehensive income, both the changes in fair value and the value impairments (and impairment reversals) are recognised in other comprehensive income, without any later reclassification of the gains and losses in the fair value to income at the moment of de-recognition of the investment.

For all other cases, the changes in fair value are recognised in other gains/(losses) of the income statement when applicable.

The dividends from such investment continue to be recognised in the income for the financial year as other income when the right of the Group to receive the payments is established.

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iii. Classification of financial assets for presentation purposes

In the accompanying consolidated statements of financial position, financial assets are classified by maturity; those maturing in 12 months or less are classified as “current” and those maturing in over 12 months as “non-current”.

The various classes of financial instruments outlined above are classified in the statement of financial position as follows:

- Non-current financial assets: includes listed and non-listed equity securities which were irrevocably selected at the time of initial recognition, recognised at fair value with changes in other comprehensive income, such as long-term guarantees extended in respect of the lease of the buildings where the Bolsas y Mercados Españoles Group companies currently conduct their activities, as well as assets arising from measurement of defined-benefit post-employment obligations due to retirement bonuses, which in both cases are measured at amortised value given the Group's business model and contractual terms of the cash flows.
- Current financial assets: mainly includes bank deposits in which any surplus cash held by the Group companies is invested and is measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Other current financial assets – Realisation of guarantees received from participants: includes mainly reverse repurchase agreements, deposits given, and, where applicable, other cash equivalents in which the Group invests the funds temporarily obtained as a result of transactions involving the margin deposits that members of BME Clearing (Appendix I) and members of the electricity market, where MEFF Tecnología y Servicios (Appendix I) acts as a clearing house for settlements and guarantees, are required to make to guarantee open positions in their respective markets (see section V of this Note). These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

- Other current financial assets - Financial instruments in CCP: corresponds to the registered positions in the interposition of BME Clearing in the obligations arising from the purchase of derivative instruments (options), equity securities and fixed income securities (BME Clearing Repo transactions), for which BME Clearing acts as central counterparty clearing house (CCP) and which are recognised under “Other current financial assets - Financial instruments in CCP” (Note 7).

The positions of these financial assets correspond to the corresponding financial liabilities (sale transactions of derivative instruments, equity securities and fixed-income securities) and are executed on the trade date, the moment at which BME Clearing irrevocably interposes in the obligations, in accordance with Law 41/1999, dated 12 November, on payment systems and securities settlement, and Directive 98/26/CE, of the European Parliament and of the Council, of 19 May, on the finality of settlement in securities payment and settlement systems.

Both the transaction executed by the central counterparty clearing house in its interposition as business model and the contractual characteristics of the obligations contracted comply with the premises for classifying the financial assets by positions in the central counterparty at amortised cost.

- Other current financial assets – Receivables for settlement: includes outstanding balances receivable (for next day settlement) on futures margin calls and daily options trades, presented at the position held by each clearing member (section V below). These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Other current financial assets – Realisation of cash withheld for settlement: details the cash withheld temporarily in the settlement process in the market spot segment as a result of the BME Clearing's involvement in all buy and sell instructions. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

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- Other current financial assets – Cash receivables for settlement: includes the Group's collection right for the financing provided by BME Clearing to the system for the cash differences of the failed instructions pending settlement in which the Company is involved. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.
- Trade and other receivables (current assets): includes mainly balances arising from the provision of the services that constitute the Group companies' corporate purposes and with public bodies. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

It also includes the contract assets, which are defined as the right to a consideration in exchange for goods or services that the Group has transferred to a client. If the Group executes obligations transferring goods or services to the client before said client pays the consideration or before the payment is enforceable, the Group will present the contract as a contract asset, excluding any amount that may have been paid on account. The Group recognises the contract assets under the heading "Trade and other receivables -Trade receivables for sales and services".

- Cash and cash equivalents (current assets): includes cash, reverse repurchase agreements, short-term bank deposits and other cash equivalents (maturity of less than three months) in which any surplus cash held by the Group companies is invested. These financial assets are measured at amortised cost given the Group's business model and the contractual terms of the cash flows.

iv. Measurement and recognition of gains (losses) on financial assets

Financial assets are recognised in the Group's consolidated statement of financial position upon acquisition. At the time of initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value with changes in profit and loss, the costs of the transaction that are directly attributable to the acquisition of the financial assets. The transaction costs of financial assets at fair value with changes in income are recognised in profit and loss.

Financial assets with implicit derivatives are considered in their entirety when determining if their cash flows are only the payment of principle and interest.

At the close of each accounting period these are measured in accordance with the criteria indicated in section ii. of this Note.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date between two knowledgeable, willing parties in an arms' length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it. Notwithstanding the foregoing, the limits of the valuation models developed and possible inaccuracies in the assumptions required by these models may lead to the fair value of a financial instrument measured using this method not coinciding exactly with the price at which the instrument might be bought or sold on the measurement date.

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Equity investments in other companies whose fair value cannot be determined in a sufficiently objective manner are carried at cost adjusted for any impairment losses.

“Amortised cost” means the amount at which the financial asset or financial liability is initially recognised, less any repayments of principle, plus or less the accumulated amortisation using the effective interest rate method for the entire difference existing between this initial amount and the amount at maturity and, in the case of the financial assets, including any valuation adjustments due to impairment.

The “effective interest rate” is the rate that exactly equals the gross carrying amount of the financial asset or the amortised cost of the financial liability with the estimated cash flows during the estimated life of the financial instrument, in addition to the contractual conditions, but without considering the forecast credit losses. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate at the time of acquisition, adjusted as necessary for any commissions or transaction costs which due to their nature are assignable to an interest rate. In the case of floating rate financial instruments, the effective interest rate coincides with the prevailing total yield for all items up to the earliest resetting of the benchmark interest rate.

All derivatives are recognised in the statement of financial position at fair value from the trade date. If the fair value is positive, they are recognised as an asset, and if the fair value is negative, they are recognised as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price.

v. Classification of financial liabilities for measurement and presentation purposes

Firstly, the financial liabilities are grouped within the different categories into which they are classified for the purposes of their management and measurement.

The financial liabilities are included for measurement purposes in the accounts payable portfolio (at amortised cost), and this includes positions in fixed-income (cleared through BME Clearing Repo) and equity securities as well as optional trades in which the Group acts as the central counterparty and the positions of which coincide with the corresponding positions of the financial assets (sections ii. and iii. of this Note) and are therefore measured by applying the same criteria defined for said assets (previous section); as well as the entirety of the other financial liabilities, including cash deposits received by the Group as Guarantees received from participants to ensure their compliance with all obligations with the Group.

These financial liabilities will be initially recognised at fair value and subsequently, at least at the date of each monthly close, measured at amortised cost using the effective interest rate method.

In the accompanying consolidated statements of financial position, financial liabilities are classified by maturity; those maturing in 12 months or less are classified as “current” and those maturing in over 12 months as “non-current”.

In 2019 and 2018, financial liabilities at amortised cost were recognised, in the case of guarantees received from the participants under “Other current financial liabilities – Guarantees received from participants”, unsettled balances for futures margin calls and daily options trades pending next day settlement under “Other current financial liabilities – Payables for settlement” and the balancing entry for initial recognition of the cash withheld for settlement described in section iii. of this Note under “Other current financial liabilities – Payables for cash withheld for settlement” and the amounts pending payment with suppliers, staff and public administrations resulting from the activity of the different companies of the Group under the heading “Trade and other payables” of the consolidated statement of financial position.

All financial liabilities classified as “Debits and items payable (amortised cost)” and “Financial liabilities held for trading”, respectively, were recognised in “Other current financial liabilities - Financial instruments in CCP” in 2019 and 2018 (section iii. of this note and Note 7).

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vi. Impairment of financial assets

Definition

A financial asset is considered to be impaired (and its carrying value corrected to reflect the effect of the impairment) when there is objective evidence that events have occurred that give rise to, in the case of debt instruments, a negative impact on the future cash flows estimated at the time of formalising the transaction.

As a general rule, impairment losses on financial instruments are recognised in the income statement in the period in which the impairment is identified. Reversals, if any, of previously recognised impairment losses are recognised in the income statement in the period in which the impairment is eliminated or decreases. In all cases, impairment losses are recognised with a charge or credit to “Other operating costs - Losses, impairment and changes in trade provisions” in the consolidated income statement, in the case of impairment of non-performing trade receivables and any reversals thereof (Note 8), and to “Impairment losses and gains (loss) on disposal of financial instruments” in all other cases (Notes 7 and 9).

When the recovery of any recognised amount is considered unlikely, the amount is written off from the consolidated statement of financial position, without prejudice to any actions that the Group may initiate to seek collection until its rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The asset impairment model of IFRS 9 applies to the financial assets measured at fair value and to the debt instruments measured as fair value with changes in other comprehensive income.

The Group applies the simplified approach of IFRS 9 to evaluate the forecast credit losses which uses a valuation adjustment for forecast losses during the whole lifecycle for the trade receivables, other debtors and contract assets (section h of this Note).

In order to measure the forecast credit losses, the trade receivables, other receivables and contract assets have been regrouped according to shared credit risk and days due. The contract assets are related to the unbilled work in progress and have essentially the same risk characteristics as the trade receivables of the same types of contracts. Therefore, the Group concludes that the forecast loss ratios for the accounts receivable are a fair approximation of the loss ratios for contract assets.

The forecast loss ratios are based on historic credit losses experienced during at least three periods of 24 months prior to 1 January 2018 and 2019. Using this as a basis, the loss adjustments are determined for 31 December 2019.

Trade receivables are written off when there is no reasonable expectation of recovery. The indicators that there is no reasonable expectation of recovery include, inter alia, the fact that a debtor does not commit to a repayment plan with the Group and the default of the contractual payments during a period of more than 5 years.

With regard to all other financial liabilities classified at amortised cost, no significant impairment losses have been identified given that it mainly corresponds to fixed-income positions (cleared through BME Clearing Repo), equity and options for which the Group acts as the central counterparty that have the collateral provided by the members to mitigate the credit risk of the central counterparty clearing house.

Impairment losses are recognised in the consolidated income statement under “Impairment losses and gains (losses) on disposal of financial instruments” in the period in which they arise, by directly reducing the cost of the instrument. These losses can only be reversed if the related assets are sold at a later date.

In 2019, net impairment losses recognised corresponded to Trade and other receivables for the amount of €1,197 thousand (€376 thousand in Trade and other receivables during 2018) (Notes 7 and 8).

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vii. Valuation techniques

Below is a summary of the different valuation techniques used by the Group to measure financial instruments recognised at fair value using the following hierarchy of fair values at the following levels, at 31 December 2019 and 2018 (Note 7):

- Level 1: the fair values are obtained from quoted prices (unadjusted) in active markets for an identical instrument.
- Level 2: the fair values are obtained from quoted prices for similar instruments in active markets, prices of recent transactions or expected cash flows or other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- Level 3: the fair values are obtained from valuation techniques in which there is a significant input not based on observable market data.

The detail of level 1, 2 and 3 fair value measurements at 31 December 2019 and 2018 is as follows:

Thousands of euros					
Fair value hierarchy					
2019	Total balance ^(*)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value with changes in other comprehensive income	12,175	12,175	12,175	-	-
	12,175	12,175	12,175	-	-

(*) Does not include certain unquoted equity securities measured at cost (Note 7).

Thousands of euros					
Fair value hierarchy					
2018	Total balance ^(*)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value with changes in other comprehensive income	9,306	9,306	9,306	-	-
	9,306	9,306	9,306	-	-

(*) Does not include certain unquoted equity securities measured at cost (Note 7).

There were no transfers between Levels 1 and 2 in 2019 and 2018.

viii. Derecognition of financial assets and financial liabilities

Financial assets are only derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred, i.e., the risks and rewards incidental to ownership of the financial assets have been substantially transferred. Similarly, financial liabilities are derecognised only when the obligations they generate have been extinguished or when they are acquired (with the intention either to cancel them or resell them).

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f) Own equity instruments**i. Definition**

Own equity instruments are those that meet the following conditions:

- The instrument includes no contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the issuer.
- If the instrument will or may be settled with the issuer's own equity instruments, it is: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled only by the issuer by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Capital and other equity instruments issued by the Group are recognised in equity at the amount received, net of direct issuance costs.

Treasury shares acquired by the Company during the year are recognised at the amount of consideration paid and are deducted directly from equity under "Parent shares and equity holdings" (Note 11).

Gains or losses on transactions with own equity instruments, including issuance and cancellation of these instruments, are recognised directly in equity.

g) Classification of liabilities into current and non-current

Liabilities in the accompanying consolidated statements of financial position are classified by maturity; i.e., those maturing in 12 months or less are classified as current, and those maturing in over 12 months as non-current.

h) Other assets and other liabilities (current and non-current)

"Other assets" and "Other liabilities" in the consolidated statements of financial position include amounts of the assets and liabilities not recognised in other items. These balances correspond basically to accrual accounts (excluding accrued interest, which is recognised in the items that include the financial instruments that give rise to the interest).

Similarly, the "Other liabilities" heading of the consolidated statement of financial position includes the contract liabilities, which are defined as the obligation of the Group to transfer to a customer goods or services for which the customer has paid a consideration (or for which an amount is payable by the customer as consideration). If the customer pays a consideration, or the Group has the unconditional right to receive an amount as consideration (i.e., an account receivable), before the Group transfers a good or service to the customer, the Group will present the contract as a contract liability when the payment is made or when the payment is demanded (if this date is earlier). The Group recognises the contract liabilities under "Other liabilities".

i) Provisions and contingent liabilities (assets)

At the date of authorisation for issue of the Group's consolidated annual financial statements, the Directors distinguished between:

- Provisions: credit balances that cover present obligations at the date of the statement of financial position arising from past events which could give rise to a loss for the entities, which is considered to be likely to occur and certain as to nature, but uncertain as to its amount and/or timing.
- Contingent liabilities: possible obligations arising from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities, and

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- Contingent assets: possible assets arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or uncertain future events not wholly within the control of the Group. Contingent assets are not recognised in either the consolidated statement of financial position or the consolidated income statement, but are disclosed in the accompanying notes when an inflow of resources embodying economic benefits is probable.

The consolidated annual accounts include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled (Note 12). Contingent liabilities are not recognised in the consolidated annual accounts, but disclosed in the accompanying notes.

Provisions (which are quantified based on the best available information about the consequences of the events giving rise to them and reviewed at each reporting date) are recognised to meet specific obligations for which they were originally recognised, and are reversed, fully or partially, whenever these obligations cease to exist or are reduced.

j) Ongoing litigation and/or claims

At year-end 2019 and 2018 a number of legal proceedings and claims had been filed against Group Companies in connection with the ordinary course of their businesses. Both the Group's legal advisors and directors believe that the outcome of these proceedings and claims will not have any effect on the consolidated annual accounts of the years in which they are resolved and for which adequate provision has been made (Note 12).

In February 2020, notification of a lawsuit filed by a consumer association was received, before a Court of First Instance of Madrid, against "Bolsas y Mercados Españoles, Sistemas de Negociación, S.A." (subsidiary of the BME Group) (Appendix I) and another co-defendant. The lawsuit asks for a judgment to be issued declaring that the co-defendants failed to comply with their legal duties of supervision and surveillance in terms of the Alternative Stock Market (MAB) regarding the incorporation and monitoring of a specific company, on the MAB and, consequently, require that the co-defendants jointly and severally pay €3,329 thousand plus the relevant legal interests. No provisions have been made in relation to this lawsuit as it is considered a contingent liability.

Also, in February 2020 "BME Clearing, S.A." (subsidiary of the BME Group) and the Company received an employment claim filed before the Mediation, Arbitration and Reconciliation Service (SMAC), in which an employee seeks compensation based on the declaration of invalidity or inadmissibility of his dismissal. No provisions have been made in relation to this lawsuit as it is considered a contingent liability.

k) Post-employment and other long-term benefits

Certain Group Companies are required, under their prevailing collective bargaining agreements and/or the collective bargaining agreement, which applies to most Group Companies, to fulfil a number of commitments vis-à-vis their employees.

i. Post-employment obligations

Post-employment benefits are amounts payable to employees that are settled upon termination of employment. Post-employment benefits, whether covered with internal or external pension funds, are classified as defined-contribution or defined-benefit plans according to the terms of the obligations, considering all the commitments assumed within and outside the contractual arrangements with the employees.

Post-employment obligations are classified as "defined contribution plans" when the Group pays fixed contributions into a separate entity (recognised under "Staff costs - Social welfare expenses" in the consolidated income statement) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. All other post-employment benefit plans are "defined-benefit plans".

Defined-contribution plans

The contributions made each year in this connection are recognised under "Staff costs - Social welfare expenses" in the consolidated income statement. The amounts not yet contributed at each year-end are recognised under "Non-current provisions - Long-term employee benefit obligations" on the liability side of the consolidated statement of financial position, at their present value where warranted.

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The Group has an agreement with a small group of employees whereby it undertakes to contribute a fixed percentage of the pensionable salary of these employees to a defined contribution plan. This contribution is made to an external plan called the “Plan de Pensiones AIAF Mercado de Renta Fija”, part of the Santander Colectivos Renta Variable Mixta 2 pension fund, which is managed by Santander Pensiones S.A., E.G.F.P. The expense recognised for the contributions made by the Group in this connection in 2019 and 2018, totalling €48 thousand and €58 thousand respectively, was recognised under “Staff costs - Social welfare expenses” in the consolidated income statement (Note 19).

The Group has also taken out a collective life insurance policy carrying social provision benefits, covering the retirement, death or permanent disability of certain Directors (see Note 4). The annual contribution to this insurance, including contributions on account of other Group employees not classified as senior management, amounted to €299 thousand in 2019 (€139 thousand in 2018), recognised in “Staff costs – Social welfare expenses” in the consolidated income statement (Note 19).

Defined-benefit plans

The Group recognises under “Non-current provisions – Long-term employee benefits” on the liability side of the consolidated statement of financial position (Note 13) the present value of defined benefit post-employment obligations, net of the fair value of the Plan assets.

The present value of defined-benefit post-employment obligations is calculated by discounting the expected future cash flows using a discount rate determined by reference to market yields on high quality corporate bonds, consistent with the currency and estimated terms under which the post-employment benefit obligations will be settled.

If the treatment described in the previous paragraph gives rise to an asset, it is recognised under “Non-current financial assets” on the assets side of the consolidated statement of financial position (Note 7) up to the present value of any economic benefits that could return to the Group in the form of direct refunds from the plan or reductions in future payments to the plan. Any adjustments to be made to the measurement of a post-employment benefits asset are recognised directly in equity as reserves.

The “Plan assets” are those assets that will be used directly to settle the obligations and meet the following conditions:

- They are not held by the consolidated entities, but by a legally separate entity that is not a related party of the Group.
- They are available to be used only to pay or fund post-employment benefits, and are not available to the Group’s own creditors (even in bankruptcy).
- They cannot be returned to the consolidated entities unless the remaining assets of the Plan are sufficient to meet all the related employee benefit obligations of the Plan or the entity with current or former employees, or they are returned to the Group to reimburse it for employee benefits already paid.
- They are not non-transferable financial instruments by the Group.

Defined-benefit plans are recognised as follows:

- a. Actuarial gains and losses arising in the year from changes in financial-actuarial assumptions or differences between assumptions and what actually occurred are recognised immediately in the period in which they arise directly under “Other recognised income and expense” in the consolidated statement of recognised income and expense. These amounts may not be reclassified to profit or loss in a subsequent period.
- b. Current service cost, understood to be the increase in the present value of the obligations resulting from employee service in the current period, and past service cost, which is the change in existing post-employment benefits or the introduction of new benefits, are recognised fully in the consolidated income statement under “Staff costs - Provisions and other employee benefits expense”.
- c. The interest cost of the obligation and expected return on plan assets are determined as a net interest amount by multiplying the defined benefit liability (asset) by the discount rate at the beginning of the year and recognised under “Finance cost – Provision adjustments”.

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The defined benefit post-employment obligations held by the Group include:

- Retirement bonus commitments in connection with the obligation undertaken by certain Group companies to pay a bonus to employees who leave the company after a specific age (60-65) to retire.

The Group externalised its retirement bonus commitments in 2006. The vehicle used by the Group was an insurance policy written with Aegón España, S.A. de Seguros y Reaseguros.

- Health benefit commitments, understood as the obligation, restricted to a specific number of Group employees, to take out health insurance to supplement the social security medical coverage. The policy covers current employees and their beneficiaries, defined as those entitled to health care under the state Social Security scheme under the same social security number as the employee, as regulated by prevailing social security legislation, and those retiring after this agreement comes into effect and their beneficiaries (as defined above, plus those becoming widows/widowers and orphans after the agreement comes into effect that are also stipulated beneficiaries of the policy holder).

ii. Other long-term employee benefits

Other long-term employee benefits, including the obligation entered into by certain Group companies to pay a bonus for good conduct and outstanding employee loyalty, as reflected in the number of years of ongoing service, after 25, 30, 35 and 45 years of effective service, are recognised, where applicable, as described above for defined benefit post-employment plans, except that the actuarial gains and losses are recognised in the consolidated income statement under “Staff costs - Wages, salaries and similar expenses”.

I) Termination benefits

In accordance with current legislation, the Group is required to pay termination benefits to any employee whose employment is terminated without due cause.

The Group recognised the expense incurred in connection with termination benefits accrued on redundancies agreed in 2018 and 2019 under “Staff costs – Wages, salaries and similar expenses” (Note 19). Any outstanding termination benefits payable were recognised on the liability side of the consolidated statement of financial position at year-end under “Trade and other payables – Other payables” (Note 14). The Group recognised under “Staff costs – Wages, salaries and similar expenses” on the consolidated income statement for 2018 (Note 19), the expense incurred corresponding to the incentive-based redundancy plan approved by the Group’s Directors in 2018, which was restricted to a reduced group of employees that met specific characteristics. The amounts outstanding are detailed, where relevant, on the liabilities side of the statement of financial position at the close of the financial year under “Other long-term employee benefits” (Note 13).

There was no detailed redundancy plan warranting recognition of a provision in this connection at 31 December 2019 and 2018 except for the abovementioned incentive-based plan.

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m) Share-based remuneration schemes

The delivery of own equity instruments (shares) to employees as consideration for their services when these are delivered after a defined service period is recognised as a service cost (with a corresponding increase in equity) as the employees provide their services over the period. At the grant date, the services received (and the corresponding increase in equity) are measured at the fair value of the equity instruments granted. If the equity instruments vest immediately, the full amount of the grant-date fair value is expensed immediately. When the performance conditions of the payment arrangement include external market-based performance features (e.g., achieving a specified price in the equity instruments granted), the amount ultimately recognised in equity depends on the degree of achievement of the other performance conditions, regardless of whether the market conditions stipulated have been met. If the conditions of the agreement are met, but the market conditions are not, the amounts previously recognised in equity are not reversed, even when employees do not exercise their rights to receive the equity instruments (Note 19-c).

n) Recognition of revenue and expense

The paragraphs below summarise the most significant criteria applied by the Group to recognise revenue and expense:

i. Revenue

In material terms, all income recognised by the Group corresponds to income originating from contracts with customers. Generally speaking, revenue is recognised when the performance obligations are satisfied through the transfer of a promised good or service (i.e. an asset) to a customer, irrespective of the moment at which the monetary or financial flow derives therefrom. An asset is transferred when, or to the extent that, the customer obtains control thereof. Income is measured at the fair value of the consideration received, less any discounts and taxes.

The performance obligations of the services provided by the Group are satisfied at a specific moment or over time, and the contracts do not have significant financing components, relevant variable considerations, nor return or repayment obligations. Likewise, the costs incurred for obtaining the contracts for customers were evaluated and were deemed immaterial. In respect of the ordinary income recognised in the financial year resulting from the performance obligations satisfied in previous years, those relating to recognised contract liabilities were recognised in the financial year, with there being no income due to changes in the transaction prices.

Below follows a summary of the criteria applied by the Group to recognise the most significant revenue:

- Performance obligations satisfied at a specific moment: revenue is recognised in the consolidated income statement at the moment in which the performance obligation is considered satisfied with the customer. To determine the specific moment at which an performance obligation is satisfied, the Group considers when the transfer of the promised good or service is carried out and it has an unconditional right to a consideration. The Group bills certain goods or services at the specific moment in which the performance obligation is satisfied or with a defined periodicity (typically monthly), recognising an account receivable that represents an unconditional right to a consideration that only requires the passage of time for the payment of this consideration to be enforceable. Once the performance obligation is satisfied, there is no longer a contract liability to recognise on the consolidated statement of financial position.
- Performance obligations satisfied over the long-term: the Group transfers the control of a good or service promised over the long-term and, therefore, satisfies an performance obligation and recognises the revenue in the consolidated income statement over the long-term. To determine the period during which an performance obligation is satisfied, the Group considers the established execution periods for the transfer of the promised good or service and the existence of an unconditional right to a consideration. For practical purposes, when the promised services are provided over a specific time, the income can be recognised in the consolidated income statement linearly during the agreed time interval, or they can be recognised according to the degree of performance of the provision of the service promised at the date of the consolidated statement of financial position, provided that this can be reliably estimated. In both cases, the Group bills the good or

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service promised according that agreed in the contract, recognising an account receivable that represents an unconditional right to a consideration that only requires the passage of time for the payment of this consideration to be enforceable. In turn, these performance obligations can be satisfied as indicated below:

- During the accounting period: once the performance obligation is satisfied at the end of the accounting period, there is no longer a contract liability pending recognition in profit and loss for this already satisfied service.
- During several accounting periods: the performance obligation is satisfied over several accounting periods, therefore, at the end of the period, there is a contract liability pending recognition in profit and loss for this partially satisfied service.

Below follows a summary of the most significant revenues of the Group, by business unit (Note 17):

Equities:

Revenue from the rendering of services for access, trading, admission of securities to trading and ongoing listing, are recognised in the consolidated income statement according to the fees and rates applicable in the corresponding financial year, as published in the stock market listing bulletins and circulars of the multilateral trading facilities and other market infrastructures (Appendix I).

- Revenue from "Access charges for infrastructures and other facilities" includes revenue from fees for the access and ongoing listing on infrastructures as well as revenue for the registration and continued membership of market members. The Group bills these fees monthly and/or quarterly and they correspond to the performance obligations satisfied in the long-term, during the accounting period.
- The revenue from "Trading" corresponds to the fees applied to each purchase or sale transaction of securities traded on the market. The Group bills these fees monthly and this corresponds to the performance obligations satisfied at a specific moment.
- Revenue from the "Ongoing listing" fee includes the annual fee payable by market securities issuers in order to remain listed. The Group bills these services at the beginning of

each calendar year or at the time securities are issued in the case of the first admission to trading. This corresponds to the performance obligations satisfied in the long-term, during the accounting period.

- Revenue from "Admission of securities to trading" mostly corresponds to the services rendered by the Group to the issuers relating to the admission rights of securities to trading on the market. The Group bills these services the moment the securities are admitted. This corresponds to the performance obligations satisfied in the long-term, during several accounting periods.

In September 2018, the International Financial Reporting Interpretations Committee (hereinafter IFRIC) issued a tentative decision, which became final in January 2019, on its interpretation of the performance obligations arising from listings services provided by securities markets, in which it is concluded, based on the case analysed that, in the admission of securities to trading, there is only one performance obligation which is satisfied over time and there is no separate performance obligation to be discharged at the specific time that the entity is listed for trading. Therefore, in accordance with this decision, the fees for admission of securities to trading on the stock markets must be accrued as revenue during the life of the service provided, i.e., based on the estimation of the time that the issued securities are traded on the aforementioned markets. The Group Management performs this estimate based on the historical information of the markets managed and future forecasts of the permanency of the securities and issues on the markets.

The performance obligation is satisfied during the estimated period during which the securities issued by the issuer are traded on the markets managed by the BME Group, which are generally estimated over a period of 8 years for securities traded on the Continuous Market and on the Alternative Equity Market (MAB).

Derivatives:

Revenue from the access and trading services of financial derivative products and electricity derivative instruments are recognised in the consolidated income statement for the period in line with the fees applicable for the corresponding period, as established by the MEFF Sociedad Rectora del Mercado de Productos Derivados (Appendix I).

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- Revenue from “Trading” includes fees for trading in stock options and futures and IBEX 35® options and futures as well as energy derivatives. The Group bills these services monthly and this corresponds to the performance obligations satisfied at a specific moment.
- Revenue from “Access charges for infrastructures and other facilities” corresponds to the connection charges, which cover the costs associated with the management of the communications network for standard installations, as well as the revenue from the leasing of IT equipment (MEFF terminals) by the Group to different entities. The Group bills these services at the start of the calendar quarter and this corresponds to the performance obligations satisfied in the long-term, during the accounting period.

Fixed Income

Revenue from the rendering of services for access, trading, admission of fixed-income issues to the different BME fixed-income markets (Appendix I) are recognised in the consolidated income statement according to the fees and rates applicable in the corresponding financial year, as published in the BME Fixed-Income general information bulletin (Appendix I).

- Revenue from “Access charges for infrastructures and other facilities” includes revenue from fees for the access and ongoing listing on infrastructures as well as revenue for the registration and continued membership of market members. The Group bills these fees monthly and/or quarterly and they correspond to the performance obligations satisfied in the long-term, during the accounting period.
- Revenue from “Trading” corresponds to the fees applied to each purchase or sale transaction of issues traded in BME fixed-income. The Group bills these fees monthly and this corresponds to the performance obligations satisfied at a specific moment.

- Revenue from “Admission of fixed-income issues to trading” mostly corresponds to the services rendered by the Group to the issuers relating to the admission rights of the fixed-income issues for trading on the different BME fixed-income markets. The Group bills these fees monthly and this corresponds to the performance obligations satisfied in the long-term, over several accounting periods.

In September 2018, the IFRIC issued a tentative decision, which became final in January 2019, on its interpretation of the performance obligations arising from listings services provided by securities markets, in which it is concluded, based on the case analysed that, in the admission of securities to trading, there is only one performance obligation which is satisfied over time and there is no separate performance obligation to be discharged at the specific time that the entity is listed for trading. Therefore, in accordance with this decision, the fees for admission of securities to trading on the stock markets must be accrued as revenue during the life of the service provided, i.e., based on the estimation of the time that the issued securities are traded on the aforementioned markets. The Group Management performs this estimate based on the historical information of the markets managed and future forecasts of the permanency of the securities and issues on the markets.

The performance obligation is satisfied during the estimated period during which the fixed-income issues are traded on the markets managed by the BME Group, which are generally estimated over a period of 6 years.

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Settlement and Registration

Revenue from the rendering of settlement and registration services is recognised in the consolidated income statement in accordance with the tariffs applicable for the corresponding period, as published in the respective IBERCLEAR circulars (Appendix I).

- Revenue from “Registration and services rendered to issuers” includes, inter alia, revenue accrued due to fees charged to market participants for the registration of fixed income trades (Book-entry Government Debt securities and AIAF Fixed-income Market securities) and equities. The Group bills these fees monthly and this corresponds to the performance obligations satisfied at a specific moment.
- Revenue from “Settlement” which includes fees charged by the Group for settlement activities of fixed-income trades (Book-entry Government Debt securities and AIAF Fixed-income Market securities) and equities, as well as the revenue accrued due to the transfer of the costs resulting from the application of the T2S tariffs to the settlement participants. The Group bills these fees monthly and this corresponds to the performance obligations at a specific moment.

Clearing

Revenue from the rendering of clearing services is recognised in the consolidated income statement for the period in accordance with the tariffs established by BME Clearing applicable for the corresponding period (Appendix I).

- Revenue from “Access charges for infrastructures and other facilities” includes the general membership fee and the fees for membership to the various contract groups, as well as fees for inclusion as clearing member, where appropriate. The Group bills these fees monthly and/or quarterly and this corresponds to the performance obligations satisfied in the long-term, during the accounting period.

- Revenue from “Clearing, and central counterparty” includes income accrued from the fees received by the Group for the settlement and clearing of equity futures and options and IBEX 35® index and other index futures and options, and the settlement and clearing of fixed income security transactions and clearing equity security transactions in the central counterparty, OTC interest-rate derivatives, energy derivatives and the maintenance of positions in all segments. This item also includes income from transfers and the creation and release of pledges on securities. The Group bills these services monthly and/or quarterly and this corresponds to the performance obligations satisfied in the long-term, during the accounting period.

Market Data & VAS

Revenue from primary information services and those relating to added value services such as the sale of market solutions, financial information services and access to markets, are recognised in the consolidated income statement for the period according to the fees applicable during the corresponding period, as established, for the most part, by Bolsas y Mercados Españoles Market Data (Appendix I) and the BME Inntech Group (Appendix I).

- Revenue from “Information” includes the revenue from the dissemination activity of the primary source of information, the tariffs of which vary depending on the level of information and comprise a fixed charge (connection, use and distribution charges) and a variable charge depending on the number of users of the information. The Group bills these services monthly and quarterly, respectively, and this corresponds to the performance obligations satisfied in the long-term, during the accounting period.
- Revenue from “Added value services” mostly includes revenue from:
 - a. Financial information services and others, corresponding to the services for the supply of information to a variety of customers, whether agencies or of any other nature. This information relates to the trading prices of securities, both historic and in real time, market performance, as well as other general and financial news. The Group bills these services monthly, quarterly or annually, depending on the customer, and this corresponds to the performance obligations satisfied in the long-term, during the accounting period.

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- b. Access services to other trading systems (international markets) and proximity services to the Group's systems, as well as revenue obtained from contingency services and financial communication services. The Group bills these fees monthly and these correspond to the performance obligations satisfied in the long-term, over the accounting period.
- c. Tools for the assessment and management of portfolios relating to the supply of solutions for Wealth Management developed by the Group and their integration with the customer's backoffice. The Group recognises this revenue in the consolidated income statement taking into account the degree of performance of the service rendered at the date of the consolidated statement of financial position. The Group bills these services according to the billing schedule agreed with the customer. This corresponds to the performance obligations satisfied in the long-term, during the accounting period or over several accounting periods.
- d. Consultancy and system sales. The Group bills these services according to the billing schedule agreed with the customer. This corresponds to the performance obligations satisfied in the long-term, during the accounting period or over several accounting periods.
- e. Regulatory services that help customers to comply with the various regulatory obligations established by the financial sector regulators through the use of the Group's different regulatory compliance platforms. The Group bills these fees monthly and these correspond to the performance obligations satisfied in the long-term, over the accounting period.

ii. Variable direct cost of transactions

Incremental expenses directly attributable to the provision of a service, such as expenses depending on trading or settlement volumes, to revenue distribution agreements and sources of information acquired are recognised in this item on an accrual basis and corresponding to the transactions to which they are directly related.

iii. Non-finance income and costs

Income and costs are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

iv. Finance income and costs

BME Clearing, S.A. - Sociedad Unipersonal earns finance income from its clearing house activities and interest income on the funds held in guarantee for market members (Note 7) recognised with a credit (charge in the case of a negative return) to "Finance income – From marketable securities and other financial instruments" and a charge (credit in the case of a negative return) to "Finance cost – Guarantees received from participants", respectively, on the consolidated income statements (Notes 7 and 21). Similarly, when the funds provided are deposited with Banco de España, the penalty corresponding to the negative interest rate of the deposit facility charge to BME Clearing, S.A. - Sociedad Unipersonal by Banco de España recognised as a charge to "Finance cost – Guarantees received from participants" and the transfer of this cost to the members with a credit to "Finance income – From marketable securities and other financial instruments" on the consolidated income statement (Notes 7 and 21). Similarly, MEFF Tecnología y Servicios, S.A.U. passes on to the members of the electricity market the negative returns obtained through the investment of the guarantees received from said members, recognising these as a charge to "Finance income – From marketable securities and other financial instruments" and a credit to "Finance cost – Guarantees received from participants", respectively, on the consolidated income statements (Notes 7 and 21).

o) Offsetting

Financial assets and liabilities are offset, i.e., reported in the consolidated statement of financial position at their net amount, only if the entities have a legally enforceable right to offset the amounts of such instruments and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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p) Income tax

Income tax expense is recognised on the consolidated income statement, except when it results from a transaction recognised directly in equity, in which case the tax effect is also recognised in equity, or from a business combination, in which case the deferred tax is recognised as an asset thereof.

Current income tax is calculated as the amount payable for taxable profit for the year adjusted for any changes in recognised deferred tax assets and liabilities from temporary differences, tax credits and relief and tax loss carryforwards.

A temporary difference is deemed to exist when there is a difference between the carrying amount of an asset or liability and its tax base. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group vis-à-vis the related tax authorities. A deductible temporary difference is one that will generate for the Group a future claim for the recovery of taxes paid or a reduction in the amount payable to the pertinent tax authorities in the future.

Unused tax credits and tax losses are amounts that, after the performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in tax regulations are met and it is probable that the Group will use them in future periods.

Current tax assets and liabilities are taxes expected to be recovered from or paid to the tax authorities within 12 months from the date of recognition. Deferred tax assets and liabilities are amounts of income taxes expected to be recovered from or paid to the tax authorities in future periods.

On 16 February 2016, the Spanish Accounting and Auditing Institute's Resolution of 9 February 2016, was published in the Official State Gazette (BOE), implementing the policies, measurement bases and preparation criteria for financial statements to account for income tax. The Resolution governs the regulatory implementation of the recognition and measurement criteria established in the General Accounting Plan and replaces previous resolutions issued by the ICAC on this subject.

It introduces various amendments such as a review of the criteria for recognising deferred tax assets, whereby the limit on not activating tax loss carryforwards or other tax assets expected to be recovered in more than ten years from the end of the period is eliminated, or deferred tax liabilities relating to the deductibility of impairment losses on goodwill and their systematic amortisation. The Resolution also clarifies the criteria to follow in accounting for income tax expense in the separate financial statements of the companies that pay taxes under a special tax regime, independently of the agreements in place between Group companies for sharing the tax burden. The Group's policy with regard to the distribution of consolidated income tax is to allocate the consolidated income tax payable on a proportional basis to each company's taxable income. Therefore, the Resolution has not had a material impact on the Group.

Deferred tax liabilities are recognised for all significant taxable temporary differences. The Group only recognises deferred tax assets arising from deductible temporary differences, the carryforward of unused tax credits and unused tax losses when the following conditions are met:

- Deferred tax assets are only recognised to the extent that it is probable that the consolidated entities will generate future taxable profit against which they can be utilised, and
- The unused tax losses result from identifiable causes which are unlikely to recur.

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Royal Decree-Law 3/2016 of 2 December was published on 3 December 2016, adopting tax measures aimed at consolidating public finances and other urgent measures in the social domain. In regard to Income Tax, this Royal Decree includes the following measures, applicable for years beginning on or after 1 January 2016:

- Restriction on the use of tax loss carryforwards: the use of tax loss carryforwards from previous years for large companies (with turnover of more than €60 million) is limited to 25% of taxable income.
- Limits on deductions for double taxation: a new limit is established for deductions on international or domestic double taxation, generated or pending application, of 50% of the full amount for companies with a net turnover of at least €20 million.
- Reversal of impairment losses on investments: the reversal of impairment losses on investments that were tax deductible in tax periods prior to 2013 must at least be made on a straight-line basis within five years.

As a result of this measure, in 2019 and 2018 the Group has reversed tax deductible impairments (see Note 16).

Deferred tax assets and liabilities arising on the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affect neither accounting profit nor taxable profit or loss, are not recognised.

The carrying amounts of recognised deferred tax assets and liabilities are reviewed at each reporting date in order to ascertain if they still exist and to evaluate the reasonableness of their recoverability in the corresponding time frame and they are adjusted as appropriate based on the outcome of the analysis performed.

Bolsas y Mercados Españoles files consolidated tax returns for the tax group of which it is the Parent.

q) Foreign currency transactions

The Parent Company's functional and presentation currency is the euro. The Group's presentation currency is also the euro. Consequently, all non-euro balances and transactions are considered foreign currency balances and transactions.

Exchange differences arising on translating transactions in foreign currency to the functional currency are generally recognised at their net amount in the consolidated income statement under "Exchange gains (losses)" (Note 21), except for exchange differences arising on financial instruments at fair value through profit and loss, which are recognised, without separate presentation, in the consolidated income statement together with other fair value changes.

In terms of the conversion of individual financial statements whose functional currency is not the euro, the individual financial statements of the subsidiaries are prepared in the functional currency of each company. For the purposes of consolidation, assets and liabilities are converted to euros at the year-end exchange; profit/(loss) items for the period are converted at the average exchange rate of the period to which they refer; and capital, issue premium and reserves are converted by applying the historical exchange rate. The differences generated as a result of this conversion, deriving from majority interests in subsidiaries, in associated companies and in jointly controlled companies, are included under the heading "Translation differences" in the statement of comprehensive income. In the case of non-controlling interests, these translation differences are reflected under "Non-controlling interests" in equity.

At 31 December 2019 and 2018, the Group's exposure to exchange rate risk was not material. Accordingly, the impact on the Group's consolidated equity and consolidated income statement of an appreciation or depreciation of exchange rates of other currencies relative to the euro would not be material.

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r) Accounting for leases

Under operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset.

When the consolidated entities act as lessee, lease expenses, including any incentives granted by the lessor, are charged to “Other operating costs – External services” in the consolidated income statement on a linear basis (Note 20).

Since 1 January 2019, leases, without distinction between operating and financial leases, with the exceptions provided for in IFRS 16 (Note 1-b), are recognised as a right-of-use asset and the corresponding liability on the date that the leased asset is available for use by the Group (Note 1-b). Each lease payment is divided between the liability and the financial cost. The financial cost is charged to profit and loss during the term of the lease, so as to produce a constant periodic interest rate on the liability's remaining balance for each year. The right-of-use asset is amortised over the useful life of the asset or the lease term, whichever is shortest, on a straight-line basis.

The assets and liabilities arising from a lease are initially measured at the current value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive for collection,
- variable lease payments that depend on an index or rate,
- the amounts expected to be paid by the lessee for residual value guarantees,
- the strike price of a purchase option if the lessee is reasonably certain that he will exercise that option, and
- the payment of lease termination penalties, if the term of the lease reflects the exercise of that option by the lessee.

Lease payments shall be discounted using the implicit interest rate in the lease, if this rate is easy to determine. If it is not easy to determine, the lessee shall use the incremental interest rate of the lessee's indebtedness. The implicit interest rate is the interest rate according to which the present value of a) lease payments and b) the unsecured residual value is equal to the sum of i) the fair value of the underlying asset and ii) any cost initial direct from the lessor. The incremental interest rate is the interest rate that the lessee would have to pay to borrow, subject to a similar term and guarantee, the funds necessary to obtain an asset with a similar value to the right of use asset in a similar economic setting.

To this end, the Group has calculated the discount rate using the incremental interest rate of the lessee, estimating a synthetic rating depending on the comparable companies in the sector and an interest rate depending on the lease terms. In 2019, BME obtained an A- rating, with a stable outlook, granted by S&P Global Ratings, in line with the rating initially estimated by the Group (Note 1-b).

The right-of-use assets are measured at cost, which includes the following:

- the value of the initial measurement of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases involving assets of a low value are recognised on a straight-line basis as a cost in profit and loss. Short-term leases are leases with a lease term of less than or equal to 12 months.

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s) Consolidated statement of cash flows

The following terms are used on the consolidated statement of cash flows:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investment activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities are activities that result in changes to the size and composition of equity and borrowings of the entity.

For the purposes of presenting the cash flows from investing activities, collections and payments from financial assets with a high turnover are presented in the statement of cash flows.

For the purposes of drawing up the consolidated statement of cash flows, "Cash and cash equivalents" are understood to be short-term highly liquid investments that are subject to an insignificant risk of changes in value, and which do not entail the realisation of guarantees received from participants, without taking into account the financial instruments for which BME Clearing, S.A. - Sociedad Unipersonal acts as central counterparty (CCP), the realisation of cash withheld for unsettled operations, or receivables (payables) for the settlement of daily trading in options and futures, and cash receivables (payables) for settlement.

For the purpose of preparing the consolidated statements of cash flow, cash payments corresponding to leases that, prior to the entry into force of IFRS 16 (Note 1-b), were collected as an operating cash flow, as at the time the standard came into force, they corresponded to payments of the principal of the lease liability, are collected as a cash flow from financing activities under the "Other cash flows from financing activities - Other amounts received/(paid) in financing activities".

t) Consolidated statement of recognised income and expense

The "Consolidated statement of recognised income and expenses" shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between

items of income and expense that are recognised in the consolidated income statement for the year and other income and expense that, as required under current regulations, are recognised directly in consolidated equity (other comprehensive income). This financial statement therefore presents:

- a. Consolidated income for the year.
- b. The net amount of the income and expense recognised as other comprehensive income which is not reclassified in profit (loss).
- c. The net amount of the income and expense recognised as other comprehensive income which may be reclassified in profit (loss).
- d. The tax effects of a), b) and c) above, except in relation to impairment losses on investments in other comprehensive income originating from interests in associates or joint ventures consolidated using the equity method, which are presented on a net basis.
- e. The total Comprehensive income for the period, calculated as the sum of (a) through (d) above, showing separately the total amounts attributable to equity holders of the parent and to non-controlling interests.

Any items of income and expense recognised directly in equity in connection with investments in entities consolidated using the equity method are presented net of tax under "Share in other recognised comprehensive income from investments in joint ventures and associates".

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u) Statement of changes in total equity

These statements show all changes in equity, including the effects of changes in accounting policies and corrections of errors. These statements accordingly present a reconciliation between the carrying amount of each component of consolidated equity at the beginning and the end of the period, separately disclosing each change into the following headings:

- a. Adjustments for changes in accounting criteria and adjustments for errors: include any changes in consolidated equity arising from the retrospective restatement of financial statement balances due to changes in accounting criteria or for the correction of errors.
- b. Total recognised income and expense: comprises an aggregate of all the aforementioned items recognised in the statement of recognised income and expense.
- c. Transactions with shareholders: changes in equity due to dividend payments, capital increases (decreases), share-based payments, etc.
- d. Other changes in equity: other items recognised in equity, such as distribution of profit, transfers between equity items and any other increase or decrease in consolidated equity.

3. Distribution of Bolsas y Mercados Españoles' profit and earnings per share**a) Distribution of the Company's profit**

The proposed distribution of the profit of Bolsas y Mercados Españoles, the Group's parent company, for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018 (**)
Dividends:		
Interim	82,852	83,078
Complementary	34,798	47,317
Voluntary reserves	5,294	2,630
Profit for the year of Bolsas y Mercados Españoles (*)	122,944	133,025

(*) Profit obtained by the Parent company, as stated in its separate financial statements for 2019 and 2018. This profit measure constitutes the basis of distribution under prevailing Spanish legislation.

(**) At 25 April 2019, the proposed distribution of 2018 profit was ratified at the General Shareholders' Meeting without modification.

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At its meetings on 30 July 2019 and 17 December 2019, the Board of Directors of Bolsas y Mercados Españoles, agreed to distribute two interim dividends from 2019 profit in the amount of €33,141 thousand and €49,711 thousand, respectively, recognised under "Interim dividend", with a reduction to "Equity" in the consolidated statement of financial position at 31 December 2019 (Note 11). At that date, both dividends had been fully paid.

At its meetings on 26 July 2018 and 19 December 2018, the Board of Directors of Bolsas y Mercados Españoles, agreed to distribute two interim dividends from 2018 profit in the amount of €33,261 thousand and €49,817 thousand, respectively, recognised under "Interim dividend", with a reduction to "Equity" in the consolidated statement of financial position at 31 December 2018 (Note 11). At that date, both dividends had been fully paid.

The provisional financial statement which, in accordance with Article 277 of the Spanish Corporate Enterprises Act, were prepared by the Board of Directors of Bolsas y Mercados Españoles, on the dates indicated, confirming the existence of sufficient liquidity to pay the interim dividends, is as follows:

	Thousands of euros	
	30/07/2019	17/12/2019
Profit for the year available at the dividend date ^(*)	67,062	113,761
Interim dividend paid in the year	-	(33,141)
Amount available for distribution	67,062	80,620
Available liquidity	42,664	55,582
Interim dividend	(33,141)	(49,711)
Retained earnings	9,523	5,871

^(*) From the separate financial statements of Bolsas y Mercados Españoles.

	Thousands of euros	
	25/07/2018	18/12/2018
Profit for the year available at the dividend date ^(*)	68,731	123,903
Interim dividend paid in the year	-	(33,261)
Amount available for distribution	68,731	90,642
Available liquidity	51,209	69,893
Interim dividend	(33,261)	(49,817)
Retained earnings	17,948	20,076

^(*) From the separate financial statements of Bolsas y Mercados Españoles.

b) Earnings per share from continuing and discontinued operations

i. Basic earnings per share

El beneficio básico por acción se determina dividiendo el resultado neto atribuido al Grupo en un período entre el número medio ponderado de las acciones en circulación durante ese período, excluido el número medio de las acciones propias mantenidas a lo largo del mismo.

Accordingly:

	2019	2018
Net profit for the year attributable to owners of the Parent (thousands of euros)	122,756	136,288
Weighted average number of outstanding shares	82,901,024	83,118,670
Conversion of convertible debt	-	-
Adjusted number of shares	82,901,024	83,118,670
Basic earnings per share (euros)	1.48	1.64

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ii. Diluted earnings per share

Diluted earnings per share is calculated by adjusting both profit for the year attributable to ordinary equity holders and the weighted average number of ordinary outstanding shares, net of treasury shares, for all the effects of dilutive potential ordinary shares.

Accordingly:

	2019	2018
Net profit for the year attributable to owners of the Parent (thousands of euros)	122,756	136,288
Weighted average number of outstanding shares	82,901,024	83,118,670
Conversion of convertible debt	-	-
Dilutive effect of Share-based Variable Remuneration Plans (Note 19-c)	471,042	500,292
Adjusted number of shares	83,372,066	83,618,962
Diluted earnings per share (euros)	1.47	1.63

At 31 December 2019 and 2018, there were dilutive ordinary shares resulting from the 2014-2019, 2017-2020 and 2018-2023 Share-based Variable Remuneration Plans in effect (see Note 19-c) and approved by the Ordinary General Shareholders' Meeting of BME on 30 April 2014, 27 April 2017 and 26 April 2018, respectively, as detailed below:

Maximum number of shares	31/12/2019	31/12/2018
Share-based Variable Remuneration Plans:		
2014 - 2019 Plan	- ⁽¹⁾	186,213 ⁽¹⁾
2017 - 2020 Plan	155,349 ⁽²⁾	155,349 ⁽²⁾
2018 - 2023 Plan	315,693 ⁽⁴⁾	158,730 ⁽³⁾
	471,042	500,292

(1) Maximum number of shares estimated for the third three-year period of the 2014 – 2019 Plan, calculated on the basis of 124,142 assigned units. In 2019, 92,028 dilutive shares were disposed of, corresponding to the final number of (gross) shares delivered as implementation of the third three-year period of the 2014-2019 Programme expiring on 31 December 2018 and settled in June 2019 (Note 19-c). In 2018, 84,286 dilutive shares were disposed of, corresponding to the final number of (gross) shares delivered as implementation of the second three-year period of the 2014-2019 Plan expiring on 31 December 2017 and settled in June 2018 (see Note 19-c).

(2) Maximum number of theoretical shares at 31 December 2017 for the 2017-2020 Plan, calculated on the basis of an estimated 103,566 units allocated to the last three-year period.

(3) Maximum number of shares estimated for the first three-year period of the 2018 – 2023 Plan, calculated on the basis of an estimated 105,820 assigned units.

(4) Maximum number of shares estimated for the first and second three-year period of the 2018-2023 Plan, calculated on the basis of an estimated 105,820 assigned units for the first three-year period and an estimated 104,642 assigned units for the second three-year period.

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4. Remuneration and other benefits of Bolsas y Mercados Españoles' Board of Directors and Senior Management

a) Board of Director Remuneration

In 2019, the Board of Directors determined the per diems and fixed remuneration paid to members of the Board of Bolsas y Mercados Españoles in their capacity as such during 2019, within the maximum amount of annual remuneration to be received by Directors in their capacity as such, approved by the General Shareholders' Meeting on 25 April 2019 and in accordance with the Directors' remuneration policy.

In 2018, the Board of Directors determined the per diems and fixed remuneration paid to members of the Board of Bolsas y Mercados Españoles in their capacity as such during 2018, within the maximum amount of annual remuneration to be received by Directors in their capacity as such, approved by the General Shareholders' Meeting on 28 April 2016 and in accordance with the Directors' remuneration policy.

In 2019 and 2018, serving and former members of the Board of Directors of Bolsas y Mercados Españoles accrued the following gross amounts for sitting on the boards of Bolsas y Mercados Españoles and of other Group companies:

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Thousands of euros									
Per diems		Bylaw-stipulated fixed remuneration ⁽¹⁶⁾		Variable Remuneration		Other items		Total	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Antonio Zoido Martínez	86	70	732 ⁽¹⁾	732 ⁽¹⁾	-	313 ⁽³⁾	-	818	1,115
Javier Hernani Burzako	17	18	550 ⁽⁴⁾	550 ⁽⁴⁾	185 ⁽²⁾	214 ⁽³⁾	-	752	782
Ignacio Garralda Ruiz de Velasco	21	26	50	50	-	-	-	71	76
David María Jiménez-Blanco Carrillo de Albornoz	41	17	70 ⁽⁵⁾	70 ⁽⁵⁾	-	-	-	111	87
Margarita Prat Rodrigo ⁽⁷⁾	-	19	-	-	-	-	-	-	19
María Helena dos Santos Fernandes de Santana	13	11	50	50	-	-	-	63	61
Álvaro Cuervo García ⁽⁸⁾	-	37	-	-	-	-	-	-	37
Carlos Fernández González ⁽⁹⁾	-	17	-	-	-	-	20 ⁽¹³⁾	-	37
Ana Isabel Fernández Álvarez ⁽¹⁰⁾	41	22	50	44	-	-	-	91	66
Joan Hortalá i Arau ⁽¹¹⁾	84	90	279	279	50 ⁽⁵⁾	50 ⁽⁵⁾	-	413	419
Karel Lannoo ⁽¹²⁾	-	9	-	-	-	-	-	-	9
Juan March Juan	37	36	50	50	-	-	-	87	86
Isabel Martín Castellá ⁽¹⁴⁾	26	15	50	44	-	-	-	76	59
Santos Martínez-Conde y Gutiérrez-Barquín	29	30	50	50	-	-	-	79	80
Juan Carlos Ureta Domingo ⁽¹⁵⁾	34	21	50	50	-	-	-	84	71
Total	429	438	1,981	1,969	235	577	-	2,645	3,004

(1) The remuneration corresponding to Mr Zoido Martínez corresponds to the fixed remuneration established in line with his executive functions in 2018 and the non-executive institutional functions performed from 25 April 2019 onwards; this remuneration will be formed exclusively by fixed elements that, as is the case for all other Directors in their capacity as such, consist of a fixed allocation and allowances to attend Board meetings and, as the case may be, Board Committee meetings on which they sit, pursuant to the provisions of the Directors' Remuneration Policy.

(2) Amount of variable remuneration in 2019 to be paid in 2020 to Mr Hernani Burzako.

(3) Amount of variable remuneration in 2018 paid in 2019 to Mr Zoido Martínez and Mr Hernani Burzako.

(4) Fixed remuneration in 2019 and 2018 includes both the bylaw stipulated remuneration for his services as a Director and the fixed remuneration received since his appointment as Chief Executive Officer pursuant to his executive duties.

(5) Amount estimated and amount paid corresponding to the variable remuneration for 2019 which will be received in 2020 and for 2018 which was received in 2019.

(6) Mr Jiménez-Blanco Carrillo de Albornoz was appointed Director as well as Coordinating Director, Member of the Executive Committee and Chairman of the Appointments and Remuneration Committee on 26 April 2018, as well as Coordinating Director on 28 May 2018. In 2018, Mr Jiménez-Blanco Carrillo de Albornoz received a fixed allocation of €20 thousand as compensation for his performance of the additional powers attributed under the Corporate Enterprises Act and the Regulations of the Board of Directors to the Coordinating Director, in addition to the remuneration items corresponding to the Directors in their capacity as such, in accordance with the Directors' Remuneration Policy.

(7) Ms Prat Rodrigo stood down as Director, Member of the Executive Committee and Chairperson of the Audit Committee on 26 April 2018.

(8) Mr Cuervo García stood down as Director, Member of the Executive Committee, Member of the Audit Committee and Chair-

man of the Appointments and Remuneration Committee on 26 April 2018.

(9) Mr Fernández González stood down as Director and Member of the Appointments and Remuneration Committee on 26 April 2018.

(10) Ms Fernández Álvarez was appointed as Director, Member of the Executive Committee and Chairperson of the Audit Committee on 26 April 2018.

(11) The remuneration corresponding to Mr Hortalá i Arau also includes the bylaw stipulated remuneration in his capacity as director as well as the fixed and variable remuneration received in connection to the executive functions performed at Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.

(12) Mr Lannoo stood down as Director and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018.

(13) Amount received until 26 April 2018, when he resigned as Director on account of his role as the Investor Ombudsman at the Madrid Stock Market.

(14) Ms Martín Castellá was appointed as Director, and Member of the Audit Committee on 26 April 2018.

(15) Mr Ureta Domingo was appointed as Director, Member of the Appointments and Remuneration Committee and Member of the Markets and Systems Operating Procedures Committee on 26 April 2018.

(16) Fixed emoluments per Director: Directors shall receive €50,000 when they have attended at least eight meetings of the Board of Directors over the course of the year or the corresponding proportional part depending on the date of their appointment as Director.

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The General Shareholders' Meeting held on 25 April 2019 approved the Directors' Remuneration Policy for 2019, 2020 and 2021.

At its meeting of 27 May 2019, the Board of Directors adopted, among others, the resolution to set the remuneration to which Company Directors were entitled to receive in their condition as such, as a fixed allocation (including the fixed allocations for the non-executive Chairman for the performance of his non-executive institutional functions and the Coordinating Director for his performance of the additional powers attributed by the Corporate Enterprises Act and the Board of Directors Regulations) and per diems for attending Board meetings and the meetings of its delegated committees, during 2019, as well as the fixed remuneration of the CEO and the system of variable remuneration accrued before the end of each year, all in accordance with the Company's Remuneration Policy.

At its meeting on 28 May 2018, the Board of Directors adopted the resolution establishing the amounts of the remuneration corresponding to Directors of the Company acting as such, the fixed emoluments and per diems for attending meetings of the Board of Directors and its delegated committees, as well as the amount of the fixed remuneration of the Chairman in line with the executive functions allocated at that time by the company and Chief Executive Officer and the variable remuneration system corresponding to both periods, which accrue prior to the close of each period, the foregoing in accordance with the Company's Remuneration Policy.

Since 2016, the criteria taken into account for the calculation of the variable remuneration of the Chairman (until 2018) and the Chief Executive Officer are the ordinary variable remuneration in the prior year and the degree of compliance with quantitative (performance of consolidated EBITDA) and qualitative variables.

Mr Joan Hortalá i Arau accrued an estimated €50 thousand in variable remuneration in 2019 (€50 thousand in 2018), which may be submitted for approval by the Board of Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.

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b) Other director benefits

The theoretical maximum number of shares in Bolsas y Mercados Españoles, where applicable, for the Executive Directors of Bolsas y Mercados Españoles who are beneficiaries of the pre-vailing Pluri-Annual Share-Based Variable Remuneration Plans (2014-2019, 2017-2020 and 2018-2023 Plans), in force - hereinafter, the "Plans" (see Note 19-c), was set, for the plans overall, at 90,548 shares for the 2014-2019 Plan, corresponding to 60,365 units allocated, 36,804 shares for the 2017-2020 Plan, corresponding to 24,536 units allocated, 39,636 shares for the first three-year period of the 2018-2023 Plan, corresponding to 26,424 units allocated, 17,681 shares for the second three-year period of the 2018-2023 Plan, corresponding to 11,787 units allocated, as detailed below:

	Maximum number of Theoretical Shares ⁽¹⁾		
	First three-year period	Second three-year period	Third three-year period
Share-based Variable Remuneration Plans:			
2014-2019 Plan:			
Antonio Zoido Martínez	26,664	25,267 ⁽²⁾	31,694 ⁽³⁾
Joan Hortalá i Arau	2,287	2,056 ⁽²⁾	2,580 ⁽³⁾
	28,951	27,323 ⁽²⁾	34,274 ⁽³⁾
2017-2020 Plan:			
Antonio Zoido Martínez	24,051	-	-
Joan Hortalá i Arau	2,550	-	-
Javier Hernani Burzako	10,203	-	-
	36,804	-	-
2018-2023 Plan:			
Antonio Zoido Martínez	22,573	-	-
Joan Hortalá i Arau	3,364	3,747	-
Javier Hernani Burzako	13,699	13,933	-
	39,636	17,680	-

(1) Based on units assigned, although the maximum number of shares attributable, as agreed by the corresponding General Shareholders' Meetings, where applicable, for the 2014-2019 Plan as a whole amounts to 79,992 shares for Antonio Zoido Martínez and 6,894 shares for Joan Hortalá i Arau.

Pursuant to the Director Remuneration Policy approved by the Ordinary General Shareholders' Meeting held on 25 April 2019, as a result of the new status of Antonio J. Zoido Martínez as the non-executive Chairman of the Board of Directors, starting in 2019, the assignments of theoretical units to which he would have been entitled under the 2018-2023 Plan will not be made in favour of Zoido Martínez.

(2) In the first half of 2018, fulfilment of the objectives as well as the definitive coefficients to be applied to the second three-year period of the 2014-2019 Plan, expiring on 31 December 2017, was reviewed, establishing the definitive number of shares to be attributed to Antonio Zoido Martínez, Joan Hortalá i Arau and Javier Hernani Burzako at 12,633 shares, 1,028 shares and 5,154 shares, respectively. In June 2018, the Plan was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 7,037 shares, 668 shares and 2,993 shares, respectively.

(3) In the first half of 2019, fulfilment of the objectives as well as the definitive coefficients to be applied to the third three-year period of the 2014-2019 Plan, expiring on 31 December 2018, was reviewed, establishing the definitive number of shares to be attributed to Antonio Zoido Martínez, Joan Hortalá i Arau and Javier Hernani Burzako at 15,846 shares, 1,290 shares and 5,161 shares, respectively. In June 2019, the Plan was settled through the net delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 8,861 shares, 838 shares and 3,040 shares, respectively.

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At 31 December 2019 and 2018, there were no other post-employment benefits or long-term benefits extended to former or serving members of the Board of Directors of Bolsas y Mercados Españoles nor any pension or life insurance obligations, except for those at 31 December 2019 and 31 December 2018 relating to the Chief Executive Officer, with contributions having been made in 2019 for the amount of €53 thousand and €10 thousand in relation to the annual contribution to the welfare scheme with Aegón España, S.A. de Seguros y Reaseguros and life-insurance and health care policy, respectively (contributions for the amount of €59 thousand and €10 thousand in relation to the annual contribution to the welfare scheme with Aegón España, S.A. de Seguros y Reaseguros and life-insurance and health care policy, respectively).

c) Loans

At 31 December 2019 and 2018, no loans or advances had been extended to former or serving members of the Board of Directors of Bolsas y Mercados Españoles.

d) Senior management

For the purposes of preparing these consolidated annual accounts, 10 and 9 persons were considered to be members of the Senior Management of Bolsas y Mercados Españoles, including the Head of Internal Audit for both periods. During 2019, there were variations in the composition of the members of Senior Management at the Company (two members departed and three new members were appointed); therefore, the balances below include the remuneration of these members until their effective end date and start dates and severance pay for termination of the contractual relationship.

In 2019 and 2018, remuneration has been accrued in favour of these Directors for the sum of €2,892 thousand and €2,964 thousand, respectively, which have been recorded under "Staff costs" on the consolidated income statement (Note 19-a). In addition, in 2019, severance pay and settlements were paid to former members of Senior Management for the termination of the corresponding employment relationships for the sum of €1,921 thousand, for which full provisions had been set aside (no amount for this concept during 2018). In 2019 and 2018, per diems amounting to 253 thousand euros and €284 thousand, respectively, were accrued, recognised under "Other operating costs - External services".

Furthermore, in 2019 post-employment benefits were granted to these executives in the amount of €228 thousand (€38 thousand in 2018), €223 thousand for the annual periodic contribution to the insurance arranged in 2006 with Aegon España, S.A. de Seguros y Reaseguros, by way of a supplementary pension (€33 thousand in 2018) and €5 thousand in contributions made by the Group to defined contribution plans in 2019 (€5 thousand in 2018) (Note 2-k).

Furthermore, the maximum number of shares in Bolsas y Mercados Españoles, where applicable, for the Senior Management of Bolsas y Mercados Españoles who are beneficiaries of the 2014-2019, 2017-2020 and 2018-2023 Share-based Variable Remuneration Plans, hereinafter, the "Plans" (see Note 19.c), was set, for the plan overall, at 180,984 shares for the 2014-2019 Plan, 39,485 shares for the 2017-2020 Plan, 41,328 shares for the first three-year period of the 2018-2023 Plan and 49,725 shares for the second three-year period of the 2018-2023 Plan.

	Maximum number of Theoretical Shares ^(*)		
	First three-year period	Second three-year period	Third three-year period
Share-based Variable Remuneration Plans:			
2014-2019 Plan	67,361	58,079	55,544
2017-2020 Plan	39,485	-	-
2018-2023 Plan	41,328	49,725	-
	148,174	107,804	55,544

^(*) The estimated theoretical maximum number of shares includes those assigned to former and current members of Senior Management who held this status on the assignment date, including, among others, those assigned to the current CEO for the 2014-2019 Plan.

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As described in Note 19-c, in the first half of 2018, fulfilment of the objectives as well as the definitive coefficients to be applied the second three-year period of the 2014-2019 Plan, expiring on 31 December 2017, was reviewed, and the definitive number of shares to be delivered was 84,286, of which 17,910 corresponded to senior management at the time of delivery of their allocation. In June 2018, the Plan was settled through the delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 10,378 shares.

In the first half of 2019, fulfilment of the objectives as well as the definitive coefficients to be applied the third three-year period of the 2014-2019 Plan, expiring on 31 December 2018, was reviewed, and the definitive number of shares to be delivered was 92,028, of which 16,728 corresponded to senior management at the time of delivery of their allocation. In June 2019, the Plan was settled through the delivery, once the withholdings set forth in prevailing tax legislation had been applied, of 9,854 shares.

Expenses recognised in the Group's consolidated income statement in 2019 in connection with the provision accrued by the portion of estimated fair value of the equity instruments granted to senior management on the allocation date under the Share-Based Variable Remuneration Plans in effect amounted to €499 thousand, recognised under "Staff costs – Wages, salaries and similar expenses", at 31 December 2019 (€673 thousand at 31 December 2018).

No other long-term benefits were extended to senior management of Bolsas y Mercados Españoles in either 2019 or 2018. Likewise, at 31 December 2019 and 2018, the Company had not assumed any pension or life insurance obligations vis-à-vis, or extended loans or advances to senior executives of Bolsas y Mercados Españoles other than the arrangements outlined above.

e) Termination benefits

On the grounds of the modification of the corporate governance structure of the Company and the new qualification of Mr Antonio J. Zoido Martínez as a non-executive Director, Mr Zoido Martínez waived the termination compensation that would grant him the right to the payment of an amount equivalent to three times his fixed annual compensation. In the case of termination as Chairman of the Board of Directors Zoido Martínez shall have the exclusive right to collect the pension commitment arranged in his favour by the Company.

In the event of the resignation of Mr. Javier Hernani Burzako, the revocation of his powers, or the termination of the contract at the initiative of the CEO due to a default on the obligations assumed by the Company, the CEO shall have the right: "To receive the greater of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Workers' Statute at that time for any dismissal considered unfair. If termination results from a failure to fulfil his duties as CEO of the Company duly declared by a court and/or any of the cases needed for BME to be able to take corporate action against him for liability concur, neither resumption of the employment relationship nor payment of the aforementioned amount shall occur."

With respect to Senior Management, one senior executive has signed a senior management contract with the right to receive compensation in the event of dismissal equivalent to twenty-two months of the gross annual salary, unless employment law stipulates higher compensation. Likewise, one manager has signed an ordinary employment contract with the right to receive compensation equivalent to forty-five days per year worked in the event of dismissal and one manager has signed a commercial contract with the right to receive compensation equivalent to two years of fixed and annual variable compensation in the event of dismissal unless the current employment regulations provide for higher compensation.

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f) Information required under Article 229 of the consolidated text of the Corporate Enterprises Act

In accordance with Article 229 of the consolidated text of the Spanish Corporate Enterprises Act, in order to enhance the transparency of Spanish Corporations, the Company's Directors have explicitly declared that they have not incurred in the conflicts of interest set forth in Article 229.1 of the Corporate Enterprises Act, and they are certain that none of the situations mentioned therein apply to the persons related to them.

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5. Intangible assets

a) Goodwill

i. Breakdown

Goodwill at 31 December 2019 and 2018 breaks down as follows:

	Thousands of euros	
Consolidated Companies (Appendix I)	2019	2018
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. (Sociedad Unipersonal)	16,995	16,995
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. (Sociedad Unipersonal)	6,184	6,184
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. (Sociedad Unipersonal)	4,940	4,940
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad Unipersonal) - Iberclear	52,500	52,500
Bolsas y Mercados Españoles Inntech, S.A.U.	4,957	4,957
Open Finance, S.L.	2,149	2,149
	87,725	87,725

The goodwill relating to Iberclear arose from a corporate transaction undertaken in 2003 (Note 1-a) and was supported by the estimated future earnings from the clearing, settlement and registration of public debt securities formerly carried out by the Banco de España public debt book-entry trading system, or "CADE", and the business and operating synergies arising from the consolidation of the settlement platforms.

In 2015, due to operational, technical, management and regulatory changes within the Group, the Company concluded that the CGU initially defined (CADE) and financial and management information concerning CADE business had lost its relevance, given that management previously handled on a separate basis would be handled in integrated fashion at a level equivalent to the Settlement segment (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores). Thus in 2015 it was considered that the goodwill must be assigned to Iberclear, as it would meet the CGU definition as stipulated in IAS 36.6.

In accordance with the internal and external estimates, projections and measurements available to them, the Directors of Bolsas y Mercados Españoles have checked for signs of previous goodwill impairment losses, based on the estimate of their recoverable amount.

ii. Measurement

In relation to the Group's main source of goodwill, in 2019 and 2018, the measurement methodology employed by the independent expert to obtain the value in use associated with this company is the discounted future cash flows (DCF) associated with IBERCLEAR projected up to 2024 and 2021 respectively. In particular, the expectation discounted was net cash flow. The key variables used to produce financial projections stem from a reasonable estimate of future trends in net cash flows associated with Iberclear.

The present value of future flows to be distributed to obtain value in use was calculated for the 2019 and 2018 valuations using as the discount rate the yield on risk-free assets plus a specific risk premium in line with Iberclear business. Based on this method, the discount rate used was 9.0% and 9.7% respectively. Residual value for both years' valuations was estimated as the present value of a perpetual income which the company is expected to generate from the last year projected (based on normalised net operating profit in the year 2024 and 2021, respectively) and considering, for the purpose of analysing sensitivity, a nominal annual growth rate of 1.8% (1.9% in the valuation exercise for 2018).

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No impairment has been indicated regarding the valuation exercise carried out on the IBERCLEAR CGU.

In relation to the goodwill corresponding to Open Finance, S.L., in 2019 and 2018, the measurement methodology employed to obtain the value in use associated with the company is the discounted future cash flows (DCF) method associated with this company projected up to 2022, in both exercises. In particular, the expectation discounted was net cash flow. The key variables used to produce financial projections stem from a reasonable estimate of future trends in net cash flows associated with the Open Finance, S.L.

The present value of future flows to be distributed to obtain value in use was calculated for the 2019 and 2018 valuations using as the discount rate the yield on risk-free assets plus a specific risk premium in line with the business of Open Finance, S.L. Based on this method, the discount rate used was 9.3% and 9.2% respectively. The residual value was estimated as the present value of a perpetual income that Open Finance, S.L. is expected to generate from the last year projected (based on normalised net operating profit in 2022) and considering, for the purpose of analysing sensitivity, a nominal annual growth rate of 1.8% (1.9% in the measurement exercise for 2018).

No impairment has been indicated regarding the valuation exercise carried out on the UGE Open Finance, S.L. in 2019. The Group recognised a decrease in goodwill for 2018 of €993 thousand, given the reduction in the company's profits against the forecasts made in previous years. The company, the activity of which is detailed in Appendix I, is included in the Market Data & VAS business unit for management purposes, as detailed in Note 18.

b) Other intangible assets

i. Breakdown and significant changes

The breakdown of this heading, which comprises entirely intangible assets with finite useful lives, is as follows:

	Estimated useful life	Thousands of euros	
		2019	2018
Computer software	3-15 years	55,197	70,538
Total, gross		55,197	70,538
Of which:			
Developed internally	4-5 years	47,761	46,006
Purchases	3-15 years	7,436	24,532
Less:			
Accumulated amortisation		(42,957)	(57,053)
Total, net		12,240	13,485

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The changes in this heading (stated gross) were as follows:

	Thousands of euros	
	2019	2018
Opening balance	70,538	67,974
Additions:		
Developed internally	3,709	3,215
Purchased	1,946	580
Disposals/other changes	(20,996) ^(*)	(1,231)
Impairment losses		-
Closing balance	55,197	70,538

(*) Includes the derecognition of fully amortised items for the amount of €19,042 thousand that are no longer in use.

All of the additions due to internally developed software in 2019 and 2018 were recognised with a credit to "Own work capitalised" in the consolidated income statements in the amounts of €3,709 thousand and €3,215 thousand, respectively. Most of these additions relate to the services performed by Regis-TR, S.A. and new services rendered by the Group.

Fully amortised intangible assets with a finite useful life at 31 December 2019 and 2018 amounted to €26,907 thousand and €45,409 thousand, respectively.

There were no restrictions on ownership of recognised intangible assets and none of these assets were held for sale at either year-end.

ii. Amortisation of intangible assets with a finite useful life

The table below summarises the changes affecting accumulated amortisation of intangible assets with finite useful lives:

	Thousands of euros	
	2019	2018
Opening balance	(57,053)	(52,355)
Provisions recognised in income	(4,946)	(4,698)
Disposals/other changes	19,042	-
Closing balance	(42,957)	(57,053)

iii. Impairment and gains/(losses) on disposal of intangible assets

In 2019, intangible assets were disposed of in the amount of €1,985 thousand (€1,293 thousand in 2018), at a net carrying amount of €1,954 thousand (€1,231 thousand in 2018), which generated €31 thousand in gains on disposal of other assets (€62 thousand in 2018), recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

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6. Property, plant and equipment

The changes in this consolidated statement of financial position heading, which exclusively comprises property, plant and equipment for own use, were as follows:

	Thousands of euros							
	Property, plant and equipment for own use							
	Land	Buildings	Furniture and installations	Information technology equipment	Motor vehicles and other	Fixed assets in progress	Right of use assets	Total
Cost:								
Balances at 1 January 2018	24,375	9,902	35,086	58,416	254	358	-	128,391
Additions	-	-	942	1,433	-	128	-	2,503
Disposals	-	-	(52)	(91)	(140)	-	-	(283)
Transfers	-	-	355	-	-	(355)	-	-
Balances at 31 December 2018	24,375	9,902	36,331	59,758	114	131	-	130,611
Additions	-	-	1,018	1,500	-	33	41,022(*)	43,573
Disposals	-	-	(3,863)	(21,866)	(10)	-	-	(25,739)
Transfers	-	-	2	-	-	(2)	-	-
Other	-	-	-	-	-	-	(3,183) (**)	(3,183)
Balances at 31 December 2019	24,375	9,902	33,488	39,392	104	162	37,839	145,262
Accumulated depreciation:								
Balances at 1 January 2018	-	(2,294)	(28,210)	(54,683)	(219)	-	-	(85,406)
Provisions (Note 2-d)	-	(198)	(1,132)	(1,866)	(8)	-	-	(3,204)
Disposals	-	-	50	89	140	-	-	279
Balances at 31 December 2018	-	(2,492)	(29,292)	(56,460)	(87)	-	-	(88,331)
Additions	-	-	-	-	-	-	(20,169)(*)	(20,169)
Provisions (Note 2-d)	-	(198)	(1,179)	(1,718)	(8)	-	(1,424)	(4,527)
Disposals	-	-	3,857	21,866	9	-	-	25,732
Transfers	-	-	-	-	-	-	-	-
Balances at 31 December 2019	-	(2,690)	(26,614)	(36,312)	(86)	-	(21,593)	(87,295)
Property, plant and equipment, net:								
Balances at 31 December 2018	24,375	7,410	7,039	3,298	27	131	-	42,280
Balances at 31 December 2019	24,375	7,212	6,874	3,080	18	162	16,246	57,967

(*) Corresponds to the right-of-use assets recognised in the first application of IFRS 16 (Note 1-b).

(**) Corresponds to the value of updates of lease liabilities, and consequently of the right-of-use assets, deriving from the adjustments related to changes in the index or the rate applicable to variable payments (IFRS 16)(Note 1-b).

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Fully depreciated items of property, plant and equipment amounted to €54,101 thousand and €76,893 thousand at 31 December 2019 and 2018, respectively.

On 21 December 2005, the Group acquired a plot of land and some buildings, together with their installations, and the Group companies located in Madrid moved there in 2006. The overall acquisition cost was €37,185 thousand. Some of the Group companies have, however, carried on their business in 2019 and 2018 in leased premises.

In 2019, items of property, plant and equipment were disposed of in the amount of €25,739 thousand (€283 thousand in 2018), at a net carrying amount of €25,732 thousand (€279 thousand in 2018), which generated €7 thousand in losses on disposal of assets (€4 thousand in 2018), recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

In 2018, items of tangible non-current assets were disposed of for the amount of €2 thousand generating a gain of €2 thousand for the disposal of items of other items of non-current assets, which were recognised under "Impairment losses and gains (losses) on disposal of non-current assets" on the consolidated income statement.

The Group has arranged insurance policies to cover the possible risks to which the various components of property, plant and equipment are exposed.

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7. Current financial assets (liabilities), other current financial assets (liabilities) and non-current financial assets (liabilities)

a) Non-current financial assets, current financial assets and other current financial assets

i. Breakdown

The breakdown of these headings on the consolidated statement of financial position according to the measurement classification, for measurement source and classification for presentation, currency and class is as follows:

	Thousands of euros			
	31-12-2019		31-12-2018	
	No Current	Current	No Current	Current
Classification for measurement purposes:				
Financial assets at fair value with changes in other comprehensive income	16,148	-	13,279	-
Financial assets valued at amortised cost	813	12,359,384	870	13,882,489
	16,961	12,359,384	14,149	13,882,489
Source and classification for presentation:				
Other current financial assets-				
Realisation of guarantees received from participants	-	3,004,517	-	2,320,332
Financial instruments in CCP	-	9,303,064	-	11,529,131
Receivables for settlement	-	43,644	-	25,244
Realisation of cash withheld for settlement	-	940	-	1,535
Cash receivables for settlement	-	-	-	-
Current financial assets	-	7,219	-	6,247
Non-current financial assets	16,961	-	14,149	-
	16,961	12,359,384	14,149	13,882,489

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	Thousands of euros			
	31-12-2019		31-12-2018	
	No Current	Current	No Current	Current
Currency:				
Euro	3,333	12,359,384	3,390	13,882,489
Other currencies	13,628	-	10,759	-
	16,961	12,359,384	14,149	13,882,489
Nature:				
Equity instruments-				
Equity securities	16,148	-	13,279	-
Financial instruments in CCP-				
Fixed-income securities in central counterparty (BME Clearing Repo)	-	8,465,203	-	10,265,386
Options in CCP	-	136,562	-	382,553
Equity securities in CCP	-	701,299	-	881,192
Other financial assets				
Public Debt reverse repurchase agreements	-	19,999	-	19,489
Bank deposits (own)	-	7,043	-	6,247
Bank deposits (third party)	-	2,985,458	-	2,302,378
Receivables for settlement of daily options and futures trades	-	43,644	-	25,244
Guarantees given	813	-	820	-
Other	-	176	-	-
Post-employment obligations-				
Retirement bonuses	-	-	50	-
	16,961	12,359,384	14,149	13,882,489
Less - Impairment losses	-	-	-	-
Total financial assets	16,961	12,359,384	14,149	13,882,489

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Financial assets at fair value with changes in other comprehensive income

At 31 December 2018, the total shareholding in Sociedad Promotora Bilbao Gas Hub, S.A. for the sum of €294 thousand was fully impaired. On 7 May 2019, the company's Extraordinary General Shareholders's Meeting approved its dissolution and simultaneous liquidation.

In 2019 and 2018, the Bolsas y Mercados Españoles Group received dividends from these securities amounting to €643 thousand and €509 thousand, respectively, which were recognised under "Finance income – From equity investments" in the consolidated income statement (Note 21).

Below, details are provided of financial assets at fair value with changes in other comprehensive income as at 31 December 2019 and 2018:

		Thousands of euros	
	% ownership	31-12-2019	31-12-2018
Non-current-			
Quoted equity securities measured at fair value:			
Bolsa Mexicana de Valores, S.A., de C.V.	0.99%	12,175	9,306
Unquoted equity securities measured at cost:			
Operador del Mercado Ibérico de Energía – Polo Español, S.A. (OMEL)	5.65%	524	524
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	5.00%	1,246	1,246
Cámara de Riesgo Central de Contraparte de Colombia S.A.	9.91%	1,453	1,453
Sociedad Promotora Bilbao Gas Hub, S.A.	2.03% ^(*)	-	-
Noster Finance, S.L.	8.98%	750	750
		16,148	13,279

(*) At 31 December 2018

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Financial assets valued at amortised cost

At 31 December 2019 and 2018, loans and receivables, virtually all of which are current, corresponded to the following financial investments of guarantees received from participants (section (b) below):

- Reverse repurchase agreements and current accounts balances with Banco de España and other institutions, in the amount of €19,999 thousand and €2,985,458 thousand, respectively at 31 December 2019 (at 31 December 2018: €19,489 thousand and €2,302,378 thousand, respectively), which represent the investments in which the statutory deposits that the members of BME Clearing are required to make to guarantee the open positions held in their respective markets, as well as the statutory deposits required of the members of the electricity settlement clearance market in MEFF Tecnología y Servicios, to guarantee their open positions in that market, in addition to the cash withheld for the settlement by BME Clearing of the cash differences of failed instructions pending settlement in which the CCP intermediates.
- Balances receivable for the settlement (settled at D+1 by each clearing member) of daily options trades in the amount of €103 thousand and €157 thousand at 31 December 2019 and 31 December 2018 respectively, and of daily futures margin calls in the amount of €43,541 thousand and €25,087 thousand 31 December 2019 and 31 December 2018, respectively. The settled amount in 2019 and 2018 of the daily margins (receivables) of the futures traded together with the daily margins of the futures traded pending settlement at 31 December 2019 and 31 December 2018 amounted to €9,143,814 thousand and €7,808,749 thousand, respectively. The amount settled for daily margin calls receivable (debtor balance) is the same as the aggregate of the daily margin calls payable (creditor balance) and therefore, neither are recognised with a balancing entry in the consolidated income statement.

- The positions in financial instruments in central counterparty in fixed income (cleared through BME Clearing Repo) for the amount of €8,465,203 thousand, equities for the amount of €701,299 thousand and options for the amount of €136,562 thousand at 31 December 2019. The positions in financial instruments in central counterparty in fixed income (cleared through BME Clearing Repo) for the amount of €10,265,386 thousand, equities for the amount of €881,192 thousand and options for the amount of €382,553 thousand at 31 December 2018.

This category also contains the following:

- The amount of the guarantee required by Banco de España from the Group made in a blocked current account with Banco de España to guarantee that payments are made immediately in the event a cash settlement fails, in the amount of €7,043 thousand at 31 December 2019 (€6,247 thousand at 31 December 2018). Banco de España calculates these guarantees quarterly, adjusting the blocked amount in the current account with the same frequency.
- The assets arising from the measurement of long-term employee benefit obligations (retirement bonuses), in the amount of €50 thousand at 31 December 2018 (liability of €209 thousand at 31 December 2019) (Notes 2-k and 13), long-term guarantees given in the amount of €813 thousand and €820 thousand at 31 December 2018 and 31 December 2019, respectively, and a loan granted to the investee company Noster Finance, S.L. for the sum of €176 thousand at 31 December 2019 maturing on 30 June 2020, which will be convertible if, 15 days after its expiry, no repayment is made by the borrower.

The carrying amount of all these assets is similar to their fair value.

In 2019 and 2018, the Group transferred the negative return obtained on the investment of collateral in temporary acquisitions of assets against public debt securities to the members, in addition to the financial cost corresponding to deposits in Banco de España (Notes 2 -n.iv and 21), with no net financial result recognised for the Group as a result of this activity in the consolidated statements of profit and loss.

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ii. Residual maturities and average interest rates

Details, by maturity, of the consolidated statement of financial position headings “Current financial assets” and “Other current financial assets” (excluding fixed-income positions in CCP (BME Clearing Repo), equity securities in CCP, options in CCP, receivables for the settlement of daily options and futures trades, and cash receivables for settlement):

Current financial assets and other current financial assets

	Thousands of euros				Average interest rate	
	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 12 months		Total
31 December 2019:						
Other financial assets						
Reverse repurchase agreements	19,999	-	-	-	19,999	-0.50%
Bank deposits (own)	7,043	-	-	-	7,043	-0.50%
Bank deposits (third party)	2,985,458	-	-	-	2,985,458	-0.50%
	3,012,500	-	-	-	3,012,500	
31 December 2018:						
Other financial assets						
Reverse repurchase agreements	19,489	-	-	-	19,489	-0.40%
Bank deposits (own)	6,247	-	-	-	6,247	-0.40%
Bank deposits (third party)	2,302,378	-	-	-	2,302,378	-0.40%
	2,328,114	-	-	-	2,328,114	

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iii. Acquisitions and disposals

Equity instruments

The main acquisitions and disposals of equity instruments undertaken in 2019 and 2018 were as follows:

	Thousands of euros
Balance at 1 January 2018	12,164
Acquisitions	750
Plus - Valuation adjustments (gross)	365
Balance at 31 December 2018	13,279
Acquisitions	-
Plus - Valuation adjustments (gross)	2,869
Balance at 31 December 2019	16,148

The following are the most significant variations in 2019 and 2018 affecting the equity instruments classified under financial assets at fair value with changes in other comprehensive income as at 31 December 2019 and 2018:

The gain in the "fair value" of Bolsa Mexicana de Valores, S.A., de C.V. (listed company) compared to 31 December 2018, which amounts to €2,869 thousand (gains amounting to €365 thousand in 2018), has been recognised, net of taxes, in equity attributed to the parent entity (under "Other comprehensive income - Items not reclassified to profit or loss" (Note 11). At 31 December 2019 and 2018, the Parent owned 6,250,000 shares in Bolsa Mexicana de Valores, S.A., de C.V., equivalent to an approximate stake of 0.99% in its share capital.

In 2018, the Parent acquired a 9.7% stake in the capital of Noster Finance, S.L. (Finect), for the amount of €750 thousand, which was diluted to 8.98% at 31 December 2019 and 2018.

On 7 May 2019, the company's Extraordinary General Shareholders's Meeting approved its simultaneous dissolution and liquidation, with the result of the liquidation not considered significant for the Group.

Other financial assets

The main acquisitions and disposals of Other financial assets (bank deposits, own) during 2019 and 2018 are indicated below

	Thousands of euros		
	Private fixed income	Term deposits	Total
Balance at 1 January 2018	5,998	10,223	16,221
Acquisitions	-	32,115	32,115
Amortisations	(6,000)	(36,091)	(42,091)
Plus - Restatements for amortised cost (gross)	2	-	2
Balance at 31 December 2018	-	6,247	6,247
Acquisitions	-	32,248	32,248
Amortisations	-	(31,452)	(31,452)
Plus - Restatements for amortised cost (gross)	-	-	-
Balance at 31 December 2019	-	7,043	7,043

In 2018, the Group recognised the interest on the aforementioned financial assets for the sum of €2 thousand (no amount for either concept in 2019) under "Finance income - Marketable securities and other financial instruments" in the income statement (Note 21).

The main acquisitions and disposals of reverse repurchase agreements in 2019 and 2018 are disclosed in Note 9, which analyses cash and cash equivalents.

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iv. Impairment losses

No impairment losses were identified in either 2019 or 2018 that affect “Non-current financial assets”, “Other current financial assets” and “Current financial assets”.

b) Non-current financial liabilities, current financial liabilities and other current financial liabilities

The breakdown of this consolidated statement of financial position heading by classification for measurement purposes, origin, currency and class is as follows:

	Thousands of euros			
	31-12-2019		31-12-2018	
	Non-Current	Current	Non-Current	Current
Classification for measurement purposes:				
Accounts payable	20,937	12,353,596	-	13,876,230
	20,937	12,353,596	-	13,876,230
Source and classification for presentation:				
Non-current financial liabilities	20,937	-	-	-
Current financial liabilities	-	1,440	-	-
Other current financial liabilities-				
Guarantees received from participants	-	3,004,508	-	2,320,320
Financial instruments in CCP	-	9,303,064	-	11,529,131
Payables for settlement	-	43,644	-	25,244
Payables in cash withheld for settlement	-	940	-	1,535
Payables in cash for settlement	-	-	-	-
	20,937	12,353,596	-	13,876,230

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	Thousands of euros			
	31-12-2019		31-12-2018	
	Non-Current	Current	Non-Current	Current
Currency:				
Euro	20,937	12,353,596	-	13,876,230
Other currencies	-	-	-	-
	20,937	12,353,596	-	13,876,230
Nature:				
Derivatives				
Fixed-income securities in CCP (BME Clearing Repo)	-	8,465,203	-	10,265,386
Options in CCP	-	136,562	-	382,553
Equity securities in CCP	-	701,299	-	881,192
Other financial liabilities				
Guarantees received from BME Clearing and MEFF Tecnología y Servicios	-	3,004,508	-	2,320,320
Payables for settlement of daily options and futures trades	-	43,644	-	25,244
Payables in cash withheld for settlement	-	940	-	1,535
Financial lease liabilities (Note 1-b)	20,937	1,440	-	-
	20,937	12,353,596	-	13,876,230
Total financial liabilities	20,937	12,353,596	-	13,876,230

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The Directors consider that the carrying amount of the balances under “Other current financial liabilities” in the consolidated statement of financial position is equivalent to their fair value.

The finance costs passed on to members and depositors are recognised under “Finance costs – Guarantees received from participants” in the consolidated income statements (Note 21).

The residual maturity of “Other current financial liabilities”, with the exception of fixed income securities and options held in CCP, changes daily depending on the market positions held by the owners of these instruments.

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8. Trade and other receivables

i. Breakdown

The table below details the composition of this heading on the consolidated statement of financial position:

	Thousands of euros	
	31-12-2019	31-12-2018
Trade receivables for sales and services	38,026	37,452
Companies accounted for using the equity method	1,273	443
Less - Impairment losses	(3,435)	(3,321)
	35,864	34,574
Current tax assets (Note 16)	34,837	38,851
Other receivables -		
Public bodies (Note 16)	2,927	2,728
Loans to employees	891	902
	3,818	3,630
	74,519	77,055

"Trade receivables for sales and services" relates mainly to amounts receivable from services rendered by the various Group companies. It also includes the contract assets of the Group's companies.

The carrying amount of trade receivables for services and other receivables is similar to fair value. These balances do not generate interest.

Below follows the changes in the contract assets during 2019 and 2018:

	Thousands of euros
Balance at 1 January 2018	3,783
Additions	9,751
Disposals	(9,308)
Balances at 31 December 2018	4,226
Additions	24,332
Disposals	(24,168)
Balances at 31 December 2019	4,390

At 31 December 2019 and 2018, it is estimated that the contract assets will be reclassified as an account receivable during 2020 and 2021, respectively.

In 2019 and 2018, no major changes were recognised in the contract assets resulting from the amendments to the measurement of progression, changes to the estimates or the amendments to the contracts.

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ii. Impairment losses

The movement in provisions for impairment losses on assets included under "Trade receivables" in the 2019 and 2018 consolidated statement of financial position is as follows:

	Thousands of euros	
	2019	2018
Balance at 1 January	3,321	4,000
Provisions recognised in the income statement and write-downs	1,948	1,146
Release of provisions with a credit to income	(753)	(771)
Net provisions (releases) for the year and write-downs	1,195	375
Amounts used with no impact on profit or loss	(1,081)	(1,054)
Balance at 31 December	3,435	3,321

Net provisions recognised in 2019 and 2018, amounting to €1,195 thousand and €374 thousand, respectively, in connection with impairment losses on the assets included in "Trade receivables for sales and services" are recognised under "Other operating costs – Losses, impairment and changes in trade provisions" in the consolidated income statement (Note 20).

In 2019 and 2018, the Group also recognised impairment losses on the write-down of irrecoverable "Trade receivables for sales and services" of €2 thousand and €1 thousand, respectively, under "Other operating costs – Losses, impairment and changes in trade provisions" in the consolidated income statement (see Note 20).

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The breakdown of "Trade receivables", "Companies accounted for using the equity method" and "Other receivables" at 31 December 2019 and 2018, by maturity and geographical areas where the risks are located is as follows:

	Thousands of euros						
	Balances not yet due and past due Up to 3 Months	Unpaid balances past-due by					Total
		Between 3 and 6 Months	Between 6 and 12 Months	Between 12 and 18 Months	Between 18 and 24 Months	More than 24 Months	
31 December 2019:							
By geographic area-							
Spain	27,199	642	644	332	778	1,841	31,436
Rest of the world	9,971	259	1,020	146	81	204	11,681
	37,170	901	1,664	478	859	2,045	43,117
31 December 2018:							
By geographic area-							
Spain	27,310	1,186	1,319	34	369	2,038	32,256
Rest of the world	7,503	552	761	166	93	194	9,269
	34,813	1,738	2,080	200	462	2,232	41,525

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9. Cash and cash equivalents

"Cash and cash equivalents" includes the short-term financial assets in which the Bolsas y Mercados Españoles Group invests its surplus cash. The breakdown in 2019 and 2018 was as follows:

	Thousands of euros	
	2018	2017
Classification:		
Cash	220,442	195,338
Reverse repurchase agreements	30,996	72,998
Short-term deposits	-	2,000
	251,438	270,336
Less - Impairment losses	-	-
Net balance	251,438	270,336

The carrying amount of these assets is similar to their fair value.

The maturities and average returns on the assets included under "Cash and cash equivalents" in the consolidated statement of financial position, excluding actual cash balances, at 31 December 2019 and 2018 are as follows:

	Thousands of euros				Average interest rate
	Up to 1 week	1 week to 1 month	1 to 3 months	Total	
31 December 2019:					
Reverse repurchase agreements	30,996	-	-	30,996	-0.50%
	30,996	-	-	30,996	
31 December 2018:					
Reverse repurchase agreements	72,998	-	-	72,998	-0.40%
Short-term deposits	-	-	2,000	2,000	0.00%
	72,998	-	2,000	74,998	

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The changes in 2019 and 2018 in reverse repurchase agreements included under “Other current financial assets” (Note 7) and “Cash and cash equivalents” and in short-term deposits under “Cash and cash equivalents” consolidated statement of financial position were as follows:

Item	Thousands of euros		
	Temporary acquisition of assets	Short-term bank deposits	Total
Balances at 1 January 2018	154,420	-	154,420
Purchases	17,691,932	8,000	17,699,932
Sales	(17,753,865)	(6,000)	(17,759,865)
Balances at 31 December 2018	92,487	2,000	94,487
Purchases	18,071,175	6,000	18,077,175
Sales	(18,112,667)	(8,000)	(18,120,667)
Balances at 31 December 2019	50,995	-	50,995

No impairment losses were recognised for these financial assets in 2019 and 2018.

The income generated on these assets in 2019 and 2018, recognised under “Finance income – From marketable securities and other financial instruments” in the consolidated income statements (Note 21), is as follows.

	Thousands of euros		
	Temporary acquisition of assets	Short-term bank deposits	Total
2019	(17)	-	(17)
2018	(30)	-	(30)

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10. Other current assets

This consolidated statement of financial position heading at 31 December 2019 and 2018 includes prepaid expenses recognised by the various Group companies in connection with their operating activities.

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11. Equity

"Equity" on the consolidated statements of financial position primarily includes the contributions by owners and retained earnings recognised in the consolidated income statement. Amounts in respect of subsidiaries are presented under separate headings.

Movements in the various balances included in equity in 2019 and 2018 were as follows:

Thousands of euros

	Reserves				Parent shares and equity holdings	Results for the year attributable to Parent	Interim dividend (Note 3)	Other equity instruments	Other comprehensive income	Non-controlling interests	Equity
	Capital	Share premium	Legal reserve	Other reserves							
Balances at 1 January 2018	250,847	-	54,016	41,251	(12,426)	153,319	(83,133)	7,101	2,179	279	413,433
Distribution of 2017 profit	-	-	-	5,367	-	(153,319)	83,133	-	-	-	(64,819)
Actuarial gains and losses and other (Note 13)	-	-	-	874	-	-	-	-	-	-	874
Equity-based payments, net (Note 19)	-	-	-	1,375	1,286	-	-	(1,674)	-	-	987
Valuation adjustments (Note 7)	-	-	-	-	-	-	-	-	272	-	272
Transactions with Parent shares and equity holdings	-	-	-	-	(4,267)	-	-	-	-	-	(4,267)
Profit/(loss) for the year	-	-	-	-	-	136,288	-	-	-	(186)	136,102
Interim dividend from profit from 2018	-	-	-	-	-	-	(83,078)	-	-	-	(83,078)
Acquisitions/(disposals) of non-controlling interests	-	-	-	(175)	-	-	-	-	-	(110)	(285)
Other changes	-	-	-	(26)	-	-	-	-	-	427	401
Balances at 31 December 2018	250,847	-	54,016	48,666	(15,407)	136,288	(83,078)	5,427	2,451	410	399,620
Adjustments for changes in accounting criteria (Note 1-b)	-	-	-	(4,542)	-	-	-	-	-	-	(4,542)
Balances at 1 January 2019	250,847	-	54,016	44,124	(15,407)	136,288	(83,078)	5,427	2,451	410	395,078
Distribution of 2018 profit	-	-	-	5,955	-	(136,288)	83,078	-	-	-	(47,255)
Actuarial gains and losses and other (Note 13)	-	-	-	(2,107)	-	-	-	-	-	-	(2,107)
Equity-based payments, net (Note 19)	-	-	-	629	1,389	-	-	(1,268)	-	-	750
Valuation adjustments (Note 7)	-	-	-	-	-	-	-	-	2,084	-	2,084
Transactions with Parent shares and equity holdings	-	-	-	-	(5,189)	-	-	-	-	-	(5,189)
Profit/(loss) for the year	-	-	-	-	-	122,756	-	-	-	(271)	122,485
Interim dividend from profit from 2019	-	-	-	-	-	-	(82,852)	-	-	-	(82,852)
Other changes	-	-	-	(11)	-	-	-	-	-	670	659
Balances at 31 December 2019	250,847	-	54,016	48,590	(19,207)	122,756	(82,852)	4,159	4,535	809	383,653

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a) Capital**i. Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros (Parent company)**

At 31 December 2019 and 2018, Bolsas y Mercados Españoles' share capital consisted of 83,615,558 fully subscribed and paid up shares with a par value of €3.00 each. The Company's shares are listed on the electronic trading system ("continuous market") of the Spanish stock exchanges and all enjoy the same voting and dividend rights.

At 31 December 2019 and 2018 the breakdown of shareholders holding interests of 3% or over in Bolsas y Mercados Españoles, according to the information in Shareholders' Register, which contains trades carried out in 2019 and 2018, was as follows:

Name or corporate name of shareholder	Ownership interest	
	2019	2018
Corporación Financiera Alba, S.A.	12.06%	12.06%

The information disclosed in this report is based on the Shareholder Register, which contains transactions carried out in 2019.

At 31 December 2019, "Bank of New York Mellon" and "State Street Bank and Trust Co" appear in the Shareholder Register with stakes in the share capital of BME of 9.76% and 5.03%, respectively (less than 3% and 3.82%, respectively, at 31 December 2018). However, the Company believes that these shares are held in custody for third parties and that, as far as BME is aware, none of these hold over 3% of the company's share capital or voting rights.

Regardless of the foregoing, according to the records of the National Securities Market Commission, as at 31 December 2019 "Blackrock, Inc." held 3.48% of indirect voting rights attributed to BME shares.

ii. Subsidiaries

At 31 December 2019 and 2018

1. None of the shares of the Group's subsidiaries (Appendix I) were listed on the official stock exchanges:
2. No subsidiary had uncalled share capital.
3. No subsidiaries are in the process of increasing their capital, or, in any event, any such issuances were not material in respect of the overall Group.
4. No authorisations have been granted by the General Shareholders' Meetings to subsidiaries to increase capital, or, in any event, they have not done so for amounts material in respect of the overall Group.

iii. Other information

On 18 November 2019, the Swiss company Six Group, AG, the manager of the Swiss Stock Exchange, submitted a voluntary takeover bid for all BME shares, representing 100% of the share capital, at an initial price of €34 per share, from which the dividends that BME has distributed and distributes prior to the settlement date of the Bid will be deducted.

b) Reserves**i. Legal reserve**

Under Article 274 of the consolidated text of the Corporate Enterprises Act, an amount equal to 10% of the profit for the year must be earmarked for the legal reserve until such reserve represents at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

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At 31 December 2019 and 2018 the parent company of the Group had fully allocated the legal reserve in the amount of €54,016 thousand, included under "Reserves" in the accompanying consolidated statement of financial position.

ii. Other reserves

The changes in this heading in 2019 and 2018 include €629 thousand and €1,375 thousand relating to the net gain of the tax effect recognised by the Group as a result of the settlement of the third and second three-year period of the 2014–2019 Plan, respectively, (see sections c) and e) of this Note, and Note 19-c).

The remaining reserves are unrestricted

c) Treasury shares

At 31 December 2019 and 2018, the breakdown of treasury shares held by the Company was as follows:

	No. of shares	Par value (euros)	Average acquisition price (euros)	Total acquisition cost (Thousands of euros)
Treasury shares at 31 December 2019	764,055	3.00	25.14	19,207
Treasury shares at 31 December 2018	604,003	3.00	25.51	15,407

At its meeting on 31 July 2008, the Board of Directors of the Company approved the acquisition of 337,333 shares in BME, equivalent to 0.40% of share capital, and the acquisition was carried out in August 2008, for the purpose of implementing the share-based payment plan approved in 2008, which was due for settlement on 31 December 2010. However, as the targets established under this plan had not been met at that date, no share-based bonuses were paid to beneficiaries.

In June 2018, to cover the settlement of the second three-year period of the 2014-2019 Variable Remuneration Plan, the Company delivered 50,550 treasury shares to the beneficiaries of said Plan (see Note 19-c), the fair value of which at the date of delivery was €1,517 thousand. The cost of these treasury shares, in the amount of €1,286 thousand, was derecognised.

In June 2019, to cover the settlement of the third three-year period of the 2014-2019 Pluri-Annual Variable Remuneration Programme, the Company delivered 55,120 treasury shares to the beneficiaries of said Programme (see Note 19-c), the fair value of which at the date of delivery was €1,255 thousand. The cost of these treasury shares, in the amount of €1,389 thousand, was derecognised.

In 2019 and 2018 the Company acquired 215,172 treasury shares and 165,295 treasury shares, in the amounts of €5,189 thousand and €4,267 thousand.

d) Other equity instruments

This includes the amount of compound financial instruments having the nature of equity, the changes in equity owing to employee compensation, and other items not included in other equity items. At 31 December 2019 and 2018, the only items under this heading, in the respective amounts of €4,159 thousand and €5,427 thousand, relate to the equity instruments for staff remuneration stipulated in Note 19-c).

In 2019 and 2018, provisions were recognised in "Other equity instruments" resulting from the Share-based Variable Remuneration Plans in effect at the time, in the respective amounts of €1,845 thousand and €2,457 thousand (see Note 19-c).

Furthermore, in 2018, the Company derecognised the estimated fair value at 31 December 2017 of the equity instruments for the second three-year period of the 2014–2019 Plan, corresponding to the beneficiaries of the Plan, in the amount of €4,131 thousand (Note 19-c).

In 2019, the Company derecognised the estimated fair value at 31 December 2018 of the equity instruments for the third three-year period of the 2014–2019 Plan, corresponding to the beneficiaries of the Plan, in the amount of €3,112 thousand (Note 19-c).

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e) Other comprehensive income

This section of the consolidated statements of financial position detail the net amount of the tax effect of those changes in fair value of the financial assets at fair value with changes in other comprehensive income that must be classified as part of the equity attributed to the parent (in "Items that will not be reclassified to profit/(loss)"; in addition to the net amount of the translation differences resulting from converting into euros the balances of BME Soporte Local Colombia S.A.S. and LATAM Exchanges Data, Inc., whose operating currency is different to the euro, which is classified in "Items that may be reclassified to profit/(loss) for the year".

The change in this heading in 2019 and 2018 was as follows:

	Thousands of euros	
	2019	2018
Opening balance	2,451	2,179
Net valuation gains (loss)	2,152	274
Translation differences	(56)	(2)
Other	(12)	
<i>Decreases due to:</i>		
<i>Amounts transferred to the income statement</i>	-	-
Total	4,535	2,451

Net valuation gains (losses) recognised correspond in their entirety to valuation adjustments due to changes in the fair value of the Group's shareholding in Bolsa Mexicana de Valores, S.A., de C.V. during both periods.

f) Non-controlling interests

The amount recognised under "Non-controlling interests" on the consolidated statement of financial position at 31 December 2019 and 31 December 2018, of €809 thousand and €410 thousand, respectively, corresponds to non-controlling interests that own 10% of Open Finance, S.L. and 49% of LATAM Exchanges Data, Inc. (Note 2.a).

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12. Non-current provisions - Other provisions

This section contains the provisions recognised by the Group at 31 December 2019 and 2018 against contingencies inherent to its business. The table below shows the movements during 2019 and 2018.

	Thousands of euros	
	2019	2018
Balance at 1 January	3,334	4,351
Provisions recognised in income	-	-
Recoveries credited to income	-	-
Applications	-	(1,017)
Balance at 31 December	3,334	3,334

13. Non-current provisions – Long-term employee benefit obligations

The breakdown of this heading is as follows:

	Thousands of euros	
	31/12/2019	31/12/2018
Provisions for employee benefits -		
Performance, loyalty and length-of-service bonuses	437	427
Retirement bonuses	209	-
Health benefits	12,409	10,006
	13,055	10,433
Other long-term employee benefits	3,760	4,918
Total	16,815	15,351

The heading "Other long-term employee benefits" essentially recognises the incentive-based redundancy plan approved by the Board of Directors in 2018, restricted to a reduced group of employees in the technology area fulfilling certain requirements covering age and length of service within companies of the Group.

Provisions for employee benefits

Certain Group companies have undertaken, under the terms of the Collective Bargaining Agreement (or collective bargaining agreements), to pay their employees certain bonuses to reward performance, loyalty and length of uninterrupted service, subject to certain requirements, in addition to retirement bonuses and health benefits (Note 2-k).

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The Group measured the present value of pension obligations using the following criteria:

- Calculation method: "Projected credit unit", this considers each year of service as the generator of an additional unit of a right to remuneration, with each unit being valued separately.
- Actuarial assumptions used: unbiased and mutually compatible. In general, the most important actuarial assumptions used in the calculations are as follows:

	2019	2018
Discount rate	0.49%-0.99%	1.20%-1.89%
Mortality tables	PERMF-2000P	PERMF-2000P
Retirement age	65 years	65 years
Expected return on assets (*)	0.49%-0.99%	1.20%-1.89%
Increase in health benefit cost	3.5%	3.5%
Future salary increase	3.3%	3.3%
Growth in retirement bonuses	-	1.0%
Life expectancy (**)		
<i>Employees retiring in 2019/2018</i>		
Men	23.04	22.92
Women	27.53	27.41
<i>Employees retiring in 2038/2037</i>		
Men	25.34	25.23
Women	29.62	29.50

(*) Range of market rates applied by the various Group companies, depending on the average length of time until bonus payments fall due in each of the collective bargaining agreements.

(**) Statistical data based on mortality tables.

- Discount rate: The Group determined the discount rate based on the market yields at the end of the reporting period on high quality corporate bonds and debentures of a currency and term consistent with the currency and term of the post-employment benefit obligations. Specifically, the Group used the market yields of the Markit iBoxx € Corporates AA indexes. The weighted average duration of post-employment benefit obligations through retirement plans and health benefits is 16.12 and 26.01 years, respectively.

The sensitivity of post-employment defined benefit obligations for retirement bonuses and health benefits to changes in the main weighted assumptions, by weighting, is as follows:

	Change in assumptions in bp	Increase in assumptions	Decrease in assumptions
Retirement bonuses:			
Discount rate	50	(5.92%)	6.49%
Health benefits:			
Discount rate	50	(11.40%)	13.58%
Health benefit increases	100	20.86%	(15.92%)

This sensitivity analysis is based on a change in assumptions, all other things being equal.

The expected maturity of undiscounted post-retirement pension benefits, in thousands of euros, is as follows:

	2020	2021	2022	2023	2024	2025 - 2029
Retirement bonuses	182	432	672	540	240	3,060
Health benefits	140	148	178	199	202	1,259

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The changes in the net accumulated balances of these provisions in 2019 and 2018 were as follows:

Thousands of euros					
Pension obligations (Assets)/Liabilities - Note 2.k -					
	Retirement bonuses	Health benefits	Loyalty bonuses	Other long-term employee benefits	Total
Balances at 1 January 2018	(41)	10,033	586	54	10,632
Net provision (reversal) with a charge (credit) to profit/(loss) ^(*)	448	447	(5)	5,404	6,294
Net provision (reversal) with a charge (credit) to equity (Note 11)	(494)	(380)	-	-	(874)
Amounts used	37	(94)	(154)	(540)	(751)
Balances at 31 December 2018	(50)	10,006	427	4,918	15,301
Net provision (reversal) with a charge (credit) to profit/(loss) ^(*)	1,191	450	23	-	1,664
Net provision (reversal) with a charge (credit) to equity (Note 11)	39	2,068	-	-	2,107
Amounts used	(971)	(115)	(13)	(1,158)	(2,257)
Balances at 31 December 2019	209	12,409	437	3,760	16,815

^(*) Net provisions charged to income corresponding to loyalty bonuses relate to the current service cost for the period of €17 thousand (€21 thousand in 2018) - Note 19-, actuarial losses for the amount of €2 thousand (actuarial gains of €30 thousand in 2018) - Note 19 - and an interest cost for the amount of €4 thousand (€4 thousand in 2018) (Note 21).

The asset arising from “Long-term employee benefits” corresponding to retirement bonuses, amounting to €50 thousand at 31 December 2018, was recognised under “Non-current financial assets” in the consolidated statement of financial position (Note 7).

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Retirement bonuses

The amounts recognised in the consolidated income statement and directly in consolidated equity in respect of retirement bonuses were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2019	2018
Current service cost (Note 19)	441	444
Past service cost (Note 19)	749	-
Interest costs (Note 21)	114	105
Expected return on insurance policies (Note 21)	(113)	(101)
Actuarial (gains)/losses recognised in equity	39	(494)
	1,230	(46)

The changes in the fair value of the obligations accrued in respect of retirement obligations were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2019	2018
Present value of obligations at 1 January	7,348	7,874
Current service cost	441	444
Past service cost	749	-
Interest costs	114	105
Actuarial (gains)/losses recognised in equity	560	(590)
Benefits paid	(481)	(481)
Transfers	8	(4)
Present value of obligations at 31 December	8,739	7,348

The changes in the fair value of the insurance policies linked to the retirement obligations were as follows:

Long-term employee benefit obligations - Retirement bonuses	Thousands of euros	
	2019	2018
Fair value of insurance policies linked to pensions at 1 January	7,398	7,915
Expected return on insurance policies	113	101
Actuarial gains/(losses) recognised in equity	521	(96)
Premiums paid	1,083	395
Benefits paid and others	(593)	(913)
Transfers	8	(4)
Fair value of insurance policies linked to pensions at 31 December	8,530	7,398

The status of retirement bonus obligations at year-end is set forth below:

	Thousands of euros	
	2019	2018
Present value of obligations	8,739	7,348
Less:		
Fair value of plan assets	8,530	7,398
Provisions (assets) for employee benefits - retirement bonuses (Note 7)	209	(50)

Plan assets comprise qualifying insurance policies at 31 December 2019 and 2018, respectively.

Expected contributions to post-employment benefits for 2020 amount to €570 thousand.

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Health benefits

The amounts recognised in the consolidated income statement and directly in consolidated equity in respect of health benefit commitments are as follows:

Long-term employee benefit obligations - Health benefits	Thousands of euros	
	2019	2018
Current service cost (Note 19)	270	275
Interest costs (Note 21)	180	172
Actuarial (gains)/losses recognised in equity	2,068	(380)
	2,518	67

The changes in the fair value of the obligations accrued in respect of health benefit commitments were as follows:

Long-term employee benefit obligations - Health benefits	Thousands of euros	
	2019	2018
Present value of obligations at 1 January	10,006	10,033
Current service cost	270	275
Interest costs	180	172
Actuarial (gains)/losses recognised in equity	2,068	(380)
Benefits paid	(115)	(94)
Present value of obligations at 31 December	12,409	10,006

The status of health benefit commitments is set forth below:

	Thousands of euros	
	2019	2018
Present value of obligations	12,409	10,006
Less:		
Fair value of plan assets	-	-
Provisions for employee benefits - Health benefits	12,409	10,006

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14. Trade and other payables

The breakdown of this consolidated statement of financial position heading at 31 December 2019 and 2018 was as follows:

	Thousands of euros	
	2019	2018
Suppliers	19,336	21,661
Suppliers, companies accounted for using the equity method	1	2
Current tax liabilities (Note 16)	37,717	43,890
Other payables-		
Public bodies (Note 16)	16,899	13,737
Wages and salaries payable (Note 2.I and 19)	6,537	7,850
	23,436	21,587
	80,490	87,140

“Trade payables” mainly comprises amounts payable for business related procurements and related costs.

The Directors believe that the carrying amount of the balances grouped under “Trade and other payables” on the consolidated statement of financial position are equivalent to their fair value.

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15. Other current and non-current liabilities

At 31 December 2019 and 2018, this heading on the consolidated statements of financial position mainly comprised deferred income recognised by the various Group companies in 2018 for the listing of securities for trading due to the entry into force of IFRS 15 and the contract liabilities recognised due to revenue originating from contracts with customer whose performance obligations are partially satisfied as at 31 December 2019 and 31 December 2018, respectively.

The changes in contract liabilities in 2019 and 2018 are as follows:

	Thousands of euros
Balance at 1 January 2018	24,420
Additions	40,043
Recoveries credited to income	(41,001)
Balances at 31 December 2018	23,462
Additions	28,159
Recoveries credited to income	(30,675)
Balances at 31 December 2019	20,946

At 31 December 2019, it is estimated that the contract liabilities will be recovered with a credit to income in the following financial years:

Year	Thousands of euros Total
2020	6,276
2021	4,207
2022	3,472
2023	2,499
Thereafter	4,492
Total	20,946

In 2019 and 2018, no major changes were recognised in the contract liabilities resulting from the amendments to the measurement of progression, changes to the estimates or the amendments to the contracts.

16. Tax

a) Consolidated tax group

Under prevailing tax legislation, the Consolidated Tax Group includes Bolsas y Mercados Españoles as parent company plus all the consolidated entities as subsidiaries (Appendix I), with the exception of Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., Sociedad Unipersonal, BME Soporte Local Colombia S.A.S., Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., LATAM Exchanges Data, Inc., Regis-TR, S.A., Regis-TR UK, Ltd and LATAM Exchanges Data México, S.A. de C.V.

The other Group subsidiaries file individual tax returns in accordance with applicable tax laws and regulations.

At a meeting on 17 December 2014, the Board of Directors of Bolsas y Mercados Españoles unanimously agreed to adopt the Special Companies Group System for Value-Added Tax, exercising the option stipulated in Article 163 sexies, Five of Law 37/1992 on Value Added Tax, as at 1 January 2015. Subsequently, on 29 December 2014, Bolsas y Mercados Españoles applied to pay tax under the Special System, of which it is the parent company with the following as subsidiaries: Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., BME Clearing S.A.U., MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U., Sociedad de Bolsas, S.A., Bolsas y Mercados Españoles Sistemas de Negociación, S.A. and Bolsas y Mercados Españoles Market Data, S.A.

Effective 1 January 2017, the following companies were incorporated into the aforementioned Special System: 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 Valencia, S.A.U., Bolsas y Mercados Españoles Renta Fija, S.A.U. and BME Post Trade Services, S.A.U. Additionally, effective 1 January 2020, Bolsas y Mercados Españoles Servicios Corporativos, SA now pays tax under the Special System.

b) Years open to inspection

All the Group companies have all operations carried out in the last four years (or since incorporation for those companies set up during this period) open to tax inspections in respect of the applicable taxes.

Due to the different possible interpretations of tax regulations, any tax audits of the years open to inspection that could be carried out in the future by the tax authorities could result in additional tax liabilities, the amount of which cannot be objectively quantified at present. However, Bolsas y Mercados Españoles' tax advisors and directors consider the possibility of significant additional liabilities arising in this respect to be negligible.

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c) Tax receivable and payable

Receivables from and payable to public bodies at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Deferred tax assets:		
Deferred taxes arising on -		
Differences between accounting and tax criteria	14,233	14,238
	14,233	14,238
Current tax assets (Note 8):		
Tax assets arising on -		
Income tax withholdings and payments on account	33,010	37,098
Other tax assets	1,827	1,753
	34,837	38,851
Other receivables (Note 8):		
Value-added tax	2,907	2,709
Other tax assets	20	19
	2,927	2,728

	Thousands of euros	
	2019	2018
Deferred tax liabilities:		
Deferred taxes arising on -		
Differences between accounting and tax criteria	5,909	5,191
	5,909	5,191
Current tax liabilities (Note 14):		
Tax liabilities arising on -		
Income tax provision	37,717	43,890
	37,717	43,890
Other payables (Note 14):		
Tax liabilities arising on -		
Withholdings and contributions payable to Social Security	14,330	11,601
Value-added tax	2,569	2,136
	16,899	13,737

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At 31 December 2019 and 2018, "Deferred tax assets" (non-current assets) included, mainly, the deferred tax asset resulting from the tax effect of the application of IFRS 15, the temporary differences resulting from the recognition of non-current provisions (Notes 12 and 13) and the contributions to insurance arranged in the way of a supplementary pension, in addition to defined-benefit post-employment obligations held by the Group (see Note 2-k), as well as the provisions performed due to the share-based remuneration plans (Note 19-c).

At 31 December 2019 and 2018, "Deferred tax liabilities" mainly comprised the tax effect of the amortisation of goodwill in Iberclear (Note 5) for the amount of €3,747 thousand. At 31 December 2019, this balance also included €1,539 thousand relating to the tax effect of the valuation adjustment made to the Group's shareholding in Bolsa Mexicana de Valores, S.A., de C.V. (€820 thousand at 31 December 2018) (Note 7).

At 31 December 2019 and 2018, "Withholdings and contributions payable to Social Security" included withholdings on dividends of €9,446 thousand and €8,030 thousand respectively.

d) Reconciliation of accounting profit to taxable income, and accounting profit to income tax expense

The reconciliation of accounting profit to taxable income and the income tax expense in 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Consolidated profit before tax	161,923	179,826
Impact of permanent differences and consolidation adjustments	(1,012)	1,537
Impact of temporary differences:		
Increase	3,201	8,398
Decrease	(8,053)	(8,843)
Consolidated taxable income	156,059	180,918
Offsetting of tax loss carryforwards	(936)	(496)
Average tax rate	24.65%	24.71%
Share	38,473	44,707
Impact of temporary differences and consolidation adjustments	1,509	469
Tax credits	(186)	(192)
Total income tax expense	39,796	44,984

Income tax payable for 2019 amounted to €39,796 thousand (€44,984 thousand in 2018), and is recognised under "Income tax expense" in the consolidated income statement, in the amount of €39,542 thousand (€44,526 thousand in 2018), with a charge to equity in the amount of €254 thousand (a charge of €458 thousand in 2018). The heading "Income tax expense" in the consolidated income statement for 2019 includes revenue of €92 thousand mostly originating from deductions for research and development activities in 2017 (€802 euros in 2018).

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As a result of the amendment introduced by Royal Decree Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent measures in the social domain, the Group reversed tax deductible impairments, leading to an increase in income tax in the amount of €253 thousand (€382 thousand in 2018) – see Note 2.p-.

At 31 December 2019, the provision in connection with this tax, net of withholdings, amounted to €37,717 thousand (€43,890 thousand at 31 December 2018), recognised under “Current tax liabilities” (current liabilities).

All the consolidated companies residing in Spain pay income tax at a rate of 25% of taxable income, except for Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., Sociedad Unipersonal, which pays tax at 19%. At 31 December 2019 and 2018, the taxable income of this company was €6,534 thousand and €8,361 thousand respectively.

e) Tax loss carryforwards

At 31 December 2019 the Group had recognised the following tax loss carryforwards which it expects to be able to utilise against taxable income in future years:

Year of origin	Thousands of euros
2002	1,146
2009	787
2010	2,676
2011	2,355
2012	2,524
2013	2,854
	12,342

At 31 December 2019 the Group's Directors decided not to recognise tax loss carryforwards in the consolidated statement of financial position.

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17. Revenue, other operating income and variable direct costs of operations

a) Revenue

The breakdown by business unit of "Revenue - Services rendered" on the consolidated statement of profit and loss is as below:

The breakdown of "Revenue" by business unit is as follows:

	Thousands of euros	
	2019	2018
Business unit (Note 18):		
Equities	111,511	129,117
Fixed Income	7,568	7,878
Derivatives	10,863	10,793
Clearing	25,865	26,249
Settlement and Registration	66,903	64,500
Market Data & VAS	66,792	67,253
Corporate Unit	1,666	1,569
	291,168	307,359

The revenue included under the Equities business unit includes revenue generated by trading equities on the stock market and post-trading activities, such as breaking down, tallying and documenting trades, before they are sent to the settlement system, as well as the Listing revenue and other services stemming from equity securities.

The Fixed Income unit reflects revenue generated on fixed income security trades performed by the BME fixed income market and the four Spanish stock exchanges, as well as revenue originating in fixed income securities.

The revenue generated by the Derivatives unit includes revenue obtained on the activities engaged in by MEFF Sociedad Rectora del Mercado de Productos Derivados in the trading of financial derivatives and electricity derivatives.

The revenue generated by the Clearing unit basically consists of revenue obtained by BME Clearing in conducting its clearing, central counterparty and settlement activities for derivatives, government debt repos, OTC interest rate derivatives and electricity and gas derivatives, clearing activities for derivatives on equity spot trades from the Spanish Electronic Trading Platform.

The Settlement and Registration business unit includes the revenue resulting from the registration and settlement of the trades performed on the stock markets, on the AIAF Fixed-income market and the Government Debt market, in accordance with the activities carried out by Iberclear.

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The Market Data & VAS Business unit includes income arising from primary data services and those relating to value-added services such as the sale of market solutions, financial information services and access to markets, consultancy and other lines of business that boost the Group's diversification into activities that complement its core business.

The amounts included in this Note differ from those disclosed in Note 18 with regard to inter-segment sales, whereby they are included in the revenue attributed to each business unit but later eliminated upon consolidation for the purposes of consolidated revenue disclosed here.

b) Other operating income

"Other operating income" included €995 thousand of expenses passed on (€740 thousand in 2018).

c) Variable direct cost of operations

"Variable direct costs of operations" includes €11,447 thousand relating to incremental expenses directly attributable to the provision of a service, such as expenses depending on trading or settlement volumes, to revenue distribution agreements and sources of information acquired (€8,772 thousand in 2018).

In 2019 and 2018, the costs for settlement services and information billed by T2S to Iberclear were included under this heading.

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18. Operating segments

Basis of segmentation

Segment disclosures are presented according to the business units into which the Bolsas y Mercados Españoles Group is structured for management purposes.

Because virtually all the Group's operations are performed in Spain, it was not deemed necessary to present information regarding geographic distribution.

Main business segments

The business lines outlined below were established on the basis of the Bolsas y Mercados Españoles Group's organisational structure, primarily taking into account the nature of the services provided.

In 2019 and 2018, the Bolsas y Mercados Españoles Group focused its activities on the following large business units:

Operating segments (Business units)	Description of the core activity of each business unit
Equities	Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) as well as listing and maintenance services for issuers on the equity market.
Fixed Income	Trading of private fixed-income and public debt securities as well as listing and maintenance services for issuers on the private fixed-income market.
Derivatives	Trading of financial derivatives and electricity derivatives.
Clearing	Clearing, central counterparty and settlement activities of equity securities, financial derivatives, government debt repos, OTC interest rate derivatives and electricity and gas derivatives.
Settlement and Registration	Registration and settlement of equity, private fixed-income and Government Debt trades.
Market Data & VAS	Primary data services and value added services.

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Income and expenses that cannot be specifically attributed to any operating line or that are a result of decisions affecting the Group as a whole – including expenses incurred in projects or activities affecting several lines of business – are attributed to a “Corporate Unit”.

Ordinary revenue from the provision of services is presented separately for revenue from services rendered to third parties and services provided in-house. The latter component comprises primarily IT consultancy services and the sale of information across Group entities.

Basis and methodology for segment reporting

The segment information provided below is based on monthly reports prepared by the Group's Finance Department and generated automatically via by the Group's comprehensive management information system, which is configured for all the parameters necessary to reflect the resources consumed by each business unit. In this way, revenues from the provision of services are allocated based on the nature of the activity carried out, independent of the Group company providing the service. Likewise, costs are allocated on the basis of an internal allocation system and are reviewed on a regular basis to ensure the information is accurate and that the data generated is comparable over time.

The Group's management relies on the “Operating profit (loss)” figure, and the breakdown of revenue and expense used to arrive at this figure, as key performance indicators. Due to the nature of the Group's business and its internal organisational structure, the following balances are allocated to the Corporate Unit: “Property, plant and equipment” and “Other intangible assets”, and the related income statement headings (basically “Own work capitalised” and “Depreciation and amortisation”), “impairment losses”, “net finance income” and “other assets”.

All the Group's non-current assets are in Spain, with the exception of the shareholdings in Bolsa Mexicana de Valores, S.A., de C.V., OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. and Cámara de Riesgo Central de Contraparte de Colombia S.A. (Note 7), which account for 7.52% of non-current assets at 31 December 2019 (6.72% at 31 December 2018), with the exception of the non-current assets provided by subsidiaries BME Soporte Local Colombia, S.A.S. and LATAM Exchanges Data, Inc. which are not significant for the Group. Lastly, the Group had no material reconciling balances at 31 December 2019 or 31 December 2018.

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Segment information corresponding to the 2019 and 2018 financial years is presented below.

	Thousands of euros																	
	Equities		Fixed Income		Derivatives		Clearing		Settlement and Registration		Market Data & VAS		Corporate Unit		Consolidation adjustments		Total Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue:																		
Revenue -	112,006	129,690	7,568	7,878	11,805	11,841	28,494	29,317	67,280	64,874	71,046	71,365	18,763	17,219	(25,794)	(24,825)	291,168	307,359
Services rendered	111,511	129,117	7,568	7,878	10,863	10,793	25,865	26,249	66,903	64,500	66,792	67,253	1,666	1,569	-	-	291,168	307,359
Services rendered among operating segments	495	573	-	-	942	1,048	2,629	3,068	377	374	4,254	4,112	17,097	15,650	(25,794)	(24,825)	-	-
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	4,466	4,864	(2,504)	(2,510)	1,962	2,354
Own work capitalised	-	-	-	-	-	-	-	-	-	-	-	-	3,709	3,215	-	-	3,709	3,215
Variable direct cost of transactions	(7)	(17)	-	-	(584)	(652)	(2,806)	(3,073)	(8,346)	(5,900)	(4,746)	(4,660)	-	-	5,042	5,530	(11,447)	(8,772)
Revenue	111,999	129,673	7,568	7,878	11,221	11,189	25,688	26,244	58,934	58,974	66,300	66,705	26,938	25,298	(23,256)	(21,805)	285,392	304,156
<i>Of which:</i>																		
Trading	88,376	104,831	4,336	4,287	11,221	11,189	-	-	-	-	-	-	-	-	-	-	103,933	120,307
Listing and other services	23,623	24,842	3,232	3,591	-	-	-	-	-	-	-	-	-	-	-	-	26,855	28,433
Clearing	-	-	-	-	-	-	25,688	26,244	-	-	-	-	-	-	-	-	25,688	26,244
Settlement	-	-	-	-	-	-	-	-	10,046	9,809	-	-	-	-	-	-	10,046	9,809
Registration	-	-	-	-	-	-	-	-	35,961	36,650	-	-	-	-	-	-	35,961	36,650
Other settlement and registration services	-	-	-	-	-	-	-	-	12,927	12,515	-	-	-	-	-	-	12,927	12,515
Primary information services	-	-	-	-	-	-	-	-	-	-	38,797	39,029	-	-	-	-	38,797	39,029
Value Added Services	-	-	-	-	-	-	-	-	-	-	27,503	27,676	-	-	-	-	27,503	27,676
Other corporate services	-	-	-	-	-	-	-	-	-	-	-	-	26,938	25,298	-	-	26,938	25,298
Consolidation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,256)	(21,805)	(23,256)	(21,805)
<i>Of which: (*)</i>																		
At a specific time or over time during the accounting period	108,326	125,760	5,874	5,843	11,221	11,189	25,688	26,244	58,934	58,974	64,696	65,250	26,662	25,042	(23,256)	(21,805)	278,145	296,497
Over time, during several accounting periods	3,673	3,913	1,694	2,035	-	-	-	-	-	-	1,604	1,455	276	256	-	-	7,247	7,659

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	Thousands of euros																		
	Equity		Fixed Income		Derivatives		Clearing		Settlement and Registration		Market Data & VAS		Corporate Unit		Consolidation adjustments		Total Group		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Expenses:																			
Staff costs	(22,202)	(23,589)	(2,755)	(3,284)	(4,450)	(4,350)	(6,413)	(6,186)	(9,036)	(9,317)	(14,249)	(13,337)	(14,032)	(15,896)	2	7	(73,135)	(75,952)	
Other operating costs	(16,048)	(17,188)	(1,232)	(1,368)	(3,629)	(3,170)	(4,607)	(4,129)	(6,178)	(7,239)	(15,071)	(12,386)	(18,805)	(18,456)	23,254	21,798	(42,316)	(42,138)	
Amortisation and depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,473)	(7,902)	-	-	(9,473)	(7,902)
Impairment and gains/ (losses) on disposal of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	24	(933)	-	-	24	(933)
Operating profit/(loss)	73,749	88,896	3,581	3,226	3,142	3,669	14,668	15,929	43,720	42,418	36,980	40,982	(15,348)	(17,889)	-	-	160,492	177,231	
Net financial income	-	-	-	-	-	-	-	-	-	-	-	-	-	(503)	206	-	-	(503)	206
Share of profit (loss) accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	1,934	2,389	-	-	1,934	2,389
Profit (loss) before tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,923	179,826

Inter-segment sales are carried out at prevailing market prices.

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19. Staff costs

a) Composition

The breakdown of "Staff costs" is provided below:

	Thousands of euros	
	2019	2018
Wages, salaries and similar expenses:		
Wages and salaries (*)	52,817	52,971
Share-based payment arrangements (Note 19-c)	1,454	1,865
Termination benefits (**)	3,450	7,319
	57,721	62,155
Social welfare expenses:		
Social Security	10,847	10,088
Contributions to defined contribution plans (Note 2-k)	348	197
	11,195	10,285
Provisions and other staff costs (*)	4,219	3,512
	73,135	75,952

(*) The balance of these accounts includes provisions for employee benefits in 2019 of €1,479 thousand (€710 thousand in 2018) (see Note 13).

(**) The balance includes provisions for incentive-based redundancies in 2018, for the amount of €5,404 thousand (no amount for this concept in 2019) (Note 13).

At 31 December 2019 and 2018, wages and salaries payable to employees amounted to €6,537 thousand and €7,850 thousand respectively, recognised under "Trade and other payables – Other payables" in the consolidated statement of financial position (Note 14).

b) Number of employees

The average number of Group employees at 31 December 2019 and 2018 by professional category and gender, was as follows:

	Number of Employees			
	2019 (*)		2018 (*)(**)	
	Men	Women	Men	Women
Senior management	7	2	7	1
Middle management	35	19	41	18
Specialist technicians	299	196	308	189
Auxiliary / Support Staff	156	82	167	94
	497	299	523	302

(*) For these purposes, the employees corresponding to subsidiaries BME Soporte Local Colombia, S.A.S. and LATAM Exchanges Data, Inc. and to companies consolidated under the equity method, Regis-TR, S.A., Regis-TR UK, Ltd. and LATAM Exchanges Data México, S.A. de C.V. are not taken into account.

(**) Restated information, which includes the employees of subsidiary Open Finance, S.L.

In compliance with Additional Provision Twenty-six of Organic Law 3/2007, dated 22 March, regarding effective gender equality, the breakdown of the Board of Directors of Bolsas y Mercados Españoles by gender at 31 December 2019 is: men, 72.73% and women, 27.27%.

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The average number of Group employees at year-end, by category, was as follows:

	Average number of Employees	
	2019 (*)	2018 (*)(**)
Senior management	9	8
Middle management	55	58
Specialist technicians	484	495
Auxiliary / Support Staff	257	242
	805	803

(*) For these purposes, the employees corresponding to subsidiaries BME Soporte Local Colombia, S.A.S. and LATAM Exchanges Data, Inc. and to companies consolidated under the equity method, Regis-TR, S.A., Regis-TR UK, Ltd. and LATAM Exchanges Data México, S.A. de C.V. are not taken into account.

(**) Restated information, which includes the employees of subsidiary Open Finance, S.L

The average number of Group employees in 2019 and 2018 with a disability of 33% or more, by category, was as follows:

	Average number of Employees	
	2019 (*)	2018 (*)
Middle management	-	-
Specialist technicians	5	4
Auxiliary / Support Staff	1	1
	6	5

(*) For these purposes, the employees corresponding to subsidiaries BME Soporte Local Colombia, S.A.S. and LATAM Exchanges Data, Inc. and to companies consolidated under the equity method, Regis-TR, S.A., Regis-TR UK, Ltd. and LATAM Exchanges Data México, S.A. de C.V. are not taken into account.

To this end, in 2019 and 2018, the Group made donations to job placement and job creation activities for disabled persons, in accordance with Royal Decree 364/2005, of 8 April, regulating special alternative measures to comply with the requirement that 2% of companies' employees have a disability as set out in the Consolidated Text of the General Law on the rights of disabled persons and their social inclusion approved by Royal Legislative Decree 1/2013, of November 29, which states that the number of workers with a disability equal to or greater than 33% must not be lower than 2% of the total workforce.

c) Share-based remuneration schemes

Share-based Variable Remuneration Plans

2014-2019 Plan (Multi-year Share-based Variable Remuneration Plan)

On 30 April 2014, pursuant to Article 219 of the Corporate Enterprises Act and other applicable legislation, the Ordinary General Shareholders' Meeting approved a medium-term variable remuneration plan ("2014-2019 Plan") to be applied by the Company and its subsidiaries and intended for members of the management team, including Executive Directors.

The 2014-2019 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2014-2019 Plan entails assigning a number of shares to beneficiaries in financial years 2014, 2015 and 2016, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2014-2019 Plan.

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The number of BME shares to be granted to each 2014-2019 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated, by a coefficient of 0 to 1.5, which will be established based on the performance of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods (i) 1 January 2014 to 31 December 2016, (ii) 1 January 2015 to 31 December 2017, and (iii) 1 January 2016 to 31 December 2018, compared with the performance of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1º	1.5
2º	1
3º	0.8
4º	0.6
5º	0
6º	0

The number of units, convertible into shares, attributable to the designated beneficiaries of the 2014-2019 Plan for the first, second and third three-year periods, was allocated in 2014, 2015 and 2016. The maximum number of BME shares included in the 2014-2019 Multi-year Share-based Variable Remuneration Plan is 555,048 shares. The total number of units assigned was 118,768, 112,422 and 124,142, respectively, which corresponds to a maximum number of theoretical shares of 178,152, 168,633 and 186,213, respectively.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2014-2019 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market-based performance features, transfer terms under the 2014-2019 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period	Second three-year period	Third three-year period
Price of the underlying asset (euros)	29.83	36.45	29.06
Risk-free interest rate	0.329%	-0.079%	-0.303%
Volatility of underlying shares	26.46%	24.88%	25.77%
Expected duration of the Plan	3 years	3 years	3 years

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As a result, the estimated fair value of the equity instruments granted for the first, second and third three-year periods of the 2014-2019 Plan (i.e., from 1 January 2014 to 31 December 2016, from 1 January 2015 to 31 December 2017 and from 1 January 2016 to 31 December 2018), which amounted to €3,158 thousand, €4,131 thousand and €3,112 thousand, respectively, according to the latest estimates, are recognised under “Staff costs - Wages, salaries and similar expenses” in the consolidated income statement for beneficiaries of the 2014-2019 Plan who are Group employees (see section a) of this Note), and under “External services - Other expenses” for 2014-2019 Plan beneficiaries who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to “Other equity instruments” (see Note 11). At 31 December 2018, the amount recognised under “Staff costs - Wages, salaries and similar expenses” and “External services - Other expenses” in the consolidated income statement amounted to €790 thousand and €250 thousand, respectively.

On 31 December 2017 the second three-year period of the 2014-2019 Plan expired. The Appointments and Remuneration Committee, in its 28 May 2018 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the second three-year period of the 2014-2019 Plan. The coefficients were 1.5 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 84,286 shares, equivalent to €2,529 thousand. In June 2018, once the withholdings set forth in the prevailing tax legislation had been applied, 50,550 shares, equivalent to €1,517 thousand, were applied (Note 11).

On 31 December 2018, the third three-year period of the 2014-2019 Plan expired. The Appointments and Remuneration Committee, in its 27 May 2019 meeting, validated the coefficients applicable to the theoretical units convertible into shares assigned to each beneficiary of the third three-year period of the 2014-2019 Plan. The coefficients were 1.5 in the case of the efficiency ratio and 0 in the case of total shareholder return (TSR), resulting in 92,028 shares, equivalent to €2,095 thousand. In June 2019, once the withholdings set forth in the prevailing tax legislation had been applied, 55,120 shares, equivalent to €1,255 thousand, were applied (Note 11).

2017-2020 Plan (Medium-Term Share-Based Variable Remuneration Plan)

On 27 April 2017, pursuant to Article 219 of the Corporate Enterprises Act and other applicable legislation, the Ordinary General Shareholders' Meeting approved a medium-term share-based variable remuneration plan (“2017-2020 Plan”) to be applied by the Company and its subsidiaries and intended for members of the management team, including Executive Directors.

The 2017-2020 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2017-2020 Plan entails allocating a number of shares to beneficiaries in 2017, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the objectives set forth in the 2017-2020 Plan.

The number of BME shares to be granted to each 2017-2020 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units allocated, by a coefficient of 0 to 1.5, which will be established based on the performance of BME's Total Shareholder Return (TSR) and Efficiency Ratio (ER) during the periods 1 January 2017 to 31 December 2019, compared with the performance of those indicators for five benchmark companies over the same periods, in accordance with the following scale, separately weighting 50% for each of the aforementioned indicators:

BME's position in the ranking	Coefficient
1	1.5
2	1
3	0.8
4	0.6
5	0
6	0

The number of units, convertible in shares, attributable to the designated beneficiaries of the 2017-2020 Plan were allocated in 2017. The maximum number of BME shares included in the 2017-2020 Medium-Term Share-Based Variable Remuneration Plan is 190,263 shares. The total number of units allocated was 103,566 which were for a maximum number of theoretical shares of 155,349.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2017-2020 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

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In this connection, with the exception of market-based performance features, transfer terms under the 2017-2020 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December. In particular, at least at the end of every accounting period, the number of BME shares to be delivered to each beneficiary associated with the Efficiency Ratio ("ER") shall be recalculated, since this is not an indicator that is subject to market conditions.

In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	One three-year period
Price of the underlying asset (euros)	28.06
Risk-free interest rate	-0.78%
Volatility of underlying shares	23.11%
Expected duration of the Plan	3 years

As a result, the estimated fair value of the equity instruments granted for the first three-year period of the 2017-2020 Plan (i.e., from 1 January 2017 to 31 December 2019), which amounted to €2,693 thousand, according to the latest estimates, is recognised under "Staff costs - Wages, salaries and similar expenses" in the consolidated income statement for beneficiaries of the 2017-2020 Plan who have accrued said remuneration as Group employees (see section a) of this Note), and under "External services - Other expenses" for the beneficiaries of 2017-2020 Plan who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to "Other equity instruments" (see Note 11). At 31 December 2019, the amount recognised under "Staff costs - Wages, salaries and similar expenses" and "External services - Other expenses" in the consolidated income statement amounted to €685 thousand and €212 thousand, respectively (€685 thousand and €212 thousand in 2018).

The amount recognised in the "External services - Other expenses" account arising from the aforementioned 2017-2020 Plan corresponds in its entirety to the amount accrued by the Executive Directors of the Company (Notes 4 and 20).

2018-2023 Plan (Multi-year Share-based Variable Remuneration Plan)

On 26 April 2018, pursuant to Article 219 of the Corporate Enterprises Act and other applicable legislation, the Ordinary General Shareholders' Meeting approved a medium- and long-term variable remuneration plan ("2018-2023 Plan") to be applied by the Company and its subsidiaries and intended for members of the management team, including Executive Directors.

The 2018-2023 Plan consists of the promise to deliver ordinary shares of BME to Executive Directors, Senior Management and lower management of Group companies who have been designated as beneficiaries of this plan. The 2018-2023 Plan entails allocating a number of shares to beneficiaries in financial years 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries of the Plan in 2021, 2022 and 2023, provided that the established requirements are met.

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The number of BME shares to be granted to each 2018-2023 Plan beneficiary, provided the conditions are met, will be equal to the result of multiplying the number of units assigned, by a coefficient of 0 to 1.5, which will be established based on the evolution of BME's Total Shareholder Return (TSR) during the periods (i) 1 January 2018 to 31 December 2020, (ii) 1 January 2019 to 31 December 2021, and (iii) 1 January 2020 to 31 December 2022, compared with the evolution of those indicators for five benchmark companies over the same periods, in accordance with the following scale:

BME's position in the ranking	Coefficient
1	1.5
2	1.2
3	0.8
4	0.4
5	0
6	0

The number of units, convertible into shares, attributable to the designated beneficiaries of the 2018-2023 Plan for the first and second three-year periods was allocated in 2018 and 2019, with the allocation corresponding to the third three-year period outstanding. The maximum number of BME shares included in the 2018-2023 Multi-year Share-based Variable Remuneration Plan is 486,003 shares. The total number of units assigned to the first and second three-year period was 105,820 and 104,642, respectively, which corresponds to a maximum theoretical number of shares of 158,730 and 156,963, respectively.

In view of the executive functions assigned to him up until the Ordinary General Shareholders' Meeting of 2019, the Chairman of the Board of Directors maintains his status as a beneficiary of the 2018-2023 Plan. As a result of his new status as non-executive Chairman, the theoretical units corresponding to the second term of the Plan have not been assigned to Mr Zoido Martínez in 2019 under the 2018-2023 Plan, nor will the theoretical units corresponding to the third term of the Plan that would have corresponded to him be assigned in 2020.

Since the remuneration consists of an equity-settled share-based payment and the fair value of the services received by the 2018-2023 Plan beneficiaries cannot be estimated reliably, this amount was determined indirectly by reference to the fair value of the equity instruments granted (BME shares).

In this connection, with the exception of market-based performance features, transfer terms under the 2018-2023 Plan are not taken into consideration to estimate the fair value of the equity instruments granted. Non-market performance features are considered by adjusting the number of shares included in the measurement of the costs of employee (beneficiary) service, so that ultimately, the amount recognised on the income statement reflects the number of shares transferred. With respect to the market performance features, the charge for services received is recognised regardless of whether or not the market conditions are met, although non-market performance conditions must be fulfilled. Share price volatility was estimated using the historical volatility of BME's shares in the 750 trading sessions prior to 30 December.

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In view of the nature of this Incentives Plan, it was deemed advisable to base its valuation on a model that generates a large number of scenarios (10,000), using the Monte Carlo Method. The share price scenarios were generated based on daily volatility and correlations observed in the historic share performance series of BME and the benchmark companies for the three years immediately prior to the valuation date, taking into account the following variables:

	First three-year period	Second three-year period
Price of the underlying asset (euros)	26.55	24.32
Risk-free interest rate	-0.54%	-0.57%
Volatility of underlying shares	23.62%	20.12%
Expected duration of the Plan	3 years	3 years

As a result, the estimated fair value of the equity instruments granted for the first and second three-year periods of the 2018-2023 Plan (i.e., from 1 January 2018 to 31 December 2020 and 1 January 2019 to 31 December 2021), which amounted to €1,559 thousand and €1,282 thousand respectively, according to the latest estimate, will be recognised under “Employee benefits expense - Wages, salaries and similar expenses” for beneficiaries of the 2018-2023 Plan who have accrued this remuneration as Group employees (see section a) of this Note), and under “External services - Other expenses” for beneficiaries of the 2018-2023 Plan who are not Group employees, over the specific period during which the beneficiaries render services to the Group, with a credit in both cases to “Other equity instruments” (Note 11). At 31 December 2019, the amount recognised under “Staff costs - Wages, salaries and similar expenses” and “External services – Other expenses” in the consolidated income statement amounted to €769 thousand and €178 thousand, respectively (€390 thousand and €130 thousand in 2018).

The amount recognised in the “External services – Other expenses” account arising from the aforementioned 2018-2023 Plan corresponds in its entirety to the amount accrued by the Executive Directors of the Company (Notes 4 and 20).

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20. Other operating costs

The breakdown, by item, of this consolidated income statement heading was as follows:

	Thousands of euros	
	2019	2018
External services:		
Leases (Note 1-b)	437	2,799
Information technology equipment and computer software	9,906	8,609
Communications network	2,957	3,039
Travel, marketing and promotion	4,416	4,685
Independent professional services	8,256	6,837
Information services	1,130	800
Power and utilities	1,220	1,282
Security, cleaning and maintenance	4,287	4,533
Publications	90	126
Other	7,466	8,392
	40,165	41,102
Taxes	954	660
Losses, impairment and changes in trade provisions (Note 8)	1,197	376
	42,316	42,138

"Taxes" includes adjustments to income tax, adjustments to indirect tax via value added tax on working capital and investments, and taxes other than income tax paid by the various Group companies, essentially on the following items: business activity tax, property tax, and taxes paid to local councils.

The balance of the "Information technology equipment and computer software" account in 2019 and 2018 includes costs relating to IT maintenance and IT services incurred by the Group.

"Other" includes expenses incurred for security, cleaning, messenger services and other sundry expenses as well as the amount paid to members of the Board of Directors of Bolsas y Mercados Españoles for serving on the Board of Directors of Bolsas y Mercados Españoles and other Group companies (Note 4). It also includes the amount accruable to consolidated income and expenses for the estimated fair value of the equity instruments granted to Mr Antonio Zoido Martínez, Mr Joan Hortalá i Arau and Mr Javier Hernani Burzako under the Pluri-annual Shared-Based Variable Remuneration Plans described in Note 19-c above.

At year end 2019 and 2018, prepaid expenses in respect of sundry items were recognised under "Other current assets" on the asset side of the consolidated statement of financial position (Note 10).

Fees paid to PricewaterhouseCoopers Auditores, S.L. for the audit of the individual and consolidated annual accounts the audit of the consolidated financial statements at 30 June 2019 and the individual financial statements of certain Group companies in 2019 amounted to €544 thousand (€526 thousand in 2018). In addition, fees paid to the auditor for other services in 2019 amounted to €45 thousand (€44 thousand in 2018) relating to assurance and other inspections required by the auditor for €7 thousand (€6 thousand in 2018) and the verification report with a limited scope of security of the Non-Financial Information Statement for the amount of €38 thousand (€38 thousand in 2018).

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Information on deferred payments to suppliers in commercial transactions

Information on the average payment period to suppliers required by additional provision three of Law 15/2010 is given below, taking into consideration the amendments introduced by Law 31/2014 of 3 December, which amends Spain's Corporate Enterprises Act for the improvement of corporate governance:

	2019	2018
	Days	Days
Average supplier payment period	38.86	37.02
Ratio of transactions paid	39.42	37.60
Ratio of transactions pending payment	23.16	24.25
	Thousands of euros	Thousands of euros
Total payments made	62,185	55,174
Total payments pending	2,250	2,515

Information on leases

Future minimum rentals payable by the Group under leases, including leases under the scope of IFRS 16 (Notes 1-b and 2-r) is as follows:

	Thousands of euros (*)
Within one year	2,517
Between 1 and 5 years	9,421
More than 5 years	19,988

(*) Amounts not updated for CPI.

These leases are mainly the operating headquarters of some Group companies, as well as other buildings used to provide technical support to various Group companies. The main lease contracts expire in 2027 and 2034.

In addition, it should be noted that these contracts do not contain contingent fees, restrictions or purchase options, but do contain annual review clauses for the contract validity periods, using the Consumer Price Index ("CPI") as the reference.

The difference between these minimum future payments and lease liabilities (Note 1-b) corresponds mainly to the taxes included in the calculation of minimum future payments.

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21. Net financial income

The breakdown of net finance income in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Financial income:		
From equity investments (Note 7)	643	509
From marketable securities and other financial instruments		
Commercial paper (Notes 7 and 9)	-	2
Reverse repurchase agreements (own) (Note 9)	(17)	(30)
Guarantees and deposits received from market (Note 7)	12,227	10,762
Term deposits at credit institutions (Notes 7 and 9)	-	-
Other finance income	31	84
	12,241	10,818
	12,884	11,327
Finance cost-		
Third-party borrowings*	(946)	(146)
Provisions adjustments (Note 13)	(185)	(180)
Guarantees received from participants (Note 7)	(12,227)	(10,762)
	(13,358)	(11,088)
Change in fair value of financial instruments	-	-
Exchange gains/(losses)	(29)	(33)
Impairment and gains (losses) on disposal of financial instruments (Notes 2.e.vi and 7)	-	-
Net financial income	(503)	206

(*) The variation corresponds mainly to the financial cost deriving from the application of IFRS 16 (Note 1-b and 2-r).

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22. Related party transactions

The entire balance of related party transactions relates to the balances outstanding and transactions entered into with members of the Board of Directors, Senior Management of the Group, according to the information disclosed in Note 4 and those entered into with the investees Regis-TR, S.A., Regis-TR UK, Ltd and LATAM Exchanges Data México, S.A. de C.V. (see Note 2.a and Appendix I).

In relation to the transactions executed with Regis-TR, S.A., below follows a breakdown of the income and expenses, as well as the balances of the transactions performed in 2019 and 2018:

	Thousands of euros	
	2019	2018
Income and expenses		
Services received	367	367
Services rendered	2,494	1,755
Impairment and gains/(losses) on disposal of non-current assets	31	62
	2,892	2,184
Other transactions		
Sale of intangible assets	1,985	1,293
Trade and other receivables	1,273	443
Trade and other payables	1	2
	3,259	1,738

In relation to Regis-TR UK, Ltd and LATAM Exchanges Data México, S.A. de C.V., during 2019 there were no operations other than the contributions made to social capital as part of its constitution (Note 2.a).

In relation to the balances outstanding and transactions carried out in 2019 with its significant shareholder, Corporación Financiera Alba, S.A., dividends for the net amount of €12,825 thousand (€14,540 thousand in 2018) were paid, once the withholdings set forth in prevailing tax legislation, amounting to €3,008 thousand (€3,411 thousand in 2018) had been applied.

Due to the nature of the core businesses of the Group companies and the vast majority of their shareholders (primarily financial institutions and investment service companies) virtually all related party transactions involve the trading, settlement or issuance of securities, generating revenue for the Group. They are conducted on an arm's length basis.

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23. Other information

Other disclosures at 31 December 2019 and 2018 are provided below:

	Thousands of euros	
	2019	2018
Collateral and guarantees managed:		
Guarantees received -		
Received as transfer of securities	472,474	565,429
Received as pledge	1,021,228	673,675
	1,493,702	1,239,104
Collateral and guarantees received	989,453	977,744
Credit facilities:		
Amount available	24,937	17,937
Amount drawn	-	-
	24,937	17,937
	2,508,092	2,234,785

The main items included in these accounts are as follows:

1. Guarantees received (in addition to guarantee deposits made in cash (Note 7)).

At 31 December 2019, this item includes the guarantees (in addition to cash guarantees - Note 7) received by BME Clearing and put up by members as collateral for their open positions in their respective segments, totalling €1,493,702 thousand (€1,239,104 thousand at 31 December 2018).

2. Credit facilities balance: includes the undrawn amount of the credit lines of MEFF Tecnología y Servicios set up for members of the electricity settlement clearance market according to prevailing legislation of €24,937 thousand and €17,937 thousand in 2019 and 2018, respectively.

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24. Risk management

The main risks to which the Group is exposed from management of various financial markets are discussed below:

a) Operational risks

The risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks are classified in terms of their applicability to the BME Group overall, or exclusive identification for one of the business units or corporate areas.

Operational risks affecting all BME business units and corporate areas include:

- Fraud risk: This is the risk of action taken, either internally or externally, to avoid a regulation, which may cause damage to a third party or to the Group itself.
- Technology risk and information security risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, these are considered the main risks for the BME Group.

- Risk of administrative errors: These arise from erroneous calculations, improper execution, faulty manual operations, or because databases have not been updated. They also include any events arising from errors during billing or monitoring of collections.

The main business risks arising from the specific activities carried on by BME Group companies are detailed below:

■ Risks of inadequate functioning of markets:

Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.

■ Risks in relation to the Securities Settlement System (Iberclear):

- Risk of errors in settlement processes: These risks may relate to delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited.
- Risk of errors in reconciliation processes: This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.

■ Risks in relation to the dissemination of information:

These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems.

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b) Market risk

These are the current or potential risks posed by adverse movements in interest rates or changes in prices or share prices.

Given that the portfolio of financial assets is mainly made up of reverse repurchase agreements (with public debt as the underlying asset), exposure to interest risk is minimal given that the maturities are very short-term and this exposure makes it possible for returns to adapt quickly to changes in interest rates. Meanwhile, the lack of borrowings or financial liabilities implying a finance charge means the Group is not exposed to risks in interest rates that could erode its margins or require a specific hedging policy.

The Group does not hold financial instruments in foreign currency other than the non-current financial investments described in Note 7.

The main risks and uncertainties faced by the Group in terms of delivering its strategic targets relate to trends in market trading volumes which, in turn, are its key revenue driver.

Experience shows that financial markets are subject to cycles of varying duration and intensity, which have a significant influence on ongoing business. Additionally, as the Company operates in a highly regulated sector, any changes in the regulatory framework could affect the Company's ability to improve on its results.

The margin calculation model developed by BME Clearing offers a coverage level that is appropriate for stress conditions, in alignment with the high confidence level required under EMIR regulations, which in turn further strengthens the Stress methodology applied under other specific requirements of EMIR. For extreme conditions that go beyond the assumptions of these confidence levels, BME Clearing supplements its monitoring of coverage with an analysis of sensitivity scenarios.

BME Clearing has procedures in place to recognise changes in market conditions, including an increase in volatility or a reduction in the liquidity of the financial instruments cleared, with a view to quickly adapting the calculation of its margin requirements so as to adequately reflect the new market conditions.

BME Clearing also performs daily back tests for each account with an open position in order to evaluate the coverage of its margins by carrying out a comparison, a posteriori, of the results observed (maximum losses recorded within a determined close-out period) with the forecast results in terms of required initial margins.

Additionally, to assess assets received temporarily as guarantees deposited by members, BME Clearing applies a prudential haircut.

BME Clearing applies haircuts for the following market risks:

- Interest rate risk
- Currency risk
- Credit spread risk (risk premium)
- Price fluctuation risk
- Concentration risk

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c) Liquidity and solvency risk

This is the risk that a Group company is unable to meet its payments commitments.

Financially, the Group is able to generate sufficient liquid funds to maintain its short-term liquidity and its medium- and long-term solvency, as shown in the respective consolidated statements of cash flows in the consolidated annual accounts. The Group's liquidity position and cash flow generation ability enable it to fund its operating and investing activities with the cash flow generated from the activities without incurring financial debt.

The BME Group's liquidity generation ability is underpinned mainly by the effective collection of a large part of its revenue in very short terms and ongoing cost-containment efforts, guaranteeing its future operations.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for the investment of cash in financial assets with a view to minimising exposure to credit and interest-rate risks. In order to ensure compliance with these objectives and policies, financial management regularly reviews the level of compliance with the investment policies in place. No incidents were detected in 2019 or 2018.

No contractual obligations, contingent liabilities or other firm commitment are known to date that could change the Group's liquidity and capital requirements. There are also no off-balance sheet transactions that could affect the Group's future liquidity.

- Liquidity or funding risk is the risk that the Group will encounter difficulties in meeting its payment obligations or, in order to do so, it is forced to raise funds under onerous conditions.

- Liquidity/market risk is the risk the Group will have one-off losses caused by the selling of assets where the strike price is significantly lower than the expected market price owing to a devaluation caused by frictions in the supply-demand balance.

Due to the specific nature of its activities, BME Clearing has adequate controls in place for both types of liquidity risk, that are consistent, proven and in line with the best - and even the most conservative - practices in financial risk management.

In relation to liquidity/funding risk, BME Clearing has a comprehensive liquidity plan in place, with a chain of guaranteed resources in the event more liquidity is needed than is available in the initial layers of liquidity. Further, on a daily basis, BME Clearing carries out a simulation of the two members with the largest exposure defaulting at the same time, evaluating whether the aforementioned resources would be sufficient.

As mentioned above, the application of haircuts is one way of controlling a lack of liquidity on the market. These are also applied in stress scenarios; therefore, the collateral can easily be liquidated at its reduced value in either a normal market situation or in an extreme situation of falling prices.

There are two types of "market illiquidity". Exogenous illiquidity results from the specific characteristics of a security, from the bid-ask spread affecting settlement of the securities held by market participants. Endogenous illiquidity is specific to each market participant's individual position – the larger a participant's position, the higher the security's illiquidity for this participant.

Using the application of haircuts as a way of controlling exogenous liquidity, BME Clearing also applies endogenous liquidity risk by controlling concentration risk, adjusting upwards the initial margin according to a barometer of exposures measured against the volume of assets traded.

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d) Credit or counterparty risk

The risk of a Company debtor failing to meet its payment commitments, or an impairment of its credit rating. Two main risks affecting the BME Group are identified:

- Counterparty risk associated with BME Clearing: In its role as the central clearing house, the risk accepted by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk attached to the required margins paid by clearing members with respect to that risk.
- Risk deriving from non-payment of invoices or fees.

In this respect, the Group's main financial assets, not including the assets for which BME Clearing, S.A.U. acts as CCP, are assets purchased under resale agreements, cash balances, commercial paper, Spanish public debt securities, and trade and other receivables, which represent the Group's maximum exposure to credit risk with respect to its financial assets.

The credit risk associated with assets and liquid funds is minimal, since the counterparties are banks assigned adequate ratings by international credit rating agencies.

- CCP concentration risk. To control risk deriving from its positions in financial assets and exposure to counterparties, BME Clearing continually and efficiently monitors CCP concentration risk at different levels:
 - At an aggregate level;
 - At clearing house member level;
 - At the level of each account open at the CCP;
 - In each issuer; and
 - In each country.

In addition to the characteristics of the assets, BME Clearing also takes into account the risks associated with them, including volatility, duration, illiquidity, non-linear price characteristics, "jump-to-default" and "wrong-way-risk", the latter two of which are closely related to credit or counterparty risk.

With regard to counterparty risk related specifically to non-compliance by members, BME Clearing calculates the amount of the default fund every month for each of its segments. This amount is calculated in such a way that it covers the highest risk in a stress test situation, experienced in the last calendar quarter, based on the maximum daily risk recorded by the two Clearing Members with the highest risk, in the same risk scenario, plus an additional 10%.

Counterparty risk not covered by the CCP's specific financial resources (i.e. margins requested from its members, the default fund and own dedicated resources) is also analysed at BME Clearing. Non-covered counterparty risk is defined as the expected loss deriving from default by the counterparty as a result of insufficient accredited collateral (specific financial resources) that could arise due to one-off market events that trigger a severe risk of default by clearing members.

BME Clearing has an internal model in place to estimate the expected loss due to insufficient guarantees in the event of one-off market or credit events.

With regard to the credit risk associated with the collection in cash of the various charges established by the Group by way of consideration for its services, most customers in terms of billing volume are financial institutions subject to supervision by the competent authorities. Further, as most of these services are settled within the standard settlement period for the corresponding transactions in each market and using the settlement instructions issued by the CCP, in the same way as it instructs the settlement of its own operations, any balances receivable from clients for normal operations are short-lived. In any event, credit risk attributable to trade receivables is reflected in the statement of financial position net of the provisions for insolvency estimated by the Group's management based on experience of previous years and their assessment of the prevailing economic situation.

The concentration of credit risk is not significant as the Group's exposure is distributed among a large number of counterparties and customers.

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e) Industry risk

Compliance risks in connection with regulatory changes, the Company's reputation, sector competences, relations with stakeholders and the political, economic, penal, legal and tax environment.

The capacity to manage and diversify revenue sources makes it possible to suitably mitigate these risks.

This category also includes the following non-financial risks: environmental risk (possibility of damage being caused to the environment due to the Company's activity) and the risk of corruption and bribery (possibility of non-compliance with ethical standards and regulations normally leading to administrative infringements and even crimes), although these risks have been assessed as largely insignificant at the BME Group.

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25. Capital management

At 31 December 2019 and 2018, capital managed by the Group comprised primarily capital, reserves and profit for the year attributable to owners of the parent, which are recognised on the consolidated statement of financial positions under "Equity", less interim dividends and treasury shares, which are also recognised under this heading in the consolidated statement of financial positions (Note 11).

Capital is managed by the Group at two levels: regulatory and financial.

Regulatory capital management is based on an analysis of the minimum capital requirement established by the legislation applicable at 31 December 2019. In this regard, it should be mentioned that as well as the general restrictions on equity established by the Spanish Companies Act applicable to limited liability companies, for some Group companies the criteria adopted for managing capital comply with the minimum capital requirements established in specific legislation governing these entities, specifically:

1. Article 17.1 of Royal Decree 726/1989, of 23 June, on Stock Exchange Management Companies and Members, Stock Brokers, and Collective Funds, as set out in Royal Decree 363/2007, dated 16 March, establishing that "the capital of stock exchange management companies must be sufficient to ensure that they can fulfil their corporate purpose. The level of borrowings shall at no time exceed the carrying amount of own resources".
2. Article 17 of Royal Decree 1282/2010 of 16 October, regulating official futures and options markets, which is applicable to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad unipersonal), establishes that "the capital of stock exchange management companies must be sufficient to ensure they can fulfil their corporate purpose. The management company's own resources must not be lower than €18 million or the sum of the guarantees provided by the management company." By virtue of the provisions of this article, the Ministry of Economy and Finance, based on the favourable report by the National Securities Market Commission, the Banco de España and the Autonomous Communities of Catalonia, the Basque Country and the Valencian Community, have determined that the own resources of MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) may not be lower than €7,980,000 as established in Order ECC 1556/2016, of 19 July.

3. European Parliament Regulation 648/2012 on, inter alia, central counterparties, came into effect in August 2012. Among other requirements, this Regulation establishes the prudential requirements applicable to central counterparties (CCPs), in order to guarantee that they are safe and solid and comply at all times with the capital requirements. Given that the risks stemming from clearing activities are largely covered by specific financial resources, these capital requirements must ensure that a CCP is at all times adequately capitalised against credit, counterparty, market, operational, legal and business risks which are not already covered by specific financial resources and that it is able to conduct an orderly restructuring or winding down of its operations if necessary.

In this regard, in December 2012 Commission Delegated Regulation (EU) No 152/2013 of 19 December was approved supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on capital requirements for central counterparties.

As indicated in these regulatory technical standards, CCPs will have sufficient capital to cover the sum of the requirements for the winding down or restructuring of their operations, for their operational and legal risks, for their credit, counterparty and market risks, as well as for their business risk.

BME Clearing, S.A. - Sociedad Unipersonal, as the CCP of the BME Group, has a risk management framework comprising risk management policies, procedures, and systems that enable it to identify, measure, monitor and manage risks to which it is or may be exposed. All risks are first identified by the Risk Committee, which periodically reviews risk management issues related with day-to-day operations, specifically the level of compliance with risk management criteria, models and parameters.

In the case of BME Clearing, S.A. - Sociedad Unipersonal, in the framework of the process of evaluating and confirming the licence to operate as a CCP required by the EMIR and carried out by the National Securities Market Commission and the Association of Regulators established for this purpose, it was concluded that the own resources of BME Clearing, S.A., - Sociedad Unipersonal, were sufficient and complied with the capital requirements included in the regulatory technical standards report regarding the capital requirements of CCPs.

4. Regulation (EU) No 909/2014 of the European Parliament and Council on improving securities settlement in the European Union and on central securities depositories (CSD)

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was published in July 2014. Hence, this Regulation establishes that the capital, together with retained earnings and reserves of a CSD, will be proportional to the risks stemming from the activities of the CSD and will be at all times sufficient to ensure that the CSD is adequately protected against operational, legal, custody, investment and business risks so that the CSD can continue to provide services as a going concern and ensure an orderly winding down or restructuring of the CSD's activities over an appropriate time span of at least six months under a range of stress scenarios.

The Regulation also requires that CSDs maintain a plan for raising additional capital should their equity capital approach or fall below the requirements set forth above, and for the orderly winding down or restructuring of their operations and services where the CSD is unable to raise new capital. This plan has been approved in 2019 by the Board of Directors of the CSD.

On 11 November 2016 Commission Delegated Regulation (EU) No 2017/390 was published supplementing Regulation (EU) No 909/2014 with regard to regulatory technical standards on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services.

On 20 September 2019, Iberclear, as the central securities depository of the BME Group, received authorisation from the CNMV as a CSD; after this date, compliance with the capital requirements set out in the aforementioned technical standard became mandatory.

At 31 December 2019 and 2018, the various Group companies subject to the aforementioned special rules on capital requirements complied with the requirements established therein.

Capital management from a financial perspective aims to optimise value creation in the Group and its business segments, and maximise value creation for shareholders.

In order to adequately manage the Group's capital, it is necessary to analyse future borrowing requirements based on estimates that allow projections of minimum capital requirements for regulatory and financial purposes to be made. These projections can then be used to devise the necessary management measures to reach these capital targets.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for the investment of cash in financial assets with a view to minimising exposure to credit and market risks.

With regard to capital management processes, Bolsas y Mercados Españoles has a treasury department in its financial area, which is responsible for investing in financial assets on behalf of all Group companies.

In order to ensure these objectives and policies are adhered to, financial management regularly reviews the level of compliance with the investment policies in place. No issues in this regard have been detected during 2019 and 2018.

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Appendix I

2019

Thousands of euros									
Data at 31 December 2019									
	Address	Direct ownership interest	Indirect ownership interest	Capital	Share premium and reserves	Interim dividend	Results		Other equity
							Operative	Net	
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	21,348	6,798	(37,015)	46,557	39,330	1,316
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) ⁽¹⁾	Barcelona	100.00%	-	8,564	2,936	(9,899)	8,292	10,450	879
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) ⁽¹⁾	Bilbao	100.00%	-	2,957	3,408	(9,122)	6,487	9,513	428
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) ⁽¹⁾	Valencia	100.00%	-	4,111	1,285	(5,708)	2,172	5,867	536
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	114,380	21,940	(29,648)	41,128	31,186	2,723
Instituto Bolsas y Mercados Españoles, S.L., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	10	(23)	-	72	53	180
Bolsas y Mercados Españoles Market Data, S.A. ⁽¹⁾⁽²⁾	Madrid	49.71%	50.29%	4,165	686	(22,857)	37,348	28,088	334
Bolsas y Mercados Españoles Renta Fija, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	3,005	3,490	(2,193)	3,267	2,535	1,922
BME Clearing, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	18,030	24,446	(9,053)	13,522	10,062	1,731
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) ⁽¹⁾	Barcelona	100.00%	-	60	548	-	1,371	1,054	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	6,650	2,264	(3,960)	2,507	4,037	888
BME Servicios Corporativos, S.A. ⁽¹⁾⁽³⁾	Madrid	-	100.00%	25,000	25,390	-	620	466	74
Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) ⁽¹⁾⁽⁴⁾	Madrid	100.00%	-	331	10,687	-	(778)	(97)	427
BME Post Trade Services, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	60	2,410	-	1,297	1,207	4
LATAM Exchanges Data, Inc ⁽¹⁾	Miami	51.00%	-	2,241	(249)	-	(483)	(485)	(15)
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. ⁽¹⁾	Madrid	-	100.00%	60	281	(1,043)	1,946	1,457	332
Sociedad de Bolsas, S.A. ⁽¹⁾	Madrid	-	100.00%	8,414	1,109	(3,475)	4,540	4,104	1,395

(1) Data taken from the separate financial statements for the year ended 31 December 2019, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal and BME Post Trade Services, S.A. - Sociedad Unipersonal and LATAM Exchanges Data, Inc.

(2) Indirect shareholding via the Spanish stock exchange management companies, Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal and Sociedad de Bolsas, S.A. Data obtained from the financial statements of Bolsas y Mercados Españoles Market Data, S.A. - Sociedad Unipersonal corresponding to the year ended 31 December 2019, which are subject to audit.

(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal; Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal.

(4) Data obtained from the financial statements of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal and its subsidiaries at 31 December 2019, the separate financial statements of which, in addition to those of Open Finance, S.L., are subject to audit (the following subsidiaries are not subject to audit: "BME Regulatory Services, S.A.U." and "BME Soporte Local Colombia, S.A.S.").

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Thousands of euros									
Data at 31 December 2019									
	Address	Direct ownership interest	Indirect ownership interest	Capital	Share premium and reserves	Interim dividend	Results		Other equity
							Operative	Net	
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	21,348	7,471	(44,447)	56,926	47,066	1,230
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A., (Sociedad Unipersonal) ⁽¹⁾	Barcelona	100.00%	-	8,564	2,930	(10,746)	9,803	11,309	841
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A., (Sociedad Unipersonal) ⁽¹⁾	Bilbao	100.00%	-	2,957	3,413	(10,078)	8,067	10,432	382
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A., (Sociedad Unipersonal) ⁽¹⁾	Valencia	100.00%	-	4,111	1,291	(5,089)	1,586	5,155	509
Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	114,380	22,407	(28,481)	41,335	31,538	2,545
Instituto Bolsas y Mercados Españoles, S.L., (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	10	14	-	(19)	(15)	168
Bolsas y Mercados Españoles Market Data, S.A. ⁽¹⁾⁽²⁾	Madrid	49.71%	50.29%	4,165	749	(23,195)	36,652	27,512	295
Bolsas y Mercados Españoles Renta Fija, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	3,005	3,524	(2,239)	3,412	2,687	1,871
BME Clearing, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	18,030	24,501	(9,607)	14,531	11,114	1,606
MEFF Tecnología y Servicios, S.A. (Sociedad Unipersonal) ⁽¹⁾	Barcelona	100.00%	-	60	548	-	1,816	1,397	-
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	6,650	2,302	(4,400)	2,999	4,534	728
BME Servicios Corporativos, S.A. ⁽¹⁾⁽³⁾	Madrid	-	100.00%	25,000	25,365	-	699	537	74
Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) ⁽¹⁾⁽⁴⁾	Madrid	100.00%	-	331	(11,893)	-	(30)	(272)	354
BME Post Trade Services, S.A. (Sociedad Unipersonal) ⁽¹⁾	Madrid	100.00%	-	60	13,529	-	700	649	(11,478)
LATAM Exchanges Data, Inc ⁽¹⁾	Miami	51.00%	-	873	-	-	(249)	(249)	2
Subsidiaries through the Spanish stock exchange management companies:									
Bolsas y Mercados Españoles Sistemas de Negociación, S.A. ⁽¹⁾	Madrid	-	100.00%	60	321	(1,260)	2,375	1,779	304
Sociedad de Bolsas, S.A. ⁽¹⁾	Madrid	-	100.00%	8,414	1,467	(2,684)	4,046	3,797	1,355

(1) Data taken from the separate financial statements for the year ended 31 December 2018, which are audited, with the exception of those of Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal and BME Post Trade Services, S.A. - Sociedad Unipersonal and LATAM Exchanges Data, Inc.

(2) Indirect shareholding via the Spanish stock exchange management companies, Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal, MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal and Sociedad de Bolsas, S.A. Data obtained from the financial statements of Bolsas y Mercados Españoles Market Data, S.A. - Sociedad Unipersonal corresponding to the year ended 31 December 2018, which are subject to audit.

(3) Indirect shareholding via Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal; Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal; MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal; Sociedad de Bolsas, S.A.; and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal.

(4) Data obtained from the financial statements of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal and its subsidiaries at 31 December 2018, the separate financial statements of which, in addition to those of Open Finance, S.L., are subject to audit (the following subsidiaries are not subject to audit: Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., Infobolsa Deutschland, GmbH, BME Regulatory Services, S.A.U. and BME Soporte Local Colombia, S.A.S.).

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2019

Thousands of euros												
Data at 31 December 2019												
Joint venture and associate investment data												
	Address	Ownership interest	Value of holding	Assets	Liabilities	Revenue	Expenses	Capital	Share premium and reserves	Equity		Other equity
										Operations	Results	
Equity method:												
Regis-TR, S.A. ^{(*) (1)}	Luxembourg	50.00%	8,146	21,693 ⁽³⁾	5,401 ⁽³⁾	16,874	(12,889) ⁽⁴⁾	3,600	8,706	5,313	3,986	0
Regis-TR UK, Ltd ^{(*) (2)}	London	50.00%	458	1,098 ⁽⁵⁾	182	15	(147)	1,029	-	(132)	(132)	19
LATAM Exchanges Data México de C.V. ^{(**) (2)}	Mexico City	49.00%	11	23	-	-	-	23	-	-	-	-

(*) Investments in joint ventures (Note 2-a).

(**) Investments in associates (Note 2-a).

(1) Data taken from the financial statements for the year ended 31 December 2019, which are audited.

(2) Data taken from the financial statements for the year ended 31 December 2019, which are not audited.

(3) The assets balance comprises €6,965 thousand of "Non-current assets" and €14,728 thousand of "Current assets", respectively. Liabilities comprise €4,968 thousand of "Current liabilities" and €433 thousand of "Non-current liabilities".

(4) Includes expenses with the Bolsas y Mercados Españoles Group of €1,938 thousand.

(5) The assets balance comprises €50 thousand of "Non-current assets" and €1,048 thousand of "Current assets".

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Thousands of euros												
Data at 31 December 2019												
Joint venture and associate investment data												
	Address	Ownership interest	Value of holding	Assets	Liabilities	Revenue	Expenses	Capital	Share premium and reserves	Equity		
										Results		Other equity
										Operations	Net	
Equity method:												
Regis-TR, S.A. ^{(*) (1)}	Luxembourg	50.00%	6,661	16,921 ⁽²⁾	3,600 ⁽²⁾	16,213	(11,414) ⁽³⁾	3,600	4,922	6,454	4,799	-

(*) Investments in joint ventures (Note 2-a).

(1) Data taken from the financial statements for the year ended 31 December 2018, which are subject to audit.

(2) The assets balance comprises €3,455 thousand of "Non-current assets" and €13,466 thousand of "Current assets". Liabilities comprise €3,491 thousand of "Current liabilities" and €109 thousand of "Non-current liabilities".

(3) Includes expenses with the Bolsas y Mercados Españoles Group of €1,755 thousand.

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Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal

This company was incorporated in Madrid on 7 June 1989, under the simultaneous incorporation procedure with the name of Sociedad Promotora de la Sociedad Rectora de la Bolsa de Valores de Madrid, S.A., and on 27 July 1989 then became Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2019 and 2018 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2019 and 2018, the Company also held long-term shareholdings in Sociedad de Bolsas, S.A. and Bolsas y Mercados Españoles Servicios Corporativos, S.A. with ownership interests of 25%, and 48%. In 2017, the Company sold its ownership interest of 90% in Visual Trader Systems, S.L. to Bolsas y Mercados Españoles, prior to the absorption of Bolsas y Mercados Españoles Inntech, S.A.U.).

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,408 new shares, each with a par value of €50, equivalent to a 10.35% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the Company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A. in 2018, the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 10.09% at 31 December 2019.

Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal

Sociedad Promotora de la Bolsa de Valores de Barcelona, S.A. was incorporated on 8 June 1989, subsequently becoming Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. on 26 July 1989.

In 2009, the Company acquired 15,027 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2019 and 2018 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2019 and 2018, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A. In 2017, the company liquidated its long-term shareholding of 100% in Centro de Cálculo de Bolsa, S.A.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A. in 2018, the percentage of the company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 9.93% at 31 December 2019 and 2018.

According to the resolutions adopted by the Company's Board of Directors at its meetings of 25 June and 2015 and 27 July 2015, throughout 2015 the book-entry register of the shares of SICAVs (open-ended collective investment schemes), equity securities listed for trading exclusively on the Barcelona Stock Exchange, and non-listed securities registered on the SCLBARN system, were progressively transferred to Iberclear. This process was completed in 2016 with the transfer of the remaining equity securities and the government debt securities of the Generalitat de Catalunya, and the Company ceased providing Clearing and Settlement services in 2016.

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Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal

This company was incorporated as a public limited company on 26 July 1989.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2019 and 2018 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2019 and 2018, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A. in 2018, the percentage of the company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 9.93% at 31 December 2019 and 2018.

In 2015, the Sole Shareholder resolved to concentrate in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal all the activities relating to central securities depositaries, including those that until that time had been performed by the Book-entry, Clearing and Settlement service of the Sociedad Rectora de la Bolsa de Valores de Bilbao ("SCL BILBAO"). As a result, in 2015, the book-entry register was progressively transferred to Iberclear, and this process concluded in 2016 with the transfer of the remaining equity securities listed for trading exclusively on the Bilbao stock exchange and the government debt issues made by the Basque government and provincial offices with the Company ceasing to provide book-entry, clearing and settlement services in 2016.

Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal

This company was incorporated as a public limited company on 25 July 1989.

In 2009, the Company acquired 15,025 shares in Bolsas y Mercados Españoles Sistemas de Negociación, S.A., equivalent to a 25% ownership interest, from Bolsas y Mercados Españoles, for €118.6 thousand. As a result of this purchase, at 31 December 2019 and 2018 the company had a 25% long-term shareholding in Bolsas y Mercados Españoles Sistemas de Negociación, S.A. At 31 December 2019 and 2018, the company also held a long-term 25% shareholding in Sociedad de Bolsas, S.A. In 2017, the Company sold its ownership interest of 10% in Visual Trader Systems, S.L. to Bolsas y Mercados Españoles, prior to the absorption of Bolsas y Mercados Españoles Inntech, S.A.U.).

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 8,268 new shares, each with a par value of €50, equivalent to a 10.18% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A. in 2018, the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 9.93% at 31 December 2019.

In 2015, the sole shareholder resolved to concentrate all activities carried out in this area by the central securities depositaries in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Sociedad Unipersonal, including those that had previously been carried out by the Book-entry, Clearing and Settlement service of the Sociedad Rectora de la Bolsa de Valores de Valencia ("SACL"). In accordance with the foregoing, in 2015 all existing positions in the SACL were progressively transferred to Iberclear. This process was completed on 25 January 2016, resulting in the termination of the agreement signed between Banco de España and Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal on 18 February 2008.

The most important information concerning the main companies in which the four stock exchange management companies have shareholdings is given below:

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Sociedad de Bolsas, S.A.

Sociedad de Bolsas, S.A. was incorporated in Madrid on 16 March 1989 under the simultaneous incorporation procedure under the name of Mercado Continuo, S.A. Its initial share capital (€8,414 thousand) was subscribed and paid up by the four Spanish stock exchange management companies.

On 1 February 1990, its share capital was redistributed through the purchase and sale of shares between the four Spanish stock exchange management companies, in accordance with Law 24/1988, of 28 July, on the Securities Market which stated that the Company's share capital must be owned by the four stock exchange management companies in equal parts.

On 26 February 1990, Mercado Continuo, S.A. changed its name to Sociedad de Bolsas, S.A., and partially modified its articles of association to adapt them to the requirements of Article 50 of Law 24/1988, of 28 July, on the Securities Market and Articles 18 to 22 of Royal Decree 726/1989, of 23 June, on Stock Exchange Management Companies and Members, Stock Brokers and Collective Funds.

The Company's activity basically involves operating the programs enabling the trading of securities listed on the electronic stock market of the four official Spanish stock exchanges, and supervising the members of the market in relation to these securities.

In order to provide an additional service to market members, at the end of 1991 the Company also acquired the MEFF-30 and FIEX-35 indices, combining them into a single index, the IBEX 35®, which underpins the trading of futures and options on stock markets. The Company owns the IBEX indices and is responsible for managing, supervising and marketing them, and publishing them on a daily basis.

The company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group. In continuance of the aforementioned Protocol, on 20 June 2017, the Second Information Dissemination Protocol was implemented, by virtue of which Bolsas y Mercados Españoles Market Data, S.A. assumes the promotion and marketing of the use of the IBEX indices, owned by Sociedad de Bolsas, S.A.

In January 2018, the Company subscribed to a capital increase of Bolsas y Mercados Españoles Market Data, S.A., maintaining a shareholding of 2.5% in said company at 31 December 2019 and 2018.

At 31 December 2019 and 2018, it held a long-term 11% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A.

Bolsas y Mercados Españoles Sistemas de Negociación, S.A.

Bolsas y Mercados Españoles Sistema de Negociación, S.A. was incorporated in Madrid, for an indefinite period of time, on 21 February 2006, as Mercado Alternativo Bursátil, S.A., via the simultaneous incorporation procedure, by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. On 6 May 2010 it adopted its current corporate name.

Its corporate purpose is to organise, manage and oversee the multilateral trading facilities, the Alternative Equity Market (MAB for its initials in Spanish) and Latin American Securities Market (Latibex), and to take responsibility for their organisation and internal functioning, for which it shall be endowed with the necessary resources. The company is therefore legally considered the management company of the MAB and Latibex.

The creation of the MAB was authorised by the Spanish Cabinet, based on a proposal made by the CNMV on 30 December 2005. It is a nationwide organised trading system. Its organisation and operations are supervised by the CNMV and its overriding purpose is to provide an organised system for arranging, settling, clearing and registering trades in:

- a. Shares and other instruments of Collective Investment Institutions
- b. Securities and instruments issued by or relating to small-cap entities
- c. Other securities and instruments which, because of their special characteristics, require specific regulations

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MAB currently has four separate securities trading segments:

- a. Open-ended collective investment schemes (SICAVs) and hedge funds (HF).
- b. Venture capital firms.
- c. Growth companies.
- d. Listed real-estate investment trusts (REITs).

Latibex, created pursuant to authorisation by the Council of Ministers on 29 November 1999, is a nationwide organised trading system. Its organisation and operations are supervised by the CNMV and its overriding purpose is to provide a multilateral facility for arranging, settling, clearing and registering trades involving securities issued by entities domiciled in Latin America and previously admitted to trading on a stock exchange in Latin America.

As a prerequisite to becoming the management company of the aforementioned multilateral trading facilities, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal, Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal y Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal acquired 100% of this company's capital, in equal shares, from Bolsas y Mercados Españoles (until then, the company's sole shareholder). As a result, the four stock exchange management companies became the company's shareholders, each holding a 25% stake.

On 16 April 2010, the company was authorised by the CNMV to transform MAB and LATIBEX (formally organised trading systems) into multilateral trading facilities. Subsequently, on 6 May 2010, the company executed the change in its corporate purpose in a public instrument, expanding it to include organising, managing and overseeing the Latibex market, and adopting its current corporate name.

The Real Estate Investment Trusts ("REITs") Trading segment on the MAB was inaugurated on 28 November 2013.

Bolsas y Mercados Españoles Market Data, S.A.

Bolsas y Mercados Españoles Market Data, S.A. was incorporated in Madrid on 23 May 2008 for an indefinite period with a share capital of €61 thousand (consisting of 1,220 shares with a par value of €50 each). Its sole shareholder is Bolsas y Mercados Españoles.

On 22 December 2010, as sole shareholder, the Company decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50, fully subscribed and paid up by the Company). The public deed for the capital increase was executed on 28 December 2010, submitted to the Companies Register on 29 December 2010 and placed on file on 3 January 2011.

During 2011, the Company decided to increase the amount of share capital by €2,000,000 (in the form of 40,000 new shares, each with a par value of €50). This share capital increase was fully subscribed and paid up by the Madrid, Barcelona, Bilbao and Valencia stock exchange companies, Bolsas y Mercados Españoles Renta Fija .S.A. - Sociedad Unipersonal, formerly AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, BME Clearing, S.A. - Sociedad Unipersonal, formerly MEFF Sociedad Rectora de Productos Derivados de Renta Variable, S.A. - Sociedad Unipersonal and Bolsas y Mercados Españoles, and registered in the Madrid Companies Register on 16 August 2011.

In January 2018, the shareholders decided to increase the amount of share capital by €104,150 (in the form of 2,083 new shares, each with a par value of €50). This capital increase was fully subscribed and paid up by Sociedad de Bolsas, S.A. and was executed in an instrument dated 9 February 2018 and entered in the Madrid Companies Register on 8 March 2018.

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At 31 December 2019 and 2018, the company's shareholders and their ownership interests were as follows:

Company	Ownership interest
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	49.71%
Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal	10.09%
Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A. - Sociedad Unipersonal	9.93%
Sociedad Rectora de la Bolsa de Valores de Valencia, S.A. - Sociedad Unipersonal	9.93%
Sociedad Rectora de la Bolsa de Valores de Bilbao, S.A. - Sociedad Unipersonal	9.93%
MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal	7.77%
Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal	0.14%
Sociedad de Bolsas, S.A.	2.50%

The Company took on the information dissemination business on 1 January 2011, in accordance with the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group. In continuance of the aforementioned Protocol, on 20 June 2017, the Second Information Dissemination Protocol was implemented, by virtue of which Bolsas y Mercados Españoles Market Data, S.A. assumes the promotion and marketing of the use of the IBEX indices, owned by Sociedad de Bolsas, S.A.

The company's corporate purpose is:

- To receive, process, prepare, manage, disseminate, market and distribute any type of financial, economic, stock market, monetary and commercial information of any type by electronic or other means.
- To prepare, develop and market programs, computer materials, systems or other elements designed to capture, handle, disseminate and use all kinds of financial, economic, stock market, monetary and commercial information.
- To receive, process, develop, handle, disseminate and distribute information on transactions in financial instruments and communicate this information to all kinds of national or international, public or private institutions and authorities.
- To perform consultancy and advisory activities related to the procedures, development and management of the aforementioned activities.

Such activities may be carried out directly by the company or via interests in the activities of other companies with a similar corporate purpose, to which end it may promote the incorporation of such companies or take equity interests in them.

The Company will carry on the activities comprising its corporate purpose without prejudice to the application of the supervisory and legal regimes, administrative control and any inspections to which the information on these activities may be subject.

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LATAM Exchanges Data, Inc.

"LATAM Exchanges Data, Inc." was incorporated on 15 May 2018 as a company in accordance with the laws of the State of Florida. The main registered office of the company is in the city of Miami, (United States of America). The paid up shares at 31 December 2019 came to \$2,500 thousand (equivalent to €2,241 thousand), distributed among 100 ordinary shares which were fully subscribed by Bolsas y Mercados Españoles Market Data, S.A. (51%) and Bolsa Mexicana de Valores, S.A., de C.V. (49%).

The corporate purpose of this company is the design, commercialisation and sale of the information pertaining to the Latin American markets.

LATAM Exchanges Data México, S.A. de C.V.:

On 6 March 2019, the incorporation was formally arranged of a company under the laws of the United States of Mexico, called "LATAM Exchanges Data México, S.A. de C.V.". The registered address of the company will be Mexico City. The minimum fixed capital without withdrawal right is 2,000 thousand pesos (equivalent to €92 thousand on the date of incorporation), subscribed and represented by 200 series "A" shares, with a nominal value of 10 thousand Mexican pesos each, of which 500 thousand pesos have been paid up both by the shareholders, in the corresponding percentages, on 7 October 2019 (equivalent to 23 thousand euros on the date of contribution). Variable share capital is represented by series "B" shares. The shares were subscribed by Bolsas y Mercados Españoles Market Data, S.A. (49%) and Bolsa Mexicana de Valores, S.A.B. de C.V. (51%).

The Company's corporate purpose shall be the usual and professional provision of services to produce global information products, to be distributed exclusively at an international level by LATAM Exchange Data, Inc.

BME Clearing, S.A. - Sociedad Unipersonal

MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, was incorporated on 7 December 1988 under the name OM Ibérica, S.A., and commenced operations on 8 November 1989.

Its principal activity was the management of the Equity Derivative Financial Products Market and the clearing and settlement house for operations in this market. In 2010, as a result of publication of Royal Decree 1282/2010, of 15 October, regulating official secondary markets for futures, options and other derivative financial instruments, the company amended its Articles of Association, mainly to include the change in its name to MEFF Sociedad Rectora de Productos Derivados, S.A. and the inclusion in its corporate purpose of the performance of activities set forth in Article 59 of the Securities Market Act, as well as those provided by Article 44 ter relating to the central counterparty activities stipulated in said Royal Decree, its corporate purpose now being understood to include all activities permitting this purpose to be fulfilled and which are within the law, in particular those rules governing the markets at any given time.

In this connection, on 21 December 2010, the CNMV published in the Official State Gazette (BOE) the new official secondary futures and options markets (MEFF) Rule Book, which entered into force on 24 January 2011.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 6,473 new shares, each with a par value of €50, equivalent to a 7.97% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A.

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On 28 June 2012, the Boards of Directors of MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal and the company approved the merger and takeover by the company of MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal with the latter being wound up through dissolution without liquidation and the transfer en bloc of its assets and liabilities to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, which has acquired through universal succession the rights and obligations of MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal.

Further, on 28 and 29 June 2012, the Boards of Directors of the company and MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal, agreed the partial spin-off of MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal in favour of the company. This involved transferring the business unit comprising the derivatives market technical and human resources to MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal, in favour of the company, which acquired all the assets and liabilities, rights and obligations of this business unit through universal succession.

The public deed of merger and partial spin-off was executed on 26 November 2012, and filed with the Barcelona and Madrid Companies Registers on 14 and 28 December 2012.

The merger and partial spin-off described above were conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets, providing the technical services on which this market is based, to increase the Group's efficiency and reorganise the activities of the companies involved.

Lastly, as a result of the new fixed income securities central counterparty activities carried out by the Company, its Rule Book was amended on 31 October 2012.

On 27 June 2013, the Board of Directors of BME Clearing, S.A. - Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal, agreed the partial spin-off of BME Clearing, S.A. - Sociedad Unipersonal (the spun off company) to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal (the beneficiary). This involved transferring the business unit comprising the assets and technical and human resources necessary to manage the official secondary market for the derivative products of BME Clearing, S.A. - Sociedad Unipersonal to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. - Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession.

The deed for the partial spin-off was executed on 9 September 2013 and filed with the Madrid Companies Register on 30 September 2013. From that date, BME Clearing's corporate purpose is to intervene on its own account in the clearing and settlement of securities or financial instruments as set forth at that time in Article 44 ter of the Securities Market Act and the implementing provisions thereof applicable at any given time.

The partial spin-off described above was conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets and the technical services on which this market is based with a view to making the supervised Group's structure more efficient and reorganising the activities of the companies involved.

On 13 December, transferred its shareholding in Bolsas y Mercados Españoles Market Data, S.A. and Bolsas y Mercados Españoles Servicios Corporativos, S.A. to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U.

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On 16 September 2014, the CNMV informed BME Clearing S.A. - Sociedad Unipersonal that it had been granted authorisation to perform clearing services as a central counterparty, in accordance with article 14 of Regulation (EU) 648/2012 of the European Parliament and Council, of 4 July 2012, relative to OTC derivatives, central counterparties and trade repositories, and point 1 of article 44 ter. of Law 24/1988, of 28 July, on the Securities Market.

On 29 July 2015, the CNMV informed BME Clearing S.A. - Sociedad Unipersonal that it had been granted authorisation to extend its activities, under Article 15 of EMIR, to provide services as central counterparty for equity (Equity Segment) and derivatives financial instruments (OTC) on interest rates (IRS), likewise authorising the amendment of the Rule Book of BME Clearing S.A. - Sociedad Unipersonal, the General Conditions of the Equity Segments and the General Conditions of the Derivatives (OTC) Segment on interest rates.

Therefore, with the entry into force of the reform of the Spanish securities clearing, settlement and registration system from 27 April 2016, the Company incorporated into its activity the clearing of trades on securities admitted to trading on the Spanish Stock Exchanges and on the MAB and Latibex multilateral trading systems.

On 1 June 2017, BME Clearing S.A.U. obtained authorisation to extend its services as central counterparty to GAS contracts, with physical delivery, which form part of the CCP's Energy Segment.

MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal

MEFF Tecnología y Servicios, S.A, formerly Mercado Español de Futuros Financieros Services, S.A, was incorporated with limited liability on 4 July 1996.

On 11 May 2006, MEFF Tecnología y Servicios signed a contract with Red Eléctrica de España, S.A., through which this latter company authorised MEFF Tecnología y Servicios to operate as a third party authorised to make collections and payments, and issue the invoices, as well as receive and manage collateral, in its role as CCP between electricity suppliers and purchasers, referred to as Market Subjects. Red Eléctrica de España, S.A. is the operator of the Spanish electricity system and, as established by Law 54/1997 amended by Royal Decree Law 5/2005, is responsible, inter alia, for the settlement and notification of payments and collections, as well as the receipt and management of collateral, where applicable, for operations performed by Market Subjects in relation to system adjustments and the power guarantee.

On 28 and 29 June 2012, the Boards of Directors of MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal and the company, agreed the partial spin-off of the company to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal. This involved transferring the business unit comprising the derivatives market technical and human resources to MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession. The public deed of the partial spin-off was executed on 26 November 2012, and filed with the Barcelona and Madrid Companies Registries on 14 and 28 December 2012.

Also in 2012, MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Fija, S.A. - Sociedad Unipersonal was absorbed by MEFF Sociedad Rectora de Productos Derivados, S.A. - Sociedad Unipersonal - see above - and this, together with the partial spin-off described above was conducted to reorganise the Bolsas y Mercados Españoles Group companies involved in activities in the derivatives markets and the technical services on which this market is based with a view to making the supervised Group's structure more efficient, and to reorganise the activities of the companies involved.

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On 25 April 2017, the Sole Shareholder (Bolsas y Mercados Españoles) de MEFF Tecnología y Servicios, S.A. - Sociedad Unipersonal and MEFF Euroservices, S.A., - Sociedad Unipersonal, approved the merger of the latter by the former, a merger that was notarised on 29 May 2017 and recorded in the Barcelona Companies Register on 10 July 2017.

Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal

The corporate purpose of Bolsas y Mercados Españoles Renta Fija, S.A. - Sociedad Unipersonal - after the merger with Sistema Electrónico de Negociación de Activos Financieros, S.A. as described below, is to supervise, manage and operate the fixed income securities market, AIAF MERCADO DE RENTA FIJA (the "AIAF Market"), to supervise, manage and operate the multilateral trading facility Sistema Electrónico de Negociación de Activos Financieros (SENAF.SMN), and to supervise, manage and operate the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility and the activities performed through this platform.

AIAF Mercado de Renta Fija is an official, active, regulated and decentralised secondary market for fixed income securities. It was authorised by a Ministry for the Economy and Finance Order, of 1 August 1991, and its official status was recognised in accordance with the Transitional Provision Six of Law 37/1998, of 16 November, of the Reform of Act 24/1988, of 28 July, of the Securities Market.

On 22 April 2009, the Board of Directors of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and Sistema Electrónico de Negociación de Activos Financieros, S.A. (absorbed company), approved the merger by absorption of Sistema Electrónico de Negociación de Activos Financieros, S.A. by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, with the former being wound up through dissolution without liquidation.

At the meetings held on 25 May 2009, the sole shareholder of AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal and the General Shareholders' Meeting of Sistema Electrónico de Negociación de Activos Financieros, S.A. approved the merger of the two entities through the absorption of Sistema Electrónico de Negociación de Activos Financieros, S.A. by AIAF Mercado de Renta Fija, S.A. - Sociedad Unipersonal, and the winding up by dissolution without liquidation of the former, and the subsequent transfer en bloc of the absorbed company's assets and liabilities to the absorbing company, which acquired all the rights and obligations of the absorbed company by universal succession.

The public merger deed was executed on 17 July 2009 and filed with the Companies Register on 22 July 2009.

In 2011, in accordance with the provisions of the Information Dissemination Protocol of the Bolsas y Mercados Españoles Group, the company participated in the capital increase of Bolsas y Mercados Españoles Market Data, S.A., subscribing 113 new shares, each with a par value of €50, equivalent to a 0.14% shareholding. The capital increase was registered with the Madrid Companies Register on 16 August 2011. In this connection, in accordance with the aforementioned protocol, on 1 January 2011 the Company transferred the information dissemination business to Bolsas y Mercados Españoles Market Data, S.A. Due to the entry into the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. remains at 0.14% at 31 December 2019 and 2018.

Since 7 October 2013, AIAF Mercado de Renta Fija is the governing body of the Mercado Alternativo de Renta Fija (MARF) multilateral trading facility.

In addition, at 31 December 2019 and 2018, the company held a long-term 9% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A..

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Sociedad de Sistemas) was incorporated on 7 June 2000 under the name Promotora para la Sociedad de Gestión de los Sistemas Españoles de Liquidación, S.A.

This company's initial corporate purpose resulted from Act 44/2002 of 22 November, on measures for the reform of the financial system (the Spanish Finance Act), which established the legal changes necessary to complete the integration of the registration, clearing and settlement systems and designed a legal regime to enable the creation of the Sociedad de Sistemas (Systems Company) by integrating the S.C.L.V. and CADE.

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In application of the aforementioned provisions of the Financial Systems Act, the Universal Extraordinary General Meeting held on 22 January 2003 adopted, inter alia, the following resolutions: to change the company's name to "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A." and to amend the corporate purpose and the articles of association and to increase the company's share capital by means of non-cash contributions, namely: (i) 100% of the share capital of the S.C.L.V., contributed by Bolsas y Mercados Españoles; and (ii) the necessary resources to carry out the relevant public debt book-entry market functions consisting, inter alia, of goodwill in respect of government debt clearing, settlement and registration activity transferred from CADE to Sociedad de Sistemas, contributed by Banco de España.

Lastly, with economic effect from 1 January 2003, Sociedad de Sistemas merged and absorbed the S.C.L.V. under the terms laid down in the Financial Systems Act.

Sociedad de Sistemas currently has the following functions:

- a. Keeping the accounting record of securities represented in the form of book entries listed for trading on the Government Debt Book-entry Market, in accordance with the provisions of the Securities Market Act; of securities listed for trading on the Spanish Stock Exchanges, as designated by the Governing Companies; and of other securities admitted to trading on official secondary markets and multilateral trading facilities, as designated by the governing bodies of the markets and systems.
- b. Keeping the accounting records of other securities not listed for trading on official secondary markets, regulated markets or multilateral trading facilities.
- c. Managing the settlement and, as necessary, the clearing of securities and cash arising from security trading.
- d. To provide the services for which it has been authorised pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.
- e. Providing services in connection with the European emission rights trading and registration system.

- f. Any other duties assigned to it by the Spanish government, subject to prior reports from the CNMV and, if applicable, Banco de España

The Company may not carry out or include as part of its corporate purpose any activities for which it is not legally authorised or for the exercise of which the Law requires any kind of administrative authorisation it does not hold.

The reform of the Spanish securities clearing, settlement and registration system (instigated by Law 32/2011, of 4 October, and culminating in the first final provision of Law 11/2015, of 18 June, with the aim of standardising Spanish post-trading activities in line with those of our main European partners) involves three main changes: a) a move to a holdings-based registration system for equity securities; b) the introduction of a central counterparty (CCP) and c) the bringing together the current settlement systems, CADE and SCLV, into a single platform.

With the entry into force of the Reform, since 27 April 2016, the Company has managed the following securities settlement systems: the ARCO securities settlement system and the clearing and settlement system for transactions carried out in the book-entry public debt market and the AIAF fixed income market.

On 18 September 2017, the second phase of the Reform was completed with: (a) inclusion in the ARCO Settlement System for the settlement of securities included up until that time on the clearing and settlement system for transactions carried out in the book-entry government debt market and the AIAF fixed income market; and (b) the migration of the Eurosystem to the Target2 Securities (T2S) settlement platform, thus permitting the standardisation of the post-trade systems of the Spanish market with those of the other European markets.

On 20 September 2019, the National Securities Market Commission informed Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal that authorisation had been granted for it to continue providing the Central Securities Depository (CSD) pursuant to Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

At 31 December 2019 and 2018, the company held long-term shareholdings in Bolsas y Mercados Españoles Servicios Corporativos, S.A. and Regis-TR, S.A., with ownership interests of 21% and 50% respectively. Furthermore, at 31 December 2019, the company maintained a permanent 50% shareholding in Regis-TR UK, Ltd.

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Significant information concerning Regis-TR, S.A. and Regis-TR UK, Ltd is provided below.

Regis-TR, S.A.

On 9 December 2010, Regis-TR, S.A. was incorporated in Luxembourg for an indefinite period by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal and Clearstream Banking, S.A., with share capital totalling €3,600 thousand (in the form of 36,000 shares, each with a par value of €100, fully subscribed and paid up, in equal amounts, by the two companies).

Its corporate purpose is:

- a. The company will act as a trade repository and authorised communication mechanism under the provisions of the applicable Luxembourg legislation.
- b. Its corporate purpose is the administration and registration of information relating to any derivative contract and with transactions (hereinafter "Derivatives", including, but not limited to, over-the-counter derivatives (OTCs), exchange traded derivatives (ETDs), contracts and trades) entered into by financial and non-financial counterparties, as well as the reporting of information received on these derivatives, inter alia, to the market Supervisory authorities and regulatory authorities and derivative market participants.
- c. The purpose of the company is the administration and registration of information relating to any trade on wholesale energy products (hereinafter, "Wholesale market energy products", including, but not limited to contracts, the execution of transactions and derivatives relating to the production, supply, transport and distribution of electricity and natural gas, and information on the capacity and use of facilities for the production, storage, consumption and transmission of electricity and natural gas and the use of liquefied natural gas (LNG) facilities, including non-scheduled and scheduled non-availability of these facilities) agreed between participants in the wholesale energy market, including the transmissions to the operators of the system, operators of storage and liquefied natural gas systems, together the reporting in its own name and on behalf of others of all data gathered on wholesale energy products, inter alia, to the Agency for the Cooperation of Energy Regulators (ACER) as well as the market supervisory authorities and regulators, via automatic means of access to such information and/or prior request by the aforementioned authorities, as well as to the participants of the wholesale energy market.

- d. The company may provide collateral evaluation and management services in relation to Derivatives. It may also delegate its services to a third party, and perform any commercial activity with regard to intellectual property in relation to the company's corporate purpose described above.

The company may provide supplementary financial, commercial and/or industrial services necessary to fulfil and develop its corporate purpose.

It is a private entity and therefore no quoted market prices for its shares are available. There is no contingent liability with regard to the Group's stake in the joint venture.

Regis-TR UK, Ltd

On 11 March 2019, the constitution was formally arranged of a private company limited by shares, in England and Wales (United Kingdom), by the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal y Clearstream Holding AG whose registered address is located in London. The company has a share capital of 891 thousand pounds sterling, fully subscribed and disbursed by both shareholders in equal parts, equivalent to €1,029 thousand on the date of incorporation.

Its corporate purpose is:

- a. The company shall act as a trade repository and authorised communication mechanism under the laws of England and Wales (United Kingdom).
- b. Its corporate purpose is the administration and registration of information relating to any derivative contract and with transactions (hereinafter "Derivatives", including, but not limited to, over-the-counter derivatives (OTCs), exchange traded derivatives (ETDs), contracts and trades) entered into by financial and non-financial counterparties, as well as the reporting of information received on these derivatives, inter alia, to the market Supervisory authorities and regulatory authorities and derivative market participants.
- c. The purpose of the company is also the administration and registration of information related to any contract involving financing transactions through securities and reuse transactions ("Securities Financing Transactions", hereinafter SFTs) agreed between financial and non-financial counterparties, as well as the reporting of the information received regarding such SFTs, among others, to the market's supervisory and regulatory authorities, to the participants in SFT markets, to other trade repositories and to the public.

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- d. The company may provide collateral evaluation and management services in relation to Derivatives. It may also delegate its services to a third party, and perform any commercial activity with regard to intellectual property in relation to the company's corporate purpose described above.

The company may provide supplementary financial, commercial and/or industrial services necessary to fulfil and develop its corporate purpose.

It is a private entity and therefore no quoted market prices for its shares are available. There is no contingent liability with regard to the Group's stake in the joint venture.

BME Post Trade Services, S.A., - Sociedad Unipersonal

The company's corporate purpose is to design, establish, create, exploit and market, in any format, all kinds of products, services, systems, procedures and IT networks, devised to capture orders, information and any class of message issued or received by entities acting as central depositories or engaged in keeping accounting records for securities and financial instruments, and the provision of services related to these entities.

Link Up Capital Markets, S.A., was incorporated by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., -Sociedad Unipersonal, together with a plurality of shareholders. In 2013 and 2014, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal performed a series of successive acquisitions from previous shareholders, a process that terminated on 14 January 2014 with the acquisition of 1.71% of the capital of Link Up Capital Markets, S.A. - Sociedad Unipersonal, an operation that resulted in a 100% shareholding.

On 21 November 2014, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 100% of the share capital of Link Up Capital Markets, S.A. from Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. - Sociedad Unipersonal, for €878 thousand, equivalent to the theoretical carrying amount of the shares of Link Up Capital Markets, S.A. at 31 October 2014.

On 7 September 2016, the Company changed its name to BME Post Trade Services, S.A. - Sociedad Unipersonal (from Link Up Capital Markets, S.A. - Sociedad Unipersonal).

Instituto Bolsas y Mercados Españoles, S.L. - Sociedad Unipersonal

This company was incorporated in Madrid, for an indefinite time period, on 28 July 2006.

Its corporate purpose is to organise and give courses, seminars, lectures, postgraduate programmes, advanced training and, in general, any training activity connected with the financial industry and the securities markets, and to draw up, edit and publish related academic material of all kinds.

Bolsas y Mercados Españoles Inntech, S.A.U.

This company was incorporated in Madrid in May 1990 under the name of Sociedad de Difusión de Información de la Bolsa de Valores de Madrid, S.A.

In 2008, Sociedad Rectora de la Bolsa de Valores de Madrid, S.A. - Sociedad Unipersonal sold its entire shareholding in Bolsas y Mercados Españoles Inntech, S.A.U., formerly Infobolsa, S.A. - Sociedad Unipersonal, equivalent to a holding of 50%, to Bolsas y Mercados Españoles.

On 25 February 2016, Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A. acquired 50% of Infobolsa, S.A. from Deutsche Börse, A.G. For €8,200 thousand, and as of that date owns 100% of the company. Bolsas y Mercados Españoles now indirectly owns through Infobolsa, S.A. - Sociedad Unipersonal, 81% of the share capital of Open Finance, S.L., 100% of Difubolsa – Serviços de Difusão e Informação de Bolsa, S.A. and 100% de Infobolsa Deutschland, GmbH, all of which are directly owned by Infobolsa, S.A.U. - Sociedad Unipersonal.

On 25 March 2011, Infobolsa, S.A. - Sociedad Unipersonal acquired 62% of the share capital of Open Finance, S.L., for €3,514 thousand. Furthermore, in a supplementary agreement, Infobolsa, S.A. - Sociedad Unipersonal and all non-controlling shareholders of Open Finance, S.L. signed long-term sale-purchase agreements on the remaining 38% capital of Open Finance, S.L. (cross options). On 1 July 2014, Infobolsa, S.A. - Sociedad Unipersonal acquired 19% of the share capital of Open Finance, S.L., for €550 thousand. On 8 March 2018, Bolsas y Mercados Españoles Inntech, S.A.U. acquired an additional shareholding of 9% of the capital in Open Finance S.L. for the amount of €285 thousand, and as a result, as at 31 December 2019 and 2018, was the owner of 90% of the shares in said company.

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"BME Soporte Local Colombia, S.A.S." was incorporated on 5 January 2017 as a simplified joint stock company, incorporated in accordance with the laws of the Republic of Colombia. The share capital is represented by 150 million ordinary shares with a par value of 1 Colombian peso, fully subscribed and paid up by Infobolsa, S.A.U.

"BME Regulatory Services, S.A.U." was incorporated on 12 May 2017 as a limited company with a share capital of 60 thousand registered shares with a par value of 1 euro each, fully subscribed and paid up by Infobolsa, S.A.U.

On 7 June 2017, the Sole Shareholder Bolsas y Mercados Españoles, approved the merger of the companies Bolsas y Mercados Españoles Innova S.A.U. and Visual Trader Systems, S.L.U. (Absorbed Companies) by Infobolsa, S.A. - Sociedad Unipersonal (Absorbing Company), as well as the change of the corporate name of Infobolsa, S.A. Sociedad Unipersonal to the present name of Bolsas y Mercados Españoles Inntech, S.A. - Sociedad Unipersonal.

On 10 January 2020, the dissolution and liquidation of Difubolsa - Serviços de Difusão e Informação de Bolsa, S.A., in addition to the cancellation of the corresponding registration form, was registered with the Companies Register of Lisbon. Therefore, at 31 December 2019 and 2018, the company maintained a 100% interest in BME Soporte Local Colombia, S.A.S. and BME Regulatory Services, S.A.U. Major information concerning these companies is provided below.

BME Regulatory Services, S.A.U.

"BME Regulatory Services, S.A.U." was incorporated on 12 May 2017 as a limited company. The share capital was set at €60 thousand represented by 60,000 registered shares with a par value of one Euro each, which were fully subscribed and paid up by Bolsas y Mercados Españoles Inntech, S.A.U.

The company was incorporated for an indefinite period and its corporate purpose is:

- To receive, process, prepare, handle, disseminate, store, market and distribute any type of financial, economic, stock market, monetary and commercial information of any type by electronic or other means.

- To prepare, develop and market programs, computer materials, systems or other elements designed to capture, handle, disseminate and use all kinds of financial, economic, stock market, monetary and commercial information.
- To receive, process, develop, handle, disseminate, store, market and distribute information on issuing entities, financial instruments, operations relating to the foregoing, and their intervening parties, as well as their communication to any natural, legal or institutional persons or public and private authorities, both national or international.
- Perform consultancy and advisory activities and provide services relating to the procedures, developments, management and compliance with legal obligations in respect of the information referred to in the above-mentioned activities.

BME Soporte Local Colombia, S.A.S.

"BME Soporte Local Colombia, S.A.S." was incorporated on 5 January 2017 as a simplified joint stock company, incorporated in accordance with the laws of the Republic of Colombia. The main registered office of the company is in the city of Bogotá, Distrito Capital (Colombia). The subscribed capital is 150,000 thousand Colombian pesos (the equivalent of €50 thousand as on the date of constitution), divided among 150 million ordinary shares with a par value of 1 Colombian peso each, fully subscribed and paid up by Infobolsa, S.A.U. (now Bolsas y Mercados Españoles Inntech, S.A.U.).

The company was incorporated for an indefinite period and its corporate purpose is to provide local support to the activities and businesses of the BME Group, among these being the provision of consultancy services in the use of information technology, the provision of services encompassing the study, development, analysis, programming, marketing, licensing, support and maintenance of computer software and electronic equipment, the registration of design data, the establishment, creation, support and operation of procedures, programs, systems, IT, electronic and communications services or networks of any nature with the aim of developing financial activities or activities relating to securities markets.

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MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal

MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal was incorporated in Madrid, for an indefinite period of time, on 21 November 2012 by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. with share capital of €60 thousand (consisting of 60,000 shares with a par value of €1 each, all of them fully subscribed and paid up).

Its corporate purpose was to analyse and prepare projects related to developing and managing markets for financial products.

On 27 June 2013, the Board of Directors of BME Clearing, S.A. – Sociedad Unipersonal and MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, agreed the partial spin-off of BME Clearing, S.A. – Sociedad Unipersonal (the spun off company) to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal (the beneficiary). This involved transferring the business unit comprising the assets and technical and human resources necessary to manage the official secondary market for the derivative products of BME Clearing, S.A. – Sociedad Unipersonal to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A. – Sociedad Unipersonal, which acquired all the assets and liabilities, rights and obligations of the business unit through universal succession.

On 26 June 2013, BME, as the sole shareholder of both companies, agreed the partial spin-off to this company and the amendment of its articles of association including, inter alia, the change of its name to MEFF Sociedad Rectora del Mercado de Productos Derivados, S.A.U. and its corporate purpose which, on authorisation by the Ministry of Economy and Competitiveness, became that of a management company of an official secondary market for futures and options, “to oversee and manage trading and recording trades in futures, options and other derivative financial instruments, irrespective of the underlying assets, provided for in Article 2 of Law 24/1988 of 28 July on the Securities Market.”

On 5 September 2013, as the sole shareholder of the company, it carried out a capital increase with cash contributions of €6,590,000 through the issuance of 6,590,000 shares of €1 par value each, with an issue premium of €0.2019 per new share.

The deeds for the partial spin-off and capital increase were granted on 9 September 2013 and filed with the Madrid Mercantile Registry on 30 September 2013.

At 31 December 2019 and 2018, the company held a long-term 11% stake in Bolsas y Mercados Españoles Servicios Corporativos, S.A. Due to the participation in the capital of Bolsas y Mercados Españoles Market Data, S.A. by Sociedad de Bolsas, S.A., the percentage of the Company's shareholding in Bolsas y Mercados Españoles Market Data, S.A. stood at 7.77% at 31 December 2019 and 31 December 2018. Both shareholdings were acquired by virtue of the sale and purchase agreement entered into with BME Clearing S.A.U on 13 December 2013.

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and Companies comprising the Bolsas y Mercados Españoles Group

Consolidated Directors' Report for 2019

Note: Translation of the report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

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1. SITUATION OF THE ENTITY

1.1 Organisational structure

BME is the operator of all stock markets and financial systems in Spain. A public limited company (sociedad anónima) listed since 14 July 2006, it forms part of the FTSE4Good IBEX® index and since its inception has been a benchmark in the sector in terms of solvency, efficiency and profitability.

BME Group companies

Appendix I of the consolidated annual accounts lists the Entity's main subsidiaries, jointly-controlled entities and associates, and information pertaining to them.

1.2 Functioning

1.2.1. Business model

BME's business model is predicated on three core executive pillars: integration of the value chain for products traded on its platforms, diversification of underlyings and businesses, and focus on internally developed technologies. This has positive effects on the company's profitability. BME's modus operandi is backed by generating a consistent flow of net free cash flow, keeping capex low, obtaining wide margins with low leverage, maintaining low marginal costs on new products or projects added to the business range and, in short, achieving a high degree of efficiency and healthy returns on equity.

1.2.2. Regulatory framework

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.

The Spanish securities market has undergone a deep process of change and growth over the

last two decades. The technical, operating and organisational systems which support the market today have enabled substantial investment flows to be channelled and provided the markets with greater transparency, liquidity and efficiency.

Article 43 of prevailing Royal Legislative Decree 4/2015 of 23 October approving Spain's Revised Securities Market Act defines regulated markets as *"multilateral systems that allow parties interested in buying and selling financial instruments to be brought together to exchange contracts with respect to financial instruments that have been admitted for trading, are authorised and function regularly"*, pursuant to Chapter I of Title IV of the Securities Market Act and its implementing regulations, subject at all times to conditions of access, admission for trading, operating procedures, information and publicity. For such purposes, the following are considered to be official secondary equity markets:

- Stock Exchanges
- Book-Entry Government Debt Market
- Futures and Options Markets for any financial or non-financial underlying asset
- Private Fixed Income Market, AIAF.
- Any other state markets which meet the requirements of Section 1 of Article 43 of the Securities Market Act, which are authorised within the scope of this law and its implementing regulations, and any regional markets authorised by the proper authorities in Spain's Autonomous Communities.

In addition to the regulated markets, Multilateral Trading Facilities (MTF) operate in Spain, trading both shares that are listed in regulated markets (Stock Exchanges) and Book-Entry Government Debt issues.

The Spanish securities market also includes other specific markets managed by BME, such as the Market for Latin American Securities (LATIBEX), the Alternative Equity Market (MAB), the Sistema Electrónico de Negociación de Activos Financieros (SENAF), or the Alternative Fixed Income Market (MARF), all of which are used to trade securities with special characteristics. The MAB mar-

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ket has distinct sections for open-ended collective investment schemes (SICAVs), for venture capital firms (VCFs), for the investment funds segment, for Collective Investment Institutions (CIIs) or listed real-estate investment trusts (REITS) and for small- and medium-sized enterprises. All these markets operate via multilateral electronic trading facilities. BME Renta Fija, the governing body of the fixed-income market AIAF, also managed the fixed income electronic trading platform, SEND.

1.2.3. Seasonal trends in the main business segments

BME's business is closely linked to the market environment and trading volumes, where trends are generally hard to forecast. Economic cycles and the economic situation prevailing at a given time, especially in Spain, are also likely to have an influence. Therefore, as part of its adherence to the principle of transparency, the Group publishes on a daily basis on its website the main indicators of the markets it manages, on which the company's results are largely predicated.

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2.2. Business performance and results:

Key financial indicators

The net profit of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and companies that compose the Bolsas y Mercados Españoles Group ("BME") stood at €122.8 million in 2019, 9.9% down on 2018.

Net income for the year dropped by 6.2% to €285.4 million and total operating costs also reduced for the year as a whole by 2.2% to €115.5 million. Accumulated EBITDA for the year fell 8.7% year-on-year, to EUR 169.9 million.

In 2019, the indicator that measures the degree of coverage of the company's total costs with revenue that do not depend on the performance of trading volumes (INLV) reached a value of 126%, four percentage points above that recorded for the previous year. This reflects the efforts being made to diversify by the company's various business lines.

The efficiency ratio for 2019 as a whole, has performed unfavourably with an increase of 1.7 percentage points to 40.5%. The lower the value, the better the indicator. On the other hand, return on equity (ROE) dropped by 1.4 percentage points over the course of 2019, to 31.7% compared to 33.1% at the end of the previous year. It remains above the average for comparable companies in the sector.

In 2019, BME received an "A-" rating with a stable outlook, granted by S&P Global Ratings, the risk rating agency. This rating places the company in investment grade and is a result of the low level of debt, the strong operational efficiency, the vertical integration of the business value chain and the solid liquidity position.

On 18 November 2019, the Swiss company Six Group, AG, the manager of the Swiss Stock Exchange, submitted a voluntary takeover bid for all BME shares, representing 100% of the share capital, at an initial price of €34 per share, from which the dividends that BME has distributed and distributes prior to the settlement date of the Bid would be deducted. On 29 November 2019, the National Securities Market Commission announced the admission to processing of the Bid.

The trading of equity on BME platforms during 2019 came to €469,928 billion, 20.2% down on the previous year. As was the case the previous year, the reduced impact of the decrease in trading volumes on income obtained by the Equities unit is attributable to the improved performance of revenue per listing and the application of the new rate structure applied during the year to adapt to the complex regulatory and competitive scenario.

New investment and financing flows channelled on the Stock Exchange reached an amount of €16,715 billion for 2019, exceeding the total channelled a year earlier by 9.8%. Of this amount, the flows channelled in the form of new shares from capital increases in already listed companies came to €15,353 billion euros, 42.4% up on 2018. This highlights the importance of the market for listed companies as a way to diversify their sources of financing.

In contrast, environmental conditions have not created a framework for encouraging companies to trade on the main market of Spanish Stock Exchange. Several companies postponed their listing plans and only Greenergy switched from the MAB market to the main market in December.

There have, however, been 21 additions to the Alternative Stock Market (MAB) of which 17 were REITs and another 4 corresponded to the expanding business segment. REITs remain the catalysts of the Spanish real estate market and at the end of 2019, there were 78 companies registered in the MAB.

On the fixed income markets managed by BME, of particular note in 2019 was the 63.1% increase in trading in Fixed Income on platforms, especially in Spanish Public Debt and that of other Treasuries belonging to the European Union, whose issues were admitted to the market during the year. The issuance and incorporation of private fixed income to trading has also grown by 48.6%, highlighting the repatriation of emissions from large Spanish companies such as Endesa or Ferrovial.

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The Alternative Fixed Income Market (MARF) reinforced itself as a financing mechanism for small and medium-sized businesses. A total of 78 companies, six of them Portuguese, have issued fixed-income securities in this market since its launch by BME in October 2013. The total volume issued on the MARF in 2019 totalled €10,357 billion, 62.9% up year-on-year and the outstanding balance at year-end came to €5,115 billion, 54.0% up year-on-year.

In an environment of reduced volatility on cash markets, the total volume of Financial Derivatives contracts traded in BME during 2019 increased by 3.3% compared to the previous year to 44.9 million contracts. The total annual revenue of the unit remained extremely stable compared to the previous year.

At the BME Clearing Unit, total revenue for 2019 dropped by 2.1% due to the decrease in equity and derivative activity on the IBEX 35®, which has been partially offset by the momentum of equity derivatives, energy products and repo operations. Furthermore, the Settlement and Registration accounts stabilised in comparative terms with the previous year and revenues experienced an almost flat performance with an increase in the contribution (61.0%) of the registration activity, which is less subject to cycles.

The Market Data and Value Added Service Unit underwent significant organisational changes in 2019 that have crystallised in a refocusing of the businesses based on the consolidation of the traditional services offered (basically related to products, information platforms and market access) and, in parallel, the creation of new products and services from its BME Inntech division to boost growth.

2.1 Results and management indicators

Key indicators

- Net income for the year, excluding net finance income, dropped by 6.2% to €285.4 million.
- Total operating costs dropped by 2.2% during the year as a whole to €115.5 million.
- Accumulated EBITDA in 2019 fell 8.7% year-on-year, to €169.9 million.
- Profit before tax totalled €161.9 million, down by 10% year-on-year, and net profit after tax attributable to the parent company was €122.8 million, down 9.9%.

Management ratios

BME continued to present benchmark key management ratios:

- **The “ROE”** (return on equity) was 31.7% for 2019 as a whole. BME's ROE is still higher than most of its peers in the sector.
- **The “Cost to Income” ratio** (operating costs divided by net operating income - less variable direct cost of operations), measured for 2019 as a whole, stood at 40.5%. This ratio measures the percentage of cost incurred on each unit of income. BME also exceeds the sector average with respect to this magnitude.

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Results of Business Units

BME's integrated business model is structured around six business units that provide stability and diversification. The section below sets out the contribution made by each in 2018 and 2019 (figures include intragroup transactions that are eliminated on consolidation).

■ NET REVENUE BY SEGMENT

Bolsas y Mercados Españoles (Thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Equity	111,999	129,673	-13.6 %
Fixed Income	7,568	7,878	-3.9 %
Derivatives	11,221	11,189	0.3 %
Clearing	25,688	26,244	-2.1 %
Settlement and Registration	58,934	58,974	-0.1 %
Market Data & VAS	66,300	66,705	-0.6 %

■ EBDITA BY SEGMENT

Bolsas y Mercados Españoles (Thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Equity	73,749	88,896	-17.0 %
Fixed Income	3,581	3,226	11.0 %
Derivatives	3,142	3,669	-14.4 %
Clearing	14,668	15,929	-7.9 %
Settlement and Registration	43,720	42,418	3.1 %
Market Data & VAS	36,680	40,982	-9.8 %

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Equity Business Unit

The Equity unit closed 2019 with annual revenues from trading totalling €88,376 thousand and €23,623 thousand in Listing and other services, figures that fell by 15.7% and 4.9% compared to 2018. The combination of these items generated total net income for the unit of €111,999 thousand in 2019, down 13.6% year-on-year.

The unit's operating costs dropped by 6.2% year-on-year. After its allocation, EBITDA for the year came to €73,749 thousand, down by 17.0%.

Although the IBEX 35® revalued 11.7%, this appreciation did not transfer positively to the traded volumes, reflecting the complexity of the economic, regulatory and competitive scenario for trading, the main source of revenue for this business area.

In 2019, €469,928 million were traded in Equity products, 20.2% less than in 2018, although in the last quarter the decrease in the volume traded was lower than seen in the preceding 8 quarters (4.1%).

The capitalisation of companies admitted to trading on markets managed by BME at 31 December 2019 reached €1.11 trillion, 11.6% more year-on-year.

New investment and financing flows channelled on the Stock Exchange reached an amount of €16,715 million for 2019 exceeding the total channelled a year earlier by 9.8%. Of this amount, the new flows channelled in the form of new shares from capital increases in already listed companies came to €15,353 million euros, 42.4% up on 2018. This highlights the importance of the market for listed companies as a way to diversify their sources of financing.

The growth in financing by previously listed companies offset the fall experienced in flows associated with IPOs, which showed a significant decrease of 69.4%. The economic and market conditions did not create a favourable framework to encourage companies to float themselves on the main Spanish market and several of them postponed their listing plans. The new addition to the Stock Exchange was Grenergy which, on 6 December 2019 moved from the MAB to the Stock Exchange Interconnection System.

However, the Alternative Stock Market (MAB) has maintained a high level of activity in terms of the admission of new companies in 2019, with 21 additions. 17 were REITs and the other 4 were in the growth company segment. REITs continue to reflect the good times that the Spanish real estate market is experiencing, and at the end of 2019, 78 companies were registered on the MAB.

Bolsas y Mercados Españoles (Equity - Results performance) (thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	111,999	129,673	-13.6%
From operations and characteristics of the orders	88,376	104,831	-15.7%
Listing and other services	23,623	24,842	-4.9%
Operating costs	-38,250	-40,777	-6.2%
EBITDA	73,749	88,896	-17.0%

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Bolsas y Mercados Españoles (Equity - Activity)	Total at 31/12/19	Total at 31/12/18	Δ
TRADING (millions of euros)	469,928	588,921	-20.2%
Equities			
Trading volume (millions of euros)	467,916	585,439	-20.1%
From securities with a trading rate of 0.3 bp	302,697	383,086	-21.0%
Remaining securities	165,219	202,353	-18.4%
Number of trades	37,126,627	44,138,522	-15.9%
Average value per trade (euros)	12,603	13,264	-5.0%
Exchange traded funds (ETFs)			
Trading volume (millions of euros)	1,720	3,026	-43.2%
Number of trades	61,254	86,712	-29.4%
Warrants			
"Premiums" trading volume (millions of euros)	292	456	-36.0%
Number of trades	72,482	88,351	-18.0%
Securities traded (millions)	177,767	153,526	15.8%
LISTING			
Number of companies listed	2,875	3,015	-4.6%
Market capitalisation (millions of euros)	1,105,662	990,867	11.6%
Investment flows channelled through exchange (millions of euros)			
New listed companies	1,362	4,446	-69.4%
Already listed companies	15,353	10,778	42.4%

Fixed Income Business Unit

The activities of the BME Fixed Income Unit generated total net income amounting to €7,568 thousand in 2019, down 3.9% year-on-year. Revenue from trading grew 1.1% while that for listing fell 10% as a result of the adaptation of admission rates to the European competitive environment. The EBITDA of the Fixed Income Business Unit increased by 11% in 2019 to €3,581 thousand. Total operating costs for the unit were down by 14.3%.

Bolsas y Mercados Españoles (Fixed Income - Results performance) (thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	7,568	7,878	-3.9%
Trading	4,336	4,287	1.1%
Listing	3,232	3,591	-10.0%
Operating costs	(3,987)	(4,652)	-14.3%
EBITDA	3,581	3,226	11.0%

The entry into force of the MiFID II regulation, also applicable to Fixed Income, generalised the use of electronic platforms in Europe for trading and compliance with transparency and reporting obligations. The BME Fixed Income Unit focused on positioning itself and improving its competitiveness in this new environment.

Of particular note for the whole of 2019 was the 63.1% increase in trading in Fixed Income on BME Platforms, especially in Spanish Public Debt and that of other Treasuries belonging to the European Union, whose issues were admitted to the market during the year.

Total admissions to trading on the regulated Market showed a growth over the year of 4.7%, with very different behaviours. Private Fixed Income grew by 48.6% and Public Debt fell by 11.7% as a result of the reduction of the public deficit. The repatriation of issues of large Spanish companies such as Endesa or Ferrovial and the return to the Debt markets of some Autonomous

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Communities such as the Balearic Islands, Andalusia, Asturias or Castilla-León is also worthy of mention. Overall, the total outstanding balance at the end of the year amounted to €1.55 trillion euros, representing an increase of 2.1% for the year.

The Alternative Fixed Income Market (MARF) reinforced itself as a financing mechanism for small and medium-sized businesses. A total of 78 companies, six of them Portuguese, have issued fixed-income securities in this market since its launch by BME in October 2013. The total volume issued on MARF during 2019 increased to €2,967 million, up 62.9% on previous year. The outstanding balance at the year-end stood at 5,115 million euros, 54.0% more than a year ago.

Bolsas y Mercados Españoles (Fixed income - Activity)	Total at 31/12/19	Total at 31/12/18	Δ
TRADING (millions of euros)	334,422	205,059	63.1%
Public debt	334,157	204,673	63.3%
Private fixed income	265	386	-31.3%
Number of trades	43,611	45,376	-3.9%
LISTING (millions of euros)			
Admission for trading (nominal)	326,575	311,991	4.7%
Public debt	202,183	228,881	-11.7%
Private fixed income	114,035	76,751	48.6%
MARF	10,357	6,359	62.9%

Note: In 2019, Foreign Debt totalling €517,232 million was admitted to trading, which does not include the figures for Government Debt.

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Derivatives Business Unit

The total annual revenue of the BME Derivatives unit remained extremely stable compared to the previous year at €11,221 thousand. In turn, the increase in operating costs related to the development of new underlying assets led to a drop in the EBITDA for the year of 14.4%. In the final quarter, work relating to the new derivatives on xRolling® FX currencies launched this year intensified. It is expected that 2020 will see the admission of new market members, liquidity providers, as well as distributors of the contracts traded between the end users.

The total volume of Financial Derivatives contracts traded in BME during 2019 increased by 3.3% compared to the previous year to 44.9 million contracts in a continued environment of reduced volatility on equity cash markets. According to the VIBEX® index, the daily average implied volatility in 2019 was 13.7% with a drop of 1.3 points compared to the previous year. The annual volatility peaks occurred during the month of August, but were less intense than in previous years. The average volatility for 2019 is 10 percentage points lower than the historical average of the VIBEX® since 2008.

Within this context, market volumes were mixed with a sharp increase in stock futures and dividend hedging products, while IBEX 35® options and futures decreased. Thus, trading in stock futures grew by 42.9% during the year and products as hedges for dividend payments of the IBEX 35® and trading in equity dividend futures increased 104.8% and 60.8% respectively. IBEX 35® Futures and Options fell by 5.9% and 9.0% respectively over the year, in line with the fall in similar products in the rest of Europe.

The energy market was very active during 2019 in Spain, subsequently, the contracts traded in the BME derivatives market provided adequate coverage for the operators. The volume of Megawatt hours (MWh) represented in the contracts traded on MEFFPower during 2019 as a whole was up by 114.0%.

Bolsas y Mercados Españoles (Derivatives - Results performance) (thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	11,221	11,189	0.3%
Operating costs	(8,079)	(7,520)	7.4%
EBITDA	3,142	3,669	-14.4%

Bolsas y Mercados Españoles (Derivatives - Activity)	Total at 31/12/19	Total at 31/12/18	Δ
Derivatives contracts (number of contracts)	44,920,848	43,502,218	3.3%
Index derivatives (number of contracts)			
IBEX 35® Index Futures	5,965,905	6,342,478	-5.9%
Mini and Micro IBEX 35® Index Futures	1,454,921	1,490,237	-2.4%
IBEX 35® Div Impact Futures	144,831	70,725	104.8%
IBEX 35® Sector Futures	6	2,745	-99.8%
IBEX 35® Index Options	3,806,355	4,183,154	-9.0%
Open position	658,682	875,216	-24.7%
Total notional value (millions of euros)	594,387	661,981	-10.2%
Equity derivatives (number of contracts)			
Equity futures	15,298,027	10,703,192	42.9%
Equity dividend futures	758,700	471,814	60.8%
Equity options	17,492,103	20,237,873	-13.6%
Open position	7,344,363	7,430,748	-1.2%
Total notional value (millions of euros)	22,584	21,263	6.2%
Energy Derivatives-Electricity (MWh)	26,413,034	12,343,048	114.0%
Total number of trades	3,477,262	3,709,764	-6.3%

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Clearing Business Unit

The activity of the BME Clearing Unit was expanded in 2019 with the inclusion at the end of June of the clearing and settlement transactions for currency futures contracts (xRolling FX) traded in the derivatives market. Thus progress is being made diversifying the unit's activities, which now includes the clearing of spot equity transactions traded on systems managed by BME, the clearing and settlement of all financial, currency and electricity derivatives traded or registered on the Exchange and the MEFF as well as natural gas derivatives, the clearing of repos with fixed income securities (swaps or repos on Spanish government debt and other countries of the EU), and the clearing and settlement of interest rate derivatives.

The net income of the unit during 2019 as a whole came to €25,688 thousand, down by 2.1%. Operating costs grew by 6.8% due to the new developments related to the clearing house activity for currency derivatives and repos. EBITDA for the year dropped by 7.9% to €14,668 million.

44.9 million derivative contracts were cleared on indices and individual shares and dividend hedges in 2019, 3.3% more than those cleared in 2018. The joint open interest in financial derivatives at the end of December was €8.0 million with a decrease of 3.6% year-on-year.

The clearing activity in energy derivatives (electricity and natural gas) increased prominently over the year. The volume cleared in 2019 amounted to 26.6 TWh, 93.4% more than in the previous year, and the position interest at the end of the year was 9.6 TWh, 48.4% more than a year earlier.

In the equity segment, 74.5 million trades were processed in 2019, 15.9% less than in 2018, for a cash volume of 931,048 million euros.

Trades in fixed-income securities (repos) in 2019 were cleared in the amount of €182,724 million, up 17.4%. During the fourth quarter, BME Clearing began to offer repo clearing services for the sovereign debt of several European countries (Italy, Portugal, Germany, France, the Netherlands and Austria) as well as the trades registered in Spanish sovereign debt.

Trades in interest rate derivatives in 2019 had a notional value of €196 million, with an open interest at the end of the year of €588 million.

Bolsas y Mercados Españoles (Clearing- Results performance) (thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	25,688	26,244	-2.1%
Operating costs	(11,020)	(10,315)	6.8%
EBITDA	14,668	15,929	-7.9%

Bolsas y Mercados Españoles (Clearing - Activity))	Total at 31/12/19	Total at 31/12/18	Δ
Financial derivatives			
Index derivatives (number of contracts)	11,372,018	12,089,339	-5.9%
Equity derivatives (number of contracts)	33,548,830	31,412,879	6.8%
Open interest (number of contracts)	8,003,045	8,305,964	-3.6%
Energy Derivatives (Electricity and Gas)			
Volume (MWh)	26,646,872	13,776,521	93.4%
Open position (MWh)	9,622,284	6,484,239	48.4%
Repos			
Cash volume (millions of €)	182,724	155,637	17.4%
Number of trades	1,893	2,145	-11.7%
Interest rate derivatives			
Nominal registered (millions of €)	196	147	33.3%
Open interest (millions of €)	588	463	27.0%
Equity			
Total number of novated transactions	74,517,692	88,624,170	-15.9%
Cash cleared (millions of €)	931,048	1,135,729	-18.0%

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Settlement and Registration Business Unit

In 2019 IBERCLEAR obtained the licence from the regulator so that it could continue to provide its services in accordance with the requirements established in the Regulation on improving securities settlement in the European Union, also known as the CSD Regulation. This fact and the efficient adaptation to the new regulatory environment formed by the migration of the Spanish Securities Settlement and Clearing System to Target2 Securities (T2S) are the main business continuity milestones in this area and also for BME, where in 2019 the businesses channelling funds accounted for 20.7% of the Group's total revenue and 25.7% of the EBITDA.

In 2019, Liquidation and Registration revenues stabilised compared to the previous year, while on the cost side there was a significant reduction of 8.1% over the year as a whole, compared to the previous year. Thus, EBITDA amounted to €43,720 thousand for the year, up by 3.1% year-on-year.

The main contribution to revenue lies in the registration activities that contributed €35,961 thousand over the year, representing 61.0% of the Unit's total revenue. The total recorded volume of both fixed income and equity securities at the end of 2019 amounted to €2.36 trillion, compared to €2.26 trillion recognised the previous year, up by 4.5%.

The more favourable relative behaviour with respect to the previous year within the Unit was that of the settlement operation which generated revenues that were up 2.4% for the year. These businesses represented 17.0% of the Unit's revenues for the year to stand at €10,046 thousand.

The total accumulated number of settled trades in 2019 exceeded 9.3 million, 1.6% more than those settled at the end of the previous year and for an average daily cash volume of €92.9 billion, an increase of 20.5% more.

During the year, Iberclear continued to increase the range of cross-border settlement and custodian services to its settlement participants, both independently and in partnership with specialised entities. The Cross-Border Services (CBS) project, which began just over six months ago and is operational for the most important EU countries, has already reached €10 billion of assets in custody.

Bolsas y Mercados Españoles

(Settlement and Registration - Results performance) (thousands of euros)

	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	58,934	58,974	-0.1%
Settlement	10,046	9,809	2.4%
Registration	35,961	36,650	-1.9%
Other services	12,927	12,515	3.3%
Operating costs	(15,214)	(16,556)	-8.1%
EBITDA	43,720	42,418	3.1%

Bolsas y Mercados Españoles

(Settlement and Registration - Activity)

	Total at 31/12/19	Total at 31/12/18	Δ
Settled transactions	9,308,651	9,165,147	1.6%
Cash settled (billions of €, daily average)	92,9	77,1	20.5%
Volume booked - end of period - (billions of €)	2,363,9	2,261,8	4.5%
Nominals registered in fixed income	1,537,4	1,521,9	1.0%
Cash registered in Equity	826,5	739,9	11.7%

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Market Data & VAS Business Unit

During 2019, the Market Data & VAS business unit obtained a net revenue of €66,300 thousand, 0.6% less than in the previous year. The business unit's EBITDA came to €36,980 thousand, down by 9.8% compared to the figure recorded a year earlier.

Consolidated operating costs increased by 14% during the year as a whole compared to the previous year, as a result of the reorganisation of the unit and the commissioning of several new projects. After the allocation of costs, the unit's EBITDA dropped by 9.8% compared to the previous year, to €36,980 thousand.

Bolsas y Mercados Españoles (Market Data & VAS - Results performance) (thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
Revenue	66,300	66,705	-0.6%
Primary information services	38,797	39,029	-0.6%
Value Added Services	27,503	27,676	-0.6%
Operating costs	(29,320)	(25,723)	14.0%
EBITDA	36,980	40,982	-9.8%

The Unit underwent many internal changes in 2019 that have crystallised in a refocusing of the businesses based on the consolidation of the traditional services offered (basically related to products, information platforms and market access) and, in parallel, the creation of new products and services from its BME Inntech division to boost growth.

Primary Information Services

Based on data at the end of 2019, the total number of customers has increased by 3.7% and direct connections by 1.8%. However, the average number of users subscribed to specific levels of information has dropped compared to the previous year.

The customer base of the "End of Day" family of information products at the year-end increased 8.3% compared to the same period of 2018. The number of customers of regulatory services provided through of the APA also grew, with an increased channelling of information from Systematic Internalisers.

Total net income for the year in primary information services amounted to €38,797 thousand, 0.6% down on the previous year. Among the new information included in the primary information services during the year, worth particular note is the dissemination of the trades carried out in the MEFF Energy Derivatives segment through the BME Data Feed Turning to development, progress is being made in the incorporation of indices for public debt yield for future marketing actions, as well as the calculation and dissemination of the "Fair Value" of the private fixed-income assets listed on BME.

Value Added Services

In terms of value-added services, closely linked to innovation processes, in 2019 the unit obtained revenues of €27,503 thousand, down 0.6% compared to the previous year.

Among the strategic lines promoted is the "hub" of regulatory solutions (RegTech Solutions) whereby customers are assisted in their regulatory compliance, digitisation and efficiency processes. This area saw the increased marketing of the Best Execution & Transaction Cost Analysis service, showing a growth of 20% of the customer base. Likewise, work is being carried out on the analysis of a new version of the SICAM service and new services are being looked into to be added to the strategic line.

Another of the strategic lines in which it is investing is that of Innovation Labs with the Artificial Intelligence and DLT laboratories. The SOFIA product has been successfully launched: Investment Algorithms that have been positively received by the sector. Similarly, the DLT Lab has launched a pledging service on the Be DLT blockchain platform which has reduced the pledge certification process time by 80%.

BME Inntech's Wealthtech Department was awarded several projects to implement the Openworkplace solution while intensively working on the positioning of its products in Latin America.

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2.2 Environmental issues and employees

Chapters five and eight of the Consolidated Non-Financial Information Statement for 2019 details the actions carried out during the year in relation to its employees and environmental matters.

This includes all the political, social and economic instances involved in the transition to a more sustainable economy and recognises the essential role that financial and capital markets must play in this process. BME, as the management company of the main Spanish capital markets, has been a pioneer and persistent in raising awareness about this role to facilitate and promote the actions of investors and companies oriented towards sustainability.

Worth particular note is the increase in issues of green, social and sustainable bonds in Spain to €9,756 million in 2019, 30% more than the previous year, placing the country in the top 10 in the world ranking for sustainable bonds. The BME markets have admitted not only issuances from large companies such as ADIF and Bankinter but also from smaller companies such as Grenergy, which issued stock through the MARF in October.

Since 2008, the BME-managed stock market makes the FTSE 4Good IBEX® index available to investors in collaboration with the prestigious global financial index manager FTSE Group. This indicator is a powerful tool that fulfils some very relevant characteristics in the framework of sustainability:

- It allows investors to identify and invest in companies that meet global corporate responsibility standards.
- It provides asset managers with a Socially Responsible Investment (IRS) indicator and a tool for the development of IRS products.
- It can be used by public pension fund managers, who are required under Spanish law to invest 10% of the funds in assets with ESG criteria.

- It allows investors to capitalise on the benefits of good corporate governance (such as eco-efficiencies, improved brand image, etc.).
- It promotes the concept of being “socially responsible” within the companies that are part of the indicator.

Another relevant aspect of sustainable investment is its profitability. Since its creation in 2008, the FTSE4good IBEX TR® has rebounded by 36%, compared to 18% of the IBEX 35® with dividends.

A reflection of the growing commitment of listed companies to sustainable investment is the fact that, since its creation in 2008, the FTSE4Good IBEX® index has increased the number of participant companies from the initial 27 to 46 in 2019, with the greatest progress seen in most recent years.

Also within the scope of the EU Commission's Action Plan on Sustainable Finance, the Benchmarks Regulation (BMR) is being amended to adapt certain reference indicators to sustainability criteria. The companies that manage indices, such as BME, will also have to adapt them so that passive management portfolios are based on low carbon indicators or positive impact indices for decarbonisation issues.

BME is a member of the Spanish Observatory of Sustainable Financing, created this year as a multi-sectoral and independent forum for companies, financial institutions, public administrations and other agents in the financial industry to debate sustainable financing.

>> Consolidated Directors' Report

3. Consolidated Non-Financial Information Statement for 2019

Pursuant to the provisions set forth in Law 11/2018 of 28 December, amending the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July, on the Auditing of Accounts, with regard to the non-financial information and diversity (hereinafter, Law 11/2018), certain companies must prepare a Non-Financial Information Statement to be incorporated into the Directors' Report or a separate report corresponding to the same financial year which includes the same content and which complies with the requirements.

In this regard, BME attaches to this, the BME Consolidated Directors' Report, and forming an integral part thereof, the Non-Financial Information Statement for the year ended 31 December 2019 for Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. and the companies that make up the Bolsas y Mercados Españoles Group (hereinafter NFIS).

The NFIS was prepared in accordance with the contents detailed in the prevailing commercial law and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) in accordance with the Essential option, as well as any other criteria detailed in accordance with the aforementioned for each issue in the "Index of non-financial information content" included in the NFIS.

In accordance with Article 49 of the Commercial Code, based on the wording set out in Law 11/2018, the NFIS was verified by *PricewaterhouseCoopers Auditores, S.L.* acting as an independent provider of verification services.

4. Liquidity and capital

Capital managed by the Group comprises primarily capital, reserves and profit for the year attributable to the parent, which are recognised on the consolidated statements of financial position under "Equity", less interim dividends and treasury shares, which are also recognised under this heading in the consolidated statements of financial position.

Capital is managed by the Group at two levels: regulatory and financial, as described in Note 25 to the consolidated annual accounts. Financially, the Group is able to generate sufficient liquid funds to maintain its short-term liquidity and its medium- and long-term solvency, as shown in the respective consolidated statements of cash flows in the consolidated annual accounts.

The Group's main sources of liquidity are included under "Cash and cash equivalents" and "Current financial assets" on the consolidated statements of financial position at 31 December 2019 and 2018. This liquidity position and cash flow generation ability enable the Group to fund its operating and investing activities with the cash flow generated from the activities without incurring financial debt at either date.

The high levels of free cash flow generated has allowed BME to distribute ordinary dividends with a payout of 96% in 2019 and 2018, following approval of the proposed distribution of earnings set out in Note 3 of the consolidated annual accounts at the General Shareholders' Meeting.

This high cash flow generation is the result of BME's business model and is based on three pillars:

- the effective collection of fees that the Group companies have set up as consideration for its various services, settled in the standard settlement period for the corresponding transactions in each market, using the settlement instructions issued by the Central Counterparty Clearing House, in the same way as it instructs the settlement of its own operations.
- the moderate investment necessary of the Group based on in-house technology.
- and the Group's ongoing efforts to control costs.

These three pillars allow BME Group's liquidity generation ability to ensure future transactions, depending on the consolidated liquidity position, largely ensuring the shareholder remuneration policy and the extraordinary investment projects, although none are envisaged at the date of preparation of these annual financial statements.

The company does not expect any significant changes in the structure of its equity and debt or its relative cost of capital in 2019 and compared to 2018.

Irrespective of the possible other investment decisions that the Group may take, subject to approval by their governing bodies and, where necessary, the General Shareholders' Meeting, Group-level criteria have been determined for the investment of cash in financial assets with a view to minimising exposure to credit and market risks. The Board of Directors has laid down

>> Consolidated Directors' Report

specific guidelines that restrict financial instruments to investments in Spanish government debt, autonomous government debt, debt issued by the member states of the third phase of European Economic and Monetary Union, fixed income issues on the AIAF market guaranteed by the Spanish government, and fixed income issues on the AIAF market classified by Banco de España as suitable for monetary policy operations and the management of guarantees presented before payment systems. The Board of Directors has also adopted a portfolio structure involving the investment of own treasury positions, primarily in the short term, while allowing part of these positions to be invested in the longer term (3-5 years) to maximise returns. Moreover, by virtue of the renewal of the authorisation for the purchase of treasury shares, approved at the General Shareholders' Meeting, the Board adopted a resolution concerning the conditions and limits for the purchase of treasury shares, delegating the necessary powers to enable them to carry out the full process of the purchase of BME shares.

With regard to capital management processes, Bolsas y Mercados Españoles has a treasury department in its financial area, which is responsible for investing in financial assets on behalf of all Group companies.

In order to ensure compliance with these objectives and policies, financial management regularly reviews the level of compliance with the investment policies in place. No incidents were detected in 2019 or 2018.

No contractual obligations, contingent liabilities or other firm commitment are known to date that could change the Group's liquidity and capital requirements. There are also no off-balance sheet transactions that could affect the Group's future liquidity.

5. Main risks and uncertainties

BME is present throughout the whole value chain in the management of several financial markets, exposing it to a variety of risks: Note 24 to the consolidated annual accounts contains a full description of the risks.

The implementation of the **risk control and management policy**, defined by the Board of Directors and administered by the Management Committee, falls to the Continuity and Risk Committee in its capacity as the body responsible for monitoring and analysing the risks arising from the various activities carried on by Group companies within a framework of coordinated management through business units and corporate areas. The Continuity and Risk Committee also draws up the corporate Risk Map, which is maintained by the parties in charge of managing the risks identified, and by the Chief Risk Officer.

The Continuity and Risk Committee has constructed an Integrated Risk Management System (IRMS) adopting the COSO II report as the methodological framework (process-based), in which, depending on the nature of the risks, the following exist:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, technology, IT security, human resources and non-financial) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Additionally, the IRMS has been given a second approach to asset-based risk analysis, combining physical and logical threats, based on the following standards:

- Analysis of physical risks: AS/NZS 4360 and ISO 31000
- Analysis of logical risks: ISO 27001 and MAGERIT II

Therefore, the IRMS currently uses a mixed methodology aimed at already active processes ensuring compliance with the legislation applicable to the different companies of the BME Group.

Maintenance of the corporate Risk Map requires that each risk officer regularly update the information on each identified global risk needed for management and control; new events and controls are identified and action plans are rearranged as necessary.

As per the IRMS methodology, the Continuity and Risk Committee receives information corresponding to the main occurrences of identified risks, any changes in how they are assessed, measures to mitigate them, action plans and the status thereof. The Risk Management Report is based on this information and the updating of the information on risks is managed by the Committee itself. Once approved by the Continuity and Risk Committee, this report, and its conclusions, is distributed to the Audit Committee and BME's Board of Directors every six months by the Chairperson of the Continuity and Risk Committee.

The BME Group's risk control system has been drawn up in accordance with international standards. Its functioning is explained in more detail in Section E of the Annual Corporate Governance Report. Section F also includes information on the Internal Control over Financial Reporting System (ICFRS).

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6. Events after the reporting period

No significant events occurred after the consolidated statement of financial position date that have not been recorded in the consolidated annual accounts.

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7. Outlook for the Group

In the first month of 2020, the poor performance of Equities on the Spanish Stock Exchange persisted, reaching €36,294 million, 12.4% down on the same month the previous year and 10.8% below the data for December. The number of trades came to 3.36 million, 5.9% down on in January the previous year but 20.2% up on December.

However, the competitive market position remains strong, with a market share of 72.2% in terms of the contracting of Spanish securities. The average spread was 4.73 basis points at the first price level (15.8% better than the next trading venue) and 6.46 basis points with order book depth of 25,000 euros (38.4% better), according to the independent LiquidMetrix report. These figures include trading in trading centres in both the transparent order book (LIT), including auctions, and non-transparent (dark) trades arranged outside the book.

In Fixed Income, the total volume traded in January was €23,933 million, 63.7% up on December and 28.4% down on January 2019. New issues admitted to trading grew 49% compared to the last month of the year, to €42,452 million. The outstanding balance of Spanish securities registered with BME's Fixed Income markets increased 0.5% compared to the end of 2019, to €1.56 trillion.

The Financial Derivatives market started 2020 with an increase in the trading of Derivatives contracts on the IBEX 35 of 10.7% compared to January of the previous year. The volume of Options on IBEX 35 grew by 51.8%, while that volume of Options on Shares rose by 64.1%. The volume traded in Futures contracts on the IBEX 35 increased by 1.3% in January compared to December, and in Mini Futures IBEX 35, the increase was 15.6%.

The solidity of BME's business model with its highly diversified range of products and services, based around its seven business units, and its very strong operating leverage means we can look forward to the year ahead, confident that the Group will be able to strengthen its competitiveness and achieve its targets for profitability and efficiency.

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8. Research and development activities

BME continues to develop its model for innovation and technological improvement, based on the design and the development of in-house applications to provide services to the business units. BME continued to develop high added-value projects in 2019:

- Development of the systems for the provision of new services (Transaction Cost Analysis, Cross Border Services, SofIA, Latam Exchange data (LED) and the trading of FX Rolling products).
- Development of new features for REGIS-TR.

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9. Acquisition of treasury shares

At its meeting on 31 July 2008, the Board of Directors of the Company approved the acquisition of 337,333 shares in BME, equivalent to 0.40% of share capital, and the acquisition was carried out in August 2008, for the purpose of implementing the share-based payment plan approved in 2008, which was due for settlement on 31 December 2010. However, as the targets established under this plan had not been met at that date, no share-based bonuses were paid to beneficiaries.

For the periods 2014 to 2019, and as a result of the settlement of the first, second and third three-year periods of the 2011-2016 share-based payment Plan and the first, second and third three-year period of the 2014-2019 share-based payment Plan, the balance of treasury shares was reduced by 73,627; 67,790 and 71,083, and 53,301, 50,550 and 55,120 shares delivered to plan beneficiaries, respectively. In 2016, 2017, 2018 and 2019, the Company acquired 400,000, 17,726, 165,295 and 215,172 treasury shares respectively, in the amounts of €10,478 thousand, €465 thousand, €4,267 thousand and €5,189 thousand in each period.

Therefore, as a result of the deliveries and acquisitions made, the Company held 764,055 and 604,003 treasury shares at 31 December 2019 and 2018.

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10. Other relevant information

10.1 Stock market data

2019 and specifically the fourth quarter was marked by the announcement of a takeover bid by Six Group, AG, at an initial price of €34.0 euros per share, adjusted to take into account for the dividends that BME has already distributed and will distribute prior to the settlement date of the Bid. The announcement of the Bid had an impact on BME shares in terms of both price and volume.

During the year, BME shares rebounded by 41.4%, well above the 11.8% increase in the benchmark and main index of the Spanish Stock Exchange, the IBEX 35®. The total return for the BME shareholder over the course of the year, after the reinvestment of dividends, was 49.7%.

Average daily cash flow for the year as a whole increased year on year by 87.8% to €7.7 million. The total number of traded securities also grew by 73.7% to 65.5 million shares. And trades of BME shares increased by 11.8% in 2019 to 203,107.

Bolsas y Mercados Españoles (Share price performance) (Thousands of euros)	Total at 31/12/19	Total at 31/12/18	Δ
BME share price performance			
High	36.00	30.20	19.2%
Low	20.50	23.82	-13.9%
Average share price	25.19	27.63	-8.8%
Closing price	34.38	24.32	41.4%
Cash amount traded on BME shares (Million euros)			
Maximum daily volume	377.8	15.9	2,276.1%
Minimum daily volume	0.9	0.8	12.5%
Daily average volume	7.7	4.1	87.8%
BME shares traded (millions of shares)	65.5	37.7	73.7%
Number of trades on BME shares	203,107	181,605	11.8%

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10.2 Dividend policy

BME is continuing its policy of maximising shareholder returns, with a proposed ordinary dividend pay-out of 96% of 2019 profit subject to approval at the Shareholders' Meeting.

The following table summarises the total amounts and amounts per share distributed in 2019 (the first refers to the 2019 profit) and two interim dividends paid out of 2019 profit.

Year	Date of payment	Gross amount per share	Net amount per share	Type	Total amount (gross) shared (Thousands of euros)
2017	11 May	0.78	0.6318	Ordinary (Complementary)	64,819
2018	14 Sep	0.40	0.324	Ordinary (Interim)	33,261
2018	28 Dec	0.60	0.486	Ordinary (Interim)	49,817

10.3 Average payment period

The introduction of Law 31/2014 of 3 December, amending Law 15/2010 of 5 July, which in turn amended Law 3/2004 of 29 December, establishing measures to combat late payment in commercial transactions, requires that companies expressly include information on the payment periods to their suppliers in the notes to the financial statements and, in the case of listed companies, that they publish such information on their websites.

Article 262.1 of Spain's Corporate Enterprises Act also establishes the obligation for this information to be published in the Directors' Report. In connection with this compulsory information, the average payment period operated by the Bolsas y Mercados Españoles Group in 2019 was 39 days (see Note 20 to these consolidated annual accounts).

This average payment period was calculated in accordance with the provisions of the Spanish Accounting and Auditing Institute's Resolution of 29 January 2016 concerning the information to be disclosed in financial statements in connection with average payment periods to suppliers in commercial transactions, published in the "BOE" Official State Gazette on 4 February 2014, applicable to the financial statements for years commencing at 1 January 2015.

>> Consolidated Directors' Report

11. Corporate Governance Report

Pursuant to article 540 of the Corporate Enterprises Act, as amended by Law 31/2014, of 3 December, which modified the Securities Market Act to improve corporate governance, the Bolsas y Mercados Españoles Group has prepared the Annual Corporate Governance Report for 2019 (forming part of this consolidated Directors' Report) with the content established in this article, Order ECC/461/2013, of 20 March, determining the content and structure of the annual corporate governance report, the annual remuneration report and other disclosures of listed public companies, savings banks and other entities that issue securities for trading on official securities markets, and CNMV Circular 2/2018, of 12 June, amending CNMV Circular 5/2013 of 12 June and 4/2013 of 12 June and replacing the annual corporate governance report and annual directors' remuneration report with the aim of adapting their content to the recent regulatory changes to implement some technical adjustments.

12. Alternative performance measures

Below follows information relating to the definition, reconciliation and explanation of the use of the alternative performance measures detailed in the management report, for the purposes of complying with the guidelines of the European Securities and Markets Authority, ESMA (Guidelines on Alternative Performance Measures).

- EBITDA: Operating profit (EBITDA): earnings before interest, tax, depreciation and amortisation, calculated as "Net Income" less "Staff costs" and "Other operating costs".
- Operating costs: costs comprising the total of "Staff Costs" and "Other operating costs" on the consolidated income statement.
- Efficiency ratio: measures the level of resources used to generate the Group's revenue, and is calculated as "Operating costs" divided by "Revenue". It is one of the most common indicators when establishing comparisons regarding the productivity of the different entities of the sector.
- Return on equity (ROE): this ratio measures the return obtained by shareholders on the funds invested in the Company and therefore, measures the capacity that the company has to remunerate its shareholders. It is calculated as "Profit attributable to Parent" divided by "Shareholder Equity" for the financial year.
- Coverage ratio of the base cost: this ratio indicates the coverage of the Group's operating costs with revenue not linked to activity volumes of the markets and measures the diversification of the company towards sources of revenue not linked to with market activities. It is calculated as revenue not linked to market activity volumes over "Operating costs".
- Cash traded in Equity: this is the total cash volume in euros of the purchase and sale of equity instruments traded in all the regulated markets and trading systems managed by BME. It is calculated by multiplying the total number of shares traded in each transaction by the price per share. It is an indicator of the activity in the secondary market of equity admitted to trading.
- Total investment flows channelled through the Exchange: the investment flows channelled through the Exchange for the period include the capital increase of the companies listed in the Spanish market recognised at their effective value in euros and the IPOs also recognised at the effective monetary value at the time of placement in euros. It is an indicator defined by the Federation of European Stock Exchanges (FESE) which measures the activity on the primary market of the listed companies or those listed for the first time.
- Volume admitted in the Fixed-Income market: Total cash volume in euros obtained by the companies on the primary market through fixed-income issues (bonds and promissory notes). It is an indicator of the activity in the fixed-income primary market.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Issuer Identification

YEAR-END DATE

31.12.2019

Tax Identification No. (C.I.F.)

A-83.246.314

Company Name

BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A.

Registered Office

PLAZA DE LA LEALTAD, 1 (MADRID)

>> Consolidated Directors' Report / **Corporate Governance Report**

A. Capital Structure

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
02/07/2013	250,846,674.00	83,615,558	83,615,558

Please state whether there are different classes of shares with different associated rights:

Yes

☐

No

☒

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% voting rights attributed to shares		% voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
Corporación Financiera ALBA, S.A.	12.06%	0.00%	0.00%	0.00%	12.06%

Remarks

The information disclosed in this section is based on the Shareholder Register, which contains transactions carried out in 2019.

At 31 December 2019 "Bank of New York Mellon" and "State Street Bank and Trust Co" appeared in the Shareholder Register with stakes in the share capital of BME exceeding 3%. However, the Company understands that these shares are held in custody on behalf of third parties.

Regardless of the foregoing, according to the records of the Spanish Securities Market Commission, as at 31 December 2019 "Blackrock, Inc." held 3.478% of indirect voting rights attributed to BME shares.

Breakdown of the indirect holding:

State the most significant shareholder structure changes during the year:

Name or corporate name of shareholder	Trade date	Description of the trade
BLACKROCK, INC.	20/11/2019	Stake rose above 3% of share capital

>> Consolidated Directors' Report / **Corporate Governance Report**

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% voting rights attributed to shares		% voting rights through financial instruments		total % of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Antonio J. Zoido Martínez	0.05%	0.00%	0.00%	0.00%	0.05%	0.00%	0.00%
Javier Hernani Burzako	0.02%	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
Ignacio Garralda Ruiz de Velasco	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Joan Hortalá i Arau	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan March Juan	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Santos Martínez-Conde Gutierrez-Barquín	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%
David María Jiménez-Blanco Carrillo de Albornoz	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Juan Carlos Ureta Domingo	0.02%	0.04%	0.00%	0.00%	0.06%	0.23%	0.00%
Total percentage of voting rights held by the Board of Directors						0.17 % (*)	

Remarks

(*) This percentage represents the total direct and indirect voting rights of members of the Board of Directors attributed to Company shares. This figure does not include the equity held by the shareholder represented on the Board of Directors justifying the qualification of two (2) of its members as proprietary directors. At 31 December 2019 the stake held by this shareholder was 12.06% of the share capital.

Based on the above, the total share capital represented by the Board of Directors at 31 December 2019 stood at 12.23% of share capital.

At 31 December 2019 the executive Directors, Mr Javier Hernani Burzako and Mr Joan Hortalá i Arau, were beneficiaries of the medium-term variable remuneration scheme to be implemented by the Company and its subsidiaries, designed for members of the management team, including the executive Directors who, in accordance with article 219.1 of the Corporate Enterprises Act, were approved by the company's Ordinary General Shareholders' Meetings on 27 April 2017 and 26 April 2018 and notified to the CNMV on those same days.

In response to the executive functions that Mr Antonio J. Zoido Martínez had as the company's chief executive until the General Shareholders' Meeting held on 25 April 2019, Mr Zoido Martínez retains his status as beneficiary of the aforementioned Variable Remuneration Plans under the terms described below.

Medium-term remuneration scheme approved on 27 April 2017.

This Plan was based on the allocation in 2017 of a number of theoretical units which shall serve as the basis for calculating any shares to be delivered, subject to fulfilment of the objectives of the Plan in the year 2020.

The specific number of shares to be granted in the year 2020 shall depend on the performance of BME's Efficiency Ratio and Total Shareholder Return on its share price, compared with another five (5) benchmarked entities, and shall be calculated by dividing in two the number of theoretical units assigned in 2017, each being linked to one of the two indicators, and each being multiplied by a factor of 0 to 1.5 according to BME's final ranking among the benchmarked companies.

The maximum number of shares included in the Plan is 190,263 shares, accounting for 0.23% of the share capital of BME, of which a maximum of 24,067 may be allocated to Mr Antonio Zoido Martínez, 10,203 shares to Mr Javier Hernani Burzako and 2,550 to Mr Joan Hortalá i Arau, accounting for 0.029%, 0.012% and 0.003% of the share capital of BME respectively.

Share-based Variable Remuneration Plan approved on 26 April 2018.

This Plan is based on the allocation of a number of theoretical units in 2018, 2019 and 2020, as the basis for calculating the BME shares to be delivered to the beneficiaries, if appropriate, subject to fulfilment of the Plan's objectives in 2021, 2022 and 2023 respectively.

The specific number of shares to be delivered shall depend on the performance of the Total Shareholder Return (TSR) for the BME share in each of the Plan Measurement Periods, with respect to the evolution of this indicator for another five (5) benchmarked entities, provided this is positive, and shall be calculated by applying to the number of theoretical units allocated a coefficient between 0 and 1.5, depending on the position finally taken up in the classification of the five (5) benchmarked companies.

The maximum number of shares included in the Plan is 486,003 shares, accounting for 0.58% of the share capital of BME, of which a maximum of 67,719 may be allocated to Mr Antonio Zoido Martínez, 41,097 to Mr Javier Hernani Burzako and 10,092 to Mr Joan Hortalá i Arau, accounting for 0.081%, 0.048% and 0.012% of the share capital of BME respectively.

Based on this Plan, the Appointments and Remuneration Committee, at its meeting on 28 May 2018, allocated the theoretical units corresponding to the first maturity period of the Plan under the following terms: 15,049 theoretical units to Mr Antonio J. Zoido Martínez, 9,133 theoretical units to Mr Javier Hernani Burzako and 2,243 theoretical units to Mr Joan Hortalá i Arau. The maximum theoretical number of shares that may be received in 2021 total 22,573 in the case of Mr Zoido Martínez, 13,699 in the case of Mr Hernani Burzako and 3,364 in the case of Mr Hortalá i Arau, accounting for 0.027%, 0.016% and 0.004% of the share capital of BME, respectively.

The Appointments and Remuneration Committee, at its meeting on 27 May 2019, allocated the theoretical units corresponding to the second maturity period of the Plan under the following terms: 9,289 theoretical units to Mr Javier Hernani Burzako and 2,498 theoretical units to Mr Joan Hortalá and Arau. The maximum theoretical number of shares that can be received in 2022 totalled 13,933 in the case of Mr Hernani Burzako and 3,747 in the case of Mr Hortalá i Arau, accounting for 0.017% and 0.004% of the share capital of BME respectively.

As a result of the new qualification of Mr Antonio J. Zoido Martínez as a non-executive Director since the General Shareholders' Meeting of 25 April 2019, in 2019 Mr Zoido Martínez was not assigned the theoretical units corresponding to the second maturity period of the Plan, nor will the theoretical units corresponding to the third maturity period be assigned to him in 2020.

Breakdown of the indirect holding:

- A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those stated in section A.6:**
- A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:**
- A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.**

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

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Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Juan March Juan	Corporación Financiera Alba, S.A.	Corporación Financiera Alba, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	Corporación Financiera Alba, S.A.	CEO

Remarks

Mr Juan March Juan, who is an external proprietary Director of the company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A. and Deputy Chairman of Artá Capital S.G.E.I.C., S.A., companies forming part of the significant shareholder's group.

Mr Santos Martínez-Conde y Gutiérrez-Barquín, who is an external proprietary Director of the company on behalf of the significant shareholder Corporación Financiera Alba, S.A., is a Director of Banca March, S.A. and Deputy Chairman of Artá Capital S.G.E.I.C., S.A., companies forming part of the significant shareholder's group.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☒

State whether the company is aware of any concerted actions among its shareholders: If so, provide a brief description:

Yes ☐ No ☒

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☐ No ☒

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares.	Number of indirect shares (*)	Total percentage of share capital
764,055	0	0.91%

(*) through:

Explain any significant changes during the year:

Explain significant variations:

On 9 August 2019, the Company informed the Spanish Securities Market Commission that the threshold of 1% of the voting rights had been exceeded.

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.Authorisation for the issue of shares.

Pursuant to item seven on the agenda, the Ordinary General Shareholders' Meeting on 28 April 2016 agreed to grant authorisation to the Board to increase share capital, within a maximum period of five (5) years, up to 50% of the Company's share capital at the time of such authorisation, on one or more occasions, in the amount determined by it, and to set the terms and conditions of the capital increase, and also granted authorisation to the Board to exclude preferential subscription rights, limited to share capital increases not exceeding, either individually or together, 20% of the Company's share capital at the time of such authorisation.

Pursuant to item eight on the agenda, the same Ordinary General Shareholders' Meeting empowered the Board of Directors to issue, among other instruments, securities convertible to and/or exchangeable for BME shares, and warrants (options to subscribe to new shares or to purchase outstanding shares of the Company), and other similar securities granting the direct or indirect right to subscribe to or to purchase new or outstanding Company shares, on one more occasions, within a maximum period of five (5) years from the date of adoption of said agreement, in a total maximum amount of €1,500 million, with authorisation extended to the following aspects and powers: to set the conditions for each issue; increase share capital by the amount necessary to cater for conversion or subscription requests; exclude preferential subscription rights; and determine the conversion and/or swap ratio, and the time of occurrence.

This agreement clearly stipulates that authorisation to increase share capital may only be exercised if the sum of the capital required to execute the issue of convertible debentures or bonds, the exercise of warrants and any other share capital increases agreed pursuant to the authorisations granted by the General Meeting do not exceed 50% of the Company's share capital at the time of authorisation, and 20% of this total share capital if the issue of convertible debentures or bonds or warrants on newly issued shares waives preferential subscription rights.

Authorisation to acquire treasury shares.

Pursuant to item eight on the agenda, the Ordinary General Shareholders' Meeting on 30 April 2015 agreed to grant authorisation to the Company's Board to, either directly or through any of its subsidiaries, over a maximum period of five (5) years from the date of approval, at any time and on as many occasions as it deems appropriate, proceed to purchase shares in compliance with the conditions established in the legislation applicable, and particularly the following: (i) that at no time may the nominal value of the treasury shares purchased, directly or indirectly, when added to any already held by BME and its subsidiaries, exceed 10% of BME's subscribed share capital; (ii) that purchase may not render equity less than the amount of share capital plus the reserves legally restricted or restricted by the Articles of Association; (iii) that the shares acquired must be fully paid up and free of any liens or encumbrances, and not subject to the fulfilment of any kind of obligation; and (iv) that the acquisition price per share must not be less than the par value or more than 20% of the share price listing on the Spanish Electronic Trading Platform (SIBE) at the time of the acquisition.

A.11 Estimated working capital:

	%
Estimated working capital	86.85%

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.Yes ☒ No ☐

Description of restrictions

There are no restrictions under the law or under the Articles of Association on the acquisition or transfer of stakes in BME's equity, notwithstanding the stipulations below.

Despite the absence of legal restrictions on the acquisition of a shareholding in BME, the revised text of the Ley del Mercado de Valores (hereinafter, Spanish Securities Market Act), approved by Royal Legislative Decree 4/2015 of 23 October, grants the CNMV the power to object to the acquisition of significant stakes in the capital of BME pursuant to *Royal Decree 361/2007 of 16 March implementing Securities Market Act 24/1988 of 28 July concerning stakes in the capital of companies which manage secondary markets or securities registration, clearing and settlement systems*.

In accordance with the aforementioned Royal Decree the CNMV must be previously informed of any acquisition of BME shares which could reach directly or indirectly any of the following percentages of its capital or voting rights: 1%, 5%, 10%, 15%, 20%, 25%, 33%, 40% or 50%, or a lesser percentage that nonetheless permits the exercise of significant influence over the Company. "Significant influence" shall in any case be understood as the ability to appoint or remove at least one member of the Board.

The CNMV shall have a time limit of sixty (60) business days from the date of its acknowledgement of receipt of the notification to object to the intended acquisition, notwithstanding interruptions in the computation of the time limit allowed under Article 86 bis of Royal Decree 217/2008 of 15 February, partially amended by Royal Decree 1464/2018 of 21 December in relation to Article 176 of the Spanish Securities Market Act. If, during this time, the CNMV issues no statement, no objection shall be deemed to exist.

Pursuant to the provisions of Royal Decree 361/2007 of 16 March, this period is reduced for acquisitions of a significant stake equal to or higher than 1% but lower than 5%, or equal to or greater than 5% but less than 10%, of the Company's capital, in which case it shall be understood that the CNMV does not object if it has not issued a statement within the ten (10) business days or thirty (30) business days, respectively, following the date on which the information is relayed or from the time at which any additional information is furnished.

The CNMV may challenge the acquisition proposed if it considers there are reasonable grounds for doing so on the basis of the criteria established by Commission Delegated Regulation (EU) 2017/1943 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on information and requirements for the authorisation of investment firms, and furthermore when it considers this is necessary to guarantee proper functioning of markets or to prevent any distortions in markets, and if equivalent treatment of Spanish companies is not forthcoming in the country of origin of the acquirer, or of the party that controls the acquirer directly or indirectly. The CNMV shall notify the Ministry of Economic Affairs and Digital Transformation of its objection to the significant holding and the reasons on which this is based.

By virtue of that set forth in Additional provision, section 5 of the Spanish Securities Market Act, Government authorisation will be required for the company or companies that possess all the capital or a controlling stake in all or some of the companies and administer central counterparties, central securities depositories and Spanish official secondary markets, to take any action from which derives the loss of ownership, whether directly or indirectly, of all the share capital that they hold in each of the aforementioned companies or that results in the direct or indirect loss of control over the latter. Said authorisation shall be granted after the Autonomous Communities with competence in the matter, prior report of the National Securities Market Commission and at the proposal of the Minister of Economic Affairs and Digital Transformation.

In addition, even though there are no legal restrictions on voting rights, Article 178 of the Spanish Securities Market Act restricts the exercise of this right in the event of the irregular acquisition of significant holdings, i.e. shares acquired without the prescriptive authorisation of the CNMV, in the terms described.

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A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐ No ☒

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes ☐ No ☒

If so, please list each type of share and the rights and obligations conferred on each.

B. General Shareholders' Meeting

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.

Yes ☐ No ☒

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐ No ☒

Describe how it is different from that contained in the LSC.

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The Articles of Association and the Regulations of the Shareholders' Meeting set no special rules for amendments to the Articles of Association.

The procedure for amending the Articles of Association is governed by Articles 285 and following of the Corporate Enterprises Act, according to which changes in the Articles of Association must be agreed by the Shareholders' Meeting and the following requirements must be met:

- a) The Directors or, as appropriate, the shareholders submitting the proposal, shall draft the wording of the proposed amendment in full and shall also draft a written report justifying the proposal.
- b) The notice convening the Shareholders' Meeting must clearly set out the points to be amended and make reference to shareholders' right to inspect, at the registered office, the full text of the proposed amendments and of their supporting rationale, and to demand gratuitous delivery of such documents, which must also be made available to shareholders on the corporate website in accordance with Article 518 of the Corporate Enterprises Act.
- c) The resolution must be approved at the General Shareholders' Meeting in accordance with the rules on quorum and majorities laid down in Articles 194 and 201 of the Corporate Enterprises Act.

Article 197 bis of the Corporate Enterprises Act includes the requirement for separate votes on items or groups of items that are substantially independent and, under all circumstances, amendments to the Articles of Association.

As well as being subject to the normal rules governing Spanish public limited companies, as a holding vehicle for companies that manage central counterparties, central securities depositories and secondary markets in Spain, BME is also subject to Additional Provision Six of the Spanish Securities Market Act, which states that amendments to its Articles of Association must be authorised by the CNMV.

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B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Attendance data					
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
27/04/2017	16.08%	27.02%	0.09%	1.49%	44.68%
Of which, free float:	3.34%	27.02%	0.09%	1.49%	31.94%
26/04/2018	14.02%	28.23%	0.06%	1.09%	43.40%
Of which, free float:	1.26%	28.23%	0.06%	1.09%	30.64%
25/04/2019	2.04%	41.38%	0.09%	1.43%	44.94%
Of which, free float:	1.15%	29.32%	0.09%	1.43%	31.99%

B.5 State whether any point on the agenda of the General Shareholders' Meeting during the year has not been approved by the shareholders for any reason.

Yes ☐ No ☒

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐ No ☒

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐ No ☒

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

In the "Shareholders and Investors" section of the corporate website, www.bolsasymercados.es.

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C. Company Administrative Structure

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	9
Number of directors set by the general meeting	13

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Antonio J. Zoido Martínez	-	Other External Director	Chairman	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Javier Hernani Burzako	-	Executive	CEO	27/04/2017	27/04/2017	General Shareholders' Meeting Resolution
Ignacio Garralda Ruiz de Velasco	-	Independent	First Deputy Chairman	27/02/2014	26/04/2018	General Shareholders' Meeting Resolution
David María Jiménez-Blanco Carrillo de Albornoz	-	Independent	Lead Independent Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
María Helena Dos Santos Fernandes de Santana	-	Independent	Director	28/04/2016	28/04/2016	General Shareholders' Meeting Resolution
Ana Isabel Fernández Álvarez	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Joan Hortalá i Arau	-	Executive	Director	15/02/2002	27/04/2017	General Shareholders' Meeting Resolution
Juan March Juan	-	Proprietary	Director	30/10/2014	25/04/2019	General Shareholders' Meeting Resolution
Isabel Martín Castellá	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Santos Martínez-Conde y Gutiérrez Barquín	-	Proprietary	Director	30/10/2014	25/04/2019	General Shareholders' Meeting Resolution
Juan Carlos Ureta Domingo	-	Independent	Director	26/04/2018	26/04/2018	General Shareholders' Meeting Resolution
Total number of directors						11

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

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C1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisational chart of the company
Javier Hernani Burzako	CEO
Profile	
<i>Graduated 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.</i> <i>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.</i> <i>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).</i> <i>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.</i> <i>Between December 2012 and April 2017, he served as Managing Director of BME, where since March 2003 he has worked as Chief Financial Officer and member of the Coordination Committee.</i> <i>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 Chief Financial Officer 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.</i>	

Name or company name of director	Post in organisational chart of the company
Joan Hortalá i Arau	Director
Profile	
<i>Professor of Economic Theory at Barcelona University.</i> <i>Business professor, Graduate in Law, with a degree and PhD in Economics, with the Extraordinary Prize, from Barcelona University. He obtained diplomas from a number of foreign universities and is a Doctor in Economics from the London School of Economics and Political Science. Member of the Royal Academy of Economic and Financial Sciences.</i> <i>He is currently the Chairman of Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U. and Sociedad de Bolsas, S.A.</i> <i>Previously Dean of the Economics Faculty, and has held various posts at Barcelona University and on Spain's Scientific Research Council. He is the author of various books covering his specialist subject and publishes works and articles in Spanish and foreign journals. He has overseen 46 PhD theses. He is Manager of "Cuadernos de Economía". He is a member of the Advisory Board of the Autonomous University of Madrid.</i> <i>He has been Councillor on the Barcelona City Council, member of the Catalan Parliament and the Director for Industry and Energy of the Catalan regional government.</i> <i>He has been the Director of different public and private companies and Chairman of the Iberoamerican Federation of Exchanges (FIAB). Within the Group he has been the Director of the Clearing and Settlement Service and Iberclear and Vice-Chairman of MEFF.</i>	

Total number of executive directors	2
Percentage of the Board	18.18%

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
Juan March Juan	Corporación Financiera Alba, S.A.
Profile	
Degree in Business Administration and Management from the Colegio Universitario de Estudios Financieros (CUNEF) and an Executive MBA from IESE.	
He is currently Vice-Chairman of Corporación Financiera Alba, S.A. Vice-Chairman of Artá Capital, S.G.E.I.C., S.A. and a Director of Banca March, S.A.	
From 2006 to 2009 he worked at Goldman Sachs (London) where he performed his activities in the advisory service departments in the natural resources, energy, industrial, transport and infrastructure industries, and in trading, corporate finance and similar transactions in the capital markets for Euro-Asian companies.	
In 2009 he joined the March Group as Associate Director of Artá Capital, S.G.E.I.C., S.A., a venture capital company with approximately €800 million in assets under management, used to channel the development capital investment of Corporación Financiera Alba and other private investors.	
In 2010 Mr March Juan was appointed Director of Corporación Financiera Alba, S.A.	
In 2012 he was appointed as member of the Board of Banca March, S.A.	
He has been a Director of Mecalux, S.A., the Pepe Jeans-Hackett Group, Cobra Gestión de Infraestructuras, S.A. and OCIBAR, S.A.	

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment
Santos Martínez-Conde y Gutiérrez-Barquín	Corporación Financiera Alba, S.A.
Profile	
A civil engineer, with a Master's Degree in Business Administration and Management and a Degree in Nuclear Technology from the Universidad Pontificia de Comillas ICAI-ICADE.	
Mr Martínez-Conde is CEO of Corporación Financiera Alba, SA, and holds the position of Director in the companies Banca March, S.A., Acerinox, S.A., Indra Sistemas, S.A., CIE Automotive, S.A. and Artá Capital, S.G.E.I.C., S.A.	
Between 1979 and 1998 he worked in a professional capacity at a number of engineering companies and also in the financial sector: Sener, Técnica Naval e Industrial, S.A., Técnicas Reunidas, S.A., Bestinver, S.A., Corporación Borealis, S.A. and Banco Urquijo, S.A.	
Mr Martínez-Conde y Gutiérrez-Barquín has also held the position of Director at many listed and unlisted companies.	
Total number of proprietary directors	
Percentage of the Board	

2

18.18%

INDEPENDENT DIRECTORS

Name of director
Ignacio Garralda Ruiz de Velasco
Profile
<i>Graduate in Law from Madrid's Universidad Complutense.</i> <i>He has been Chairman of Mutua Madrileña since 2008, where he has been a Director since 2002, and was Second Vice-Chairman from 2005 to 2008. He was appointed CEO on 27 June 2013, and was re-elected to the position on 14 May 2015 and 14 May 2019.</i> <i>He has also worked as external independent Director at ENDESA since 2015, and as external proprietary Director at CaixaBank, S.A. since 2017. Between 2013 and 2017 he was a Director at Faes Farma, S.A. and Consorcio de Compensación de Seguros.</i> <i>He is Vice-Chairman 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.</i> <i>He was Trade Collegiate Broker between 1976 and 1982, when he gained his qualification to act as Forex and Stock Market Broker and began work at the Madrid Stock Exchange. He has been a Notary on unpaid leave since 1989.</i> <i>He was Founding Member of AB Asesores Bursátiles, S.A., where he served as Deputy-Chairman until 2001. He was Vice-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.</i>

Name of director
David María Jiménez-Blanco Carrillo de Albornoz
Profile
<i>Graduate in Economics and Business from the Colegio Universitario de Estudios Financieros (CUNEF).</i> <i>Since 2016, he has served as General Manager of Strategy and Restructuring at Abengoa, S.A.</i> <i>In 2018 he was appointed external independent Director of Árima Real Estate Socimi, S.A., and is Chairman of its Audit and Control Committee and a member of its Appointments and Remuneration Committee.</i> <i>Since 2010 he has served as a Director and member of the Investment Committee at Gawa Capital Management, an investment management firm. In 2019 he was appointed non-executive Director.</i> <i>He has also been a Trustee of Fundación Pablo Horstmann since 2018.</i> <i>Between 2014 and 2018 he was an independent external Director at Axiare Patrimonio Socimi, S.A., where he served as Chairman of the Audit Committee between 2017 and 2018, and as Chairman of the Remuneration Committee from since 2017.</i> <i>In 2011 and 2012, he was an independent Director and member of the Audit Committee at Atento Inversiones y Tele-servicios, S.A.</i> <i>Between 2013 and 2016 he was Chief Financial Officer (CFO) at World Duty Free Group, and between 2010 and 2013 he was Co-Founder and Partner at BK Partners, an investment management firm.</i> <i>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.</i> <i>Between 1995 and 2006 he worked at Goldman Sachs International, in different positions at the London and Madrid offices. Between 2000 and 2006 he served as Managing Director.</i>

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Name of director
María Helena Dos Santos Fernandes De Santana
Profile
<i>She is an economist, who studied at the Faculty of Economics and Administration of the University of São Paulo (FEA-USP).</i> <i>She is a member of the Board of Directors, Coordinator of the Staff, Appointments and Governance Committee and member of the Audit, Risk and Controls Committee at Oi, S.A., a Director of XP Inc., and Chairs its Audit Committee; member of the Audit Committee of ITAU UNIBANCO HOLDING, S.A.; co-ordinator IBGC - Instituto Brasileiro de Governança Corporativa Audit Committees since 2017; member of Consultative Committee of the MERCADO DE GOVERNANÇA DE ESTATAIS de BM&FBOVESPA; and a member of the B3 Issuers and Structurers Market Consultative Committee.</i> <i>She was also a member of the Board of Directors of IFRS FOUNDATION, an entity that is part of the INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB), between 2014 and 2019; member of the Mergers and Acquisitions Council (CAF); member of the Board of Directors and Chair of the Corporate Governance Committee of COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO, SA, between 2013 and 2017; member of the Board of Directors and Coordinator of the Audit Committee of TOTVS, S.A. between 2013 and 2017; a member of the Board of Directors at CPFL ENERGIA, S.A. between 2013 and April 2015; Executive Chairman of the Brazilian Securities And Exchange Commission (COMISIÓN DE VALORES MOBILIARIOS (CVM)) between 2007 and 2012; Director of this Commission between 2006 and 2007; and representative of the Commission on the FINANCIAL STABILITY BOARD (FSB) between 2009 and 2012.</i> <i>She was previously Chairman of the Executive Committee of the International Organisation of Securities Commissions (IOSCO) between 2011 and 2012, while also a member of the INTERNATIONAL INTEGRATED REPORTING COMMITTEE (IIRC); and Vice-Chairman of the Brazilian Institute of Corporate Governance or INSTITUTO BRASILEIRO DE GOVERNANÇA between 2004 and 2006, and member of its Board of Directors since 2001.</i> <i>She worked in Special Projects at the SÃO PAULO STOCK EXCHANGE (now known as B3) between 1994 and 2006, and was Executive Superintendent of Corporate Relations between 2000 and 2006. In this post, she was responsible for the supervision of listed companies and development of the "Novo Mercado" or New Market segment, which requires high standards of corporate governance.</i>

Name of director
Ana Isabel Fernández Álvarez
Profile
<i>Economist trained at the Faculty of Economics and Business, University of Oviedo.</i> <i>Professor of Financial Economics at the University of Oviedo since January 1991 and Colegio Universitario de Estudios Financieros, CUNEF, since September 2014.</i> <i>She is currently the Director of Colegio Universitario de Estudios Financieros and managing Director of CUNEF, S.L.</i> <i>She has had a seat on the Board of Directors and chaired the Audit and Compliance Committee and is on the Risk Committee at Mapfre, S.A. since July 2016. She is also a member of the Board at Mapfre Global Risks and Mapfre RE Compañía de Reaseguros, S.A. 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.</i> <i>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).</i> <i>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 Chair of the Scientific Association of Business Management and Economy (ACEDE) and editor of the magazine CEDE.</i>

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Name of director
Isabel Martín Castella
Profile
Graduate in Economics and Business from the Complutense University, Madrid. In 1997, she passed the entrance exam and was accepted into Spain's Higher Corps of Commercial Technicians and Economists. 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. Furthermore, since 2017 she has sat on the Board of Directors at Unicaja Banco, S.A. as an independent Director and Lead Independent Director, Chairman of the Risk Committee and a member of the Audit and Regulatory Compliance Committee. She is a member of the Advisory Board at Venture Capital Management Firm GED and sits on the Board of GED Infraestructuras. Between 1977 and 1985, she occupied a range of posts at the Ministry of Finance and the Ministry of Trade and Tourism; and between 1985 and 1987 she served as Chief of Staff to the Vice-Chairman of the Spanish Institute of Industry (INI), and 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 Vice-Chairman and member of the Board of Directors at the European Investment Bank (EIB) in Luxembourg. Between 2006 and 2011, she occupied the post of Manager of the Madrid International Financial Centre Association. Furthermore, in 2012 and 2013, she was Chair 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.

Name of director
Juan Carlos Ureta Domingo
Profile
Graduate in Law and Economics (Lawyer specialising in economics) from the University of Deusto (Bilbao). State Attorney of Class 1980 (currently on unpaid leave) and has worked as a Stockbroker at the Madrid Stock Exchange since 1986. He is currently the executive Chairman of Renta 4 Banco S.A. He is also a member of the Board of Directors of Saint Croix Holding Immobilier, SOCIMI, S.A., and 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 1989 and 2019 Mr Ureta was member of the Sociedad Rectora de Bolsa de Valores de Madrid, S.A.U., member of the Board of Directors of Spanish Stock and Markets between 2002 and 2006 and member of the Board of Administration of the Service of Compensation and Liquidation of Securities (currently Iberclear) between 1996 and 2003.
Number of independent directors
6
Percentage of the Board
54.55%

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes



No



Partial policies



Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

Since 2014 the Board of Directors has operated medium and long-term planning of the structure and composition of the Board (hereinafter, "Medium and long-term Planning for the Board of Directors"), which includes the criteria that must determine the structure and composition of the Board of Directors, and defines the profile of knowledge, skills and professional experience required of Board appointees in due consideration of each category.

As a result of the new structure presented by the Company since the Ordinary General Shareholders' Meeting held on 25 April 2019, the medium and long-term Planning of the Board of Directors has been amended by agreement of the Board of Directors, in its meeting held at the end of said General Shareholders' Meeting, an amendment which, among other issues, places greater emphasis on the diversity criteria to be taken into account during any process for selecting candidates for the position of Directors.

In accordance with the aforementioned planning, for the selection of candidates for the position of Director classified as independent or "other external Directors", and for the Board of Directors to reflect diversity of knowledge and professional experiences, the Appointments and Remuneration Committee considers whether their professional experiences and profiles differ from and are complementary to those of the other members of the Board of Directors at any given time.

Moreover, the Appointments and Remuneration Committee, as part of its competence for proposing the appointment of Directors considered independent or "other external Directors", ensures that the selection process takes account of gender diversity criteria, to give priority to criteria relating to the professional experience and profiles of candidates, and the nationality or habitual residence of candidates, circumstances which may be considered relevant for the purposes of giving the Board of Directors an alternative vision from the point of view of culture.

Regarding the appointment of candidates as proprietary Directors, it should be pointed out that, since the proposal to appoint the person to take up the directorship is the exclusive prerogative of the significant shareholder, the Appointments and Remuneration Committee shall be notified that there was no gender discrimination in the selection process.

The criteria for diversity, both gender and nationality or place of habitual residence of the candidate has been included in the identification process in the aforementioned amendment of the medium and long-term Planning of the Board of Directors for the selection of candidates for Directors classified as executives.

The courses of action intended to attain a balanced presence in terms of gender diversity in 2019, and the outcome of these, are described in section C.1.7 of this report.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

At its meeting on 23 December 2015, the Appointments and Remuneration Committee agreed to set the target for the gender with the least representation on the Board of Directors at 30% of the total number of Directors and, in order to attain this percentage, agreed that for each vacancy for an independent Director to be filled, at least 50% of the professional CVs considered by the Appointments and Remuneration Committee would belong to women.

Within the scope of its duty to propose the appointment of independent Directors and "other external Directors", the Appointments and Remuneration Committee has actively sought female candidates to fill vacancies for independent directorships arising since the Company's shares were first admitted for trading, also ensuring that the Director selection processes do not discriminate due to gender diversity.

As a result of this active work, a majority of the proposals for the appointment of independent Directors proposed by the Appointments and Remuneration Committee since the admission to trading of its shares on the Stock Exchanges have been women, which at 31 December 2019 represented 27.27% of the total of the members of the Board of Directors thus approaching the objective of representing the gender least represented in said body.

Moreover, with regard to the other categories of Director, the Appointments and Remuneration Committee ensures that selection procedures are not biased against female candidates.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Medium and long-term Planning for the Board of Directors, mentioned above in section C.1.5 above, includes the agreement by the Appointments and Remuneration Committee to set the percentage of the least represented gender on the Board of Directors at 30% by the year 2020.

To reinforce the role of the Appointments and Remuneration Committee in the identification of candidates for Directors qualified as independent or "other external Directors", in 2016 the Board of Directors approved, at the proposal of the Appointments and Remuneration Committee, an internal action procedure for the selection of candidates for Directors qualified as independent or "other external Directors" that establishes the mechanism to propose Directors from said categories to fill the vacancies presented by the Board of Directors at any given time in an orderly and planned manner.

In 2019, there were no proposed appointments of any Director qualified as an independent or "other external Director".

The Appointments and Remuneration Committee considers that the degree of compliance with the medium and long-term Planning of the Board of Directors and the procedures for selecting candidates throughout the year 2019 has been satisfactory, allowing it to verify compliance by Mr Juan March Juan and Mr Santos Martínez-Conde y Gutiérrez Barquín of the requirements established in said medium and long-term Planning of the Board of Directors for Directors qualified as proprietary and, consequently, to report favourably on the proposals for their respective re-elections as Directors of the Company, approved by the Ordinary General Shareholders' Meeting held on 25 April 2019.

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Likewise, the medium and long-term Planning has allowed the Appointments and Remuneration Committee to assess that the aforementioned proposals for the re-election of Directors would not involve an amendment to the functional structure of the Board of Directors, which, after the re-elections, will continue to have a large majority of external Directors compared to Executive Directors and a majority representation of independent Directors, nor would it affect the proportion of women over the total members of the Board of Directors in this body.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

☐

No

☒

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director o comisión

Javier Hernani Burzako

Brief description

By virtue of the agreement adopted by the Board of Directors on 27 April 2017, all powers of the Board of Directors have been delegated to the Chief Executive Officer, with the exception of those that cannot be delegated by law.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Antonio J. Zoido Martínez	Sociedad Rectora de la Bolsa de Valores de Madrid, S.A.U.	Chairman	No
Antonio J. Zoido Martínez	Sociedad de Bolsas, S.A.	Director	No
Javier Hernani Burzako	Bolsas y Mercados Españoles Servicios Corporativos, S.A.	Joint Director	Yes
Javier Hernani Burzako	Bolsas y Mercados Españoles Inn-tech, S.A	Joint Director	Yes
Joan Hortalá i Arau	Sociedad Rectora de la Bolsa de Valores de Barcelona, S.A.U.	Chairman	Yes
Joan Hortalá i Arau	Sociedad de Bolsas, S.A.	Chairman	Yes

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C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Ignacio Garralda Ruiz de Velasco	CAIXABANK, S.A.	Director
Ignacio Garralda Ruiz de Velasco	ENDESA, S.A.	Director
David María Jiménez-Blanco Carrillo de Albornoz	ÁRIMA REAL ESTATE, SOCIMI, S.A.	Director
Juan March Juan	CORPORACIÓN FINANCIERA ALBA, S.A.	Deputy Chairman
Santos Martínez-Conde y Gutiérrez-Barquín	CORPORACIÓN FINANCIERA ALBA, S.A.	CEO
Santos Martínez-Conde y Gutiérrez-Barquín	ACERINOX, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	INDRA SISTEMAS, S.A.	Director
Santos Martínez-Conde y Gutiérrez-Barquín	CIE AUTOMOTIVE, S.A.	Director
Ana Isabel Fernández Álvarez	MAPFRE, S.A.	Director
Isabel Martín Castellá	SACYR, S.A.	Director
Isabel Martín Castellá	UNICAJA BANCO, S.A	Director
Juan Carlos Ureta Domingo	RENTA 4 BANCO, S.A.	Chairman
Juan Carlos Ureta Domingo	SAINT CROIX HOLDING IMMOBILIER SOCIMI, S.A.	Director
Maria Helena dos Santos Fernandes de Santana	OI, S.A.	Director
Maria Helena dos Santos Fernandes de Santana	XP INC.	Director

Remarks

María Helena dos Santos Fernandes de Santana is a member of the Audit Committee at ITAU UNIBANCO HOLDING, S.A.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☒ No ☐

Explanation of the rules and identification of the document where this is regulated

Article 23 of the Board of Directors' Regulations establishes that the Company's non-executive Directors may not hold directorships in more than four (4) companies whose shares are listed for trading on domestic or foreign stock exchanges. Directorships in companies belonging to the same Group and those in representation of the same significant shareholder they represent in the Company shall be considered a single post. Executive Directors may not hold directorships at any listed company.

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C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	2.708 ^(*)
Amount of vested pension interests for current members (thousand euros)	2.695
Amount of vested pension interests for former members (thousand euros)	0

Remarks

(*) This figure does not include the amount of the shares that, where appropriate, will be delivered to the Executive Directors, Mr Javier Hernani Burzako and Mr Joan Hortalá y Arau, as well as Mr Antonio J. Zoido Martínez, as a result of the executive functions assigned to them up until the General Shareholders' Meeting of 2019, as a result of the maturity of the only period of validity of the medium-term variable compensation Plan described in section A.3 of this Report.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year: ^(*)

Name	Position
Berta Ares Lombán	Head of Value Added Services
Marta Bartolomé Yllera	Chief Financial Officer
Jesús Benito Naveira	Head of Settlement and Registry
Luis María Cazorla Prieto	General Secretary and Secretary to the Board
Pablo Malumbres Muguerza	Head of Corporate Communication and Public Affairs
Francisco Nicolás Tahoces	Head Technology Director
Ignacio Olivares Blanco	Head Of Legal Affairs
José Manuel Ortiz-Repiso Jiménez	Head of the Office of the CEO
Arantza Tellería de la Fuente	Head of Internal Audit Department
Jorge Yzaguirre Scharfhausen	Chairman of Meff and BME Renta Fija and Head of Markets and Market Data

Total senior management remuneration (thousand euros)

3,120^(**) ^(***)

Remarks

(*) Senior management includes members of the Management Committee and the General Secretary and Secretary to the Board and, in accordance with the instructions in the model annual corporate governance report, the Head of the Internal Audit Department.

(**) This amount includes the remuneration received from BME and the rest of the Group companies by Mr Jaime Aguilar Fernández-Hontoria up until 9 May 2019, date on which he stood down as Head of Legal Affairs; by Mr Ramón Adarraga Morales up until 27 May 2019, date on which he stood down as Head of International Coordination and Value Added Services; by Ms Berta Ares Lombán since 27 May 2019, date on which she was appointed Head of Value Added Services; by Mr Ignacio Olivares Blanco, from 9 May 2019, date on which he was appointed Head of Legal Affairs; and by Mr José Manuel Ortiz-Repiso Jiménez, from 9 May 2019, when he was appointed Head of the Office of the CEO. On the aforementioned dates, Ms Ares Lombán and Messrs Olivares Blanco and Ortiz-Repiso Jiménez joined the Management Committee.

This amount does not include compensation and settlement for the termination of the employment relationship paid during the year to previous and current members of senior management.

(***) The total remuneration received by senior management includes remuneration received from both BME and other Group companies.

This amount includes the estimated amount of variable remuneration for 2019; post-employment benefits in favour of these executives in the amount of €228,000, consisting of the annual periodic contribution to the insurance arranged as a supplementary pension; premiums payable for a collective life assurance policy carrying social provision benefits to cover retirement, death and permanent disability; and the Group's contributions to defined-contribution plans.

This figure does not include the €253,000 paid in 2019 to members of senior management as per diems, or the amount of the shares that, where appropriate, shall be received by members of senior management as a result of maturity of the sole validity period of the Medium-term Variable Remuneration Plan described in section A.3 of this Report.

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C.1.15 State whether the Board rules were amended during the year:

Yes ☒ No ☐

Description of amendment

The Board of Directors, at its meeting held on 25 April 2019, agreed to modify the Regulations of the Board of Directors for its adaptation to the Company's new corporate governance structure.

Specifically, this change was intended to remove the references to the executive status of the Chairman of the Board of Directors and adapt his functions to those of non-executive Chairman; maintain the figure of the Lead Independent Director regardless of the non-executive qualification of the Chairman of the Board of Directors and adapt his duties; abolish the statutory obligation to establish an Executive Committee and eliminate references to this body contemplated in the Board of Directors Regulations; adapt the functions of the Board of Directors in matters of non-financial information derived from Law 11/2018 of 28 December and assign to the Audit Committee the corporate social responsibility functions entrusted to the Executive Committee up until its removal.

The Company shall report the aforementioned amendment to the General Shareholders' Meeting at the next meeting, which was entered in the Madrid Companies Registry on 26 June 2019.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Procedures for appointing, re-electing, evaluating and removing Directors are described in Articles 26, 36 and 38 of the Articles of Association and Articles 6, 10, 20, 22 and 23 of its Board of Directors Regulations. The criteria for selection of candidates are set out in the Medium and long-term Planning for the Board of Directors referred to in section C.1.5 of this report, implemented by the Board of Directors at the behest of the Appointments and Remuneration Committee in the "Procedure for the selection of candidates qualifying as independent or "other external Directors""..

1.- Appointment.

1. A - Responsibility.

The number of Company Directors as per the maximum (15) and minimum (9) set by the Articles of Association, as well as the appointment of Directorships, shall be established at the General Shareholders' Meeting.

In accordance with the agreement approved at the Ordinary General Shareholders' Meeting held on 27 April 2017, the Board of Directors shall comprise thirteen (13) members.

However, if any vacancies exist, the Board of Directors, by virtue of the powers of co-option legally attributed to it, may appoint the persons to fill these vacancies until the next General Shareholders' Meeting is held, for which the condition of shareholder shall not be necessary. Should a vacancy arise after the General Shareholders' Meeting has been called but before it has been held, the Board of Directors may appoint a Director until the next General Shareholders' Meeting is held.

1. B.- Appointment requirements.

Candidates proposed by the Board of Directors for appointment or re-election as Directors must be persons of acknowledged prestige, solvency and integrity, who have the necessary expertise for the performance of their functions. Moreover, those who have reached the age of 75, in the case of non-executive Directors, and the age of 70 in the case of executive Directors, cannot be appointed or re-elected as Directors.

The medium and long-term planning for the Board of Directors, referred to in section C.1.5 of this report, sets out the additional requirements that must be met by the candidates for Director depending on the category of directorship that they are to undertake.

The proposed Board candidates must not be affected by any conflict of interests or prohibition set out in the Articles of Association and Board of Directors Regulations, and need not be shareholders to be appointed as Directors.

In accordance with the provisions of Article 23 of the Board of Directors Regulations, the Company's non-executive Directors may only hold the position of director on four (4) Boards of companies the shares of which are admitted for trading on Stock Exchanges, in the terms set out in section C.1.12 of this report, and executive Directors may not hold the position of director in any listed company.

1. C.- Term of office.

The Directors shall hold office for a period of four (4) years and may be re-elected on one or more occasions for the same term of office.

1. D.- Procedure.

The Appointments and Remuneration Committee is responsible for proposing the appointment or re-election of members of the Board of Directors if they are independent or "other external Directors", and the Board of Directors is responsible for doing so in all other cases. In the latter case, a preliminary report shall be issued by the Appointments and Remuneration Committee.

Pursuant to regulations, the proposals for appointment shall be accompanied by an explanatory report by the Board of Directors in which the proposed candidate's competence, experience and merit are evaluated. This shall be attached to the minutes of the General Meeting or of the Board meeting.

Following a proposal by the Appointments and Remuneration Committee, within the scope of its competences to propose and appoint independent or other external Directors, the Board approved the aforementioned "Procedure for the selection of candidates qualifying as independent or other external Directors", which establishes the procedure to be followed in the event of a vacancy on the Board of Directors which the Appointments and Remuneration Committee considers must be filled by an independent Director or "other external Director".

To summarise, this Procedure establishes that the Appointments and Remuneration Committee shall initially determine the academic profile, professional experience and diversity criteria that must be met by the candidate, and to this end it shall take account of the medium and long-term Planning of the Board, and shall take account of the various profiles of professional training and experience of members of the Board of Directors at any given time.

When the Appointments and Remuneration Committee has received the professional CVs of the candidates from Directors and, where applicable, from the external consultant or consultants, it shall check the mandatory legal requirements and shall exclude any candidates that do not meet the characteristics of the profile determined.

Following an appraisal of the suitability of the candidates in accordance with the criteria determined by the Company and their availability, the Appointments and Remuneration Committee shall submit a selection of alternative proposals for appointment to the Board of Directors, in the order of preference given to candidates, to fill the vacancy on the Board.

The Board of Directors shall submit the proposal to the General Shareholders' Meeting to appoint the candidate it deems most suitable for proper operation of the Board, or shall appoint new Directors via the co-opting system.

The General Shareholders' Meeting shall vote separately on the appointments or re-elections of Directors so that shareholders may exercise their voting preferences separately.

>> Consolidated Directors' Report / **Corporate Governance Report**1. E.- Breakdown of Directorships by type.

The Board of Directors shall seek to distribute its members among the different types of Director after the fashion best suited at any given time to the Company's ownership structure and its corporate purpose and the corporate purpose of group companies. However, the Board shall be obliged to submit its proposals at the General Shareholders' Meeting and appointments by co-option in such a way that external or non-executive Directors are a majority over executive Directors and that there is a significant presence of independent Directors.

2.- Re-election.

Proposals for the re-election of Directors, in addition to observing the same procedures as for appointments, also take into account the quality of the services provided by the Director and their commitment during the previous term. Directors standing for re-election shall not take part in any discussions or decisions concerning their re-election.

3.- Appraisal.

The Board of Directors shall annually assess the efficiency of its operation and the quality of its work on matters within its remit. The Board shall also assess the operation of its Committees based on the Reports they prepare on the performance of their tasks.

In addition, 2019 saw the completion of the evaluation carried out in 2018 by the independent expert, Egon Zehnder International, S.L., on the quality and efficiency of the Board of Directors, the operation and composition of its Committees and the diversity in the composition and powers of the Board of Directors, in the terms described in section C.1.17 below.

4.- Resignation and removal.

Directors shall step down at the end of the term for which they were appointed, unless they are re-elected, or when it is so decided at the General Shareholders' Meeting.

The Board of Directors may not propose the removal of any independent Directors before the expiry of the term for which they were appointed, unless they have just cause on the basis of a proposal from the Appointments and Remuneration Committee. Just cause shall be deemed to exist when the Director occupies new positions, undertakes new obligations preventing him/her

from devoting sufficient time to performing Director functions, when he/she breaches the duties inherent in his/her post or when any of the circumstances arise causing a conflict with his/her status as independent.

Directors who stand down from the Board before the end of their term for any reason must explain the reasons therefore in a letter sent to all Board members.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:**Description of changes**

In 2018 the Appointments and Remuneration Committee commissioned independent expert Egon Zehnder International S.L. to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its delegated Committees and the diversity in the composition and responsibilities of the Board of Directors, as referred to section C.1.16.

This evaluation process culminated in the presentation to the Board of Directors on 27 May 2019 of the report that included the conclusions reached by the independent expert on the opinions expressed by the Directors. This report showed that, in general, the Directors had shown satisfaction with the organisation, operation, responsibility and effectiveness of both the Board of Directors and its Committees, although it contained a series of recommendations for improvement in the various areas covered by the evaluation.

The Board of Directors entrusted the Appointments and Remuneration Committee to conduct an analysis of the recommendations for improvements stated by the independent expert, notwithstanding the fact that some of them were adopted by the Board immediately.

The Appointments and Remuneration Committee analysed these recommendations at various meetings and, in compliance with the task entrusted by the Board of Directors, submitted the proposals for improvement it had considered appropriate as well as the action plans required to comply with them before this body.

As a result, the following measures were adopted in 2019, inter alia:

- Regarding the structure and composition of the Board of Directors, the figure of the Legal Advisor of the Board of Directors has been removed.
- Regarding the operation and responsibilities of the Board of Directors, organisational measures have been adopted, such as those related to the schedule of meetings of this body, the issues addressed in them and the order in which they will be analysed; the call to meetings of the members of senior management of the BME Group; and the information to be received at the meetings of the Delegated Committees of the Board of Directors.
- Regarding the composition and operation of the delegated Committees of the Board, the Executive Committee has been removed and the frequency of the meetings of the Market and Systems Operating Procedures Committee has been reduced.

In addition to the report by the independent expert, in 2019 the Board approved its Report of activities assessing its functioning in the terms described in the next section of this heading, and this report did not state the need for any further changes to the internal organisation of the Board or to the procedures applicable to its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

Assessment of the Board of Directors.

In accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, each year the Board of Directors assesses the efficiency of its operation and the quality of its work on matters within its remit. The Board also assesses the operation of its Committees based on the reports they prepare on the performance of their tasks.

Every year each of the Board's Committees, with the participation of all their members and under the management and coordination of their respective Chairmen, prepares and approves a Report on the actions undertaken in the financial year, to be furnished to the Board of Directors. Following the same procedure, and also with the participation of all the Directors, the Board of Directors prepares a report on its own actions.

On the basis of these reports, the full Board of Directors assesses the internal organisation and operation of the Board and its Committees; the suitability of the procedures followed for calling meetings; the quality and suitability of the documentation issued to the Directors; the advance notice with which this documentation has been issued; the level of attendance of the Directors at the meetings of the collegiate bodies of which they form part; and the running of their meetings. The Board of Directors also assesses the support and information received from each of the Board's Committees within the scope of their respective powers.

2019 saw the completion of the external assessment process of the quality and efficiency of the composition and operation of the Board of Directors and its delegate Committees and the diversity in the composition and responsibilities of the Board of Directors, entrusted by the Appointments and Remuneration Committee to an independent expert, Egon Zehnder International, S.L., in accordance with Recommendation 36 of the Good Governance Code of Listed Companies.

In order to carry out this assessment, all members of the Board of Directors were sent with a questionnaire relating to the structure and composition of the Board, its operation, the contribution and development of its responsibilities and powers. It also requested their personal assessment of the effectiveness and contribution of the Board of Directors. The members of the delegated Committees of the Board of Directors shall analyse the same aspects with regards to the Committees of which they form part.

Subsequently, the independent expert held personal interviews with each of the members of the Board of Directors in order to go into more detail regarding the answers to the aforementioned evaluation questionnaire.

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This external evaluation process ended with the presentation of the independent expert's report to the Board of Directors in which the conclusions reached and recommendations for improvement regarding the quality and efficiency of the Board of Directors' operation and composition, the operation and composition of the delegated Committees and the diversity in the composition and powers of the Board of Directors, to which reference has been made in the previous section..

Assessment of the Chairman and the CEO.

Pursuant to the provisions of Article 10.4 of Board of Directors Regulations, this collegiate body annually assesses the performance of the functions by the Chairman of the Board of Directors and the CEO. The evaluation process of the Chairman, regardless of his qualification as executive or non-executive, will be directed by the Lead Independent Director pursuant to the provisions of articles 10.4 and 15 c) of the aforementioned Regulation.

In order to encourage the active participation of all Directors in the evaluation process of the Chairman of the Board and the Chief Executive Officer, the Board of Directors has a Process for evaluating the performance of their duties by the Chairman of the Board and by the Chief Executive Officer, which was amended on 25 April 2019 to adapt it to the new corporate governance structure of the Company after the General Shareholders' Meeting of that same date.

Pursuant to the provisions of this Process, in January 2020 the Directors were sent a questionnaire assessing performance of the functions of the Chairman and the CEO, in order to compile their individual impressions and opinions.

The aspects which shall be taken into account to assess exercise of the functions of the Chairman of the Board of Directors are dedication to the post of Chairman, leadership capacity on the Board of Directors, and quality of relations with the other Directors.

The aspects to be taken into account regarding to assessment of exercise of the functions of the CEO shall be dedication to the post, relations with the Chairman, the Board as a whole and Directors on an individual basis, leadership capacities in the ordinary management of Company business, in carrying out the Company's strategy and organisation and management of the administration team and employees of the Company to meet its objectives.

The Appointments and Remuneration Committee shall examine and approve the reports assessing the functions of the Chairman and the CEO, and they shall be submitted to the Board of Directors.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

In 2019, no external independent consultants were tasked with the assessment of the operations and organisation of the Board of Directors and its delegated Committees. The only link between the Company and the external independent consultant, Egon Zehnder International S.L. is that derived from the completion of the assessment in 2019 it was tasked with in 2018.

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C.1.19 State the situations in which directors are required to resign.

Under Article 38.2 of the Articles of Association and sections 3 and 4 of Article 22 of the Board of Directors Regulations, the members of the Board of Directors must tender their resignation in the following circumstances:

- in cases of incompatibility or prohibition stipulated by the Articles of Association and Board of Directors' Regulations;
- in the case of proprietary Directors, when the shareholder they represent sells its entire shareholding, or in the appropriate numerical proportion to any reduction in that shareholder's stake;
- in general, when their continuation as Board members could jeopardise the Company's interests.

When the aforementioned circumstances affect an individual representing a legal entity that is a Director, the entity must immediately replace that representative.

In addition to the above, and as stated in section C.1.16, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, may propose the removal of independent Directors when the Director occupies new posts or assumes new obligations preventing him/her from devoting sufficient time to performing Director functions, breaches the duties inherent in his/her post, or when any of the circumstances arise causing a conflict with his/her status as independent.

C.1.20 Are qualified majorities other than those prescribed by law required for any specific decision?:

Yes ☐ No ☒

If so, please describe any differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐ No ☒

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☒ No ☐

	Age limit
Chairman	0
CEO	0
Directors	0

Remarks

Article 6.2 of Board of Directors Regulations establishes a maximum age limit for the appointment or re-election of Directors, set at 75 for non-executive Directors and 70 for executive Directors, in accordance with the nature of the functions they carry out.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐ No ☒

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 29.2 of the Articles of Association and Article 11 of the Board of Directors Regulations stipulate that in the event of members of the Board of Directors being unable to attend a meeting in person they may appoint another Director to represent them. No upper limit is specified on the number of proxy appointments a single Director may hold. It is specified that non-executive Directors can only delegate their representation to another non-executive Director.

Proxies must be appointed in writing specifically for each meeting and the appropriate instructions as to how to represent the Director appointing them must be given.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	17
Number of Board meetings without the Chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	2
--------------------	---

Remarks

This figure is the number of meetings up to 31 December 2019 held by the lead independent director with the other directors, without the attendance or representation of any executive director. These meetings were held as part of the Working Group created in 2015, and are made up of the non-executive Directors who form part of the Board of Directors at any given time.

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Audit Committee	10
Number of meetings held by the Appointments and Remuneration Committee	9
Number of meetings of the Markets and Systems Operating Procedures Committee	9

Remarks

On 25 April 2019, after the necessary amendment to the Articles of Association by resolution of the General Shareholders' Meeting, the Board of Directors unanimously agreed to abolish the Executive Committee, without the Executive Committee having held a meeting at that date.

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:

Number of meetings when at least 80% of the directors attended	16
% of attendance over total votes during the year	93.05%
Number of meetings in situ or representations made with specific instructions of all directors	8
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	93.05%

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C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☐ No ☒

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The mechanisms established to prevent the individual and consolidated financial statements from being laid before the General Shareholders' Meeting with a qualified audit report are set out in Articles 8, 19 and 31 of the Board of Directors' Regulations.

Specifically, Article 8 of Board Regulations states that the Board of Directors shall be responsible for ensuring that the Company's individual and consolidated financial statements and directors' report provide a true and fair view of its assets, the financial position and results, according to legal requirements. Furthermore, each and every Director must have access to all the necessary information before they put their signature to the financial statements.

Article 31 of these Regulations also establishes that the Board of Directors shall adopt the necessary measures to ensure that the half-yearly and quarterly reporting and any other financial reporting that is made available to the securities markets is prepared in accordance with the same principles and practices as are used in the preparation of the annual financial statements, and that it is equally reliable.

Likewise, under Article 19 of Board of Directors Regulations, the Audit Committee is responsible for liaising with the external auditors in order to receive information on any issues connected with the auditing procedure, and to maintain with the auditors the communications envisaged in audit

legislation and in the technical auditing regulations. The Audit Committee also receives information on a regular basis regarding the audit plan and the results of its execution, and ensures that the auditors' recommendations are taken into consideration by senior management.

In the exercise of its duties, the Audit Committee invites the external auditor to attend its meetings whenever it is deemed appropriate and, in any event, when the agenda includes the audit assessment preceding the issue of the Company's and the Group's financial statements and Directors' report or the release of the Company's half-year report.

The Chief Financial Officer also attended meetings of the Audit Committee, convened to address issues within their remit, to enable the Committee to conduct rigorous monitoring of the preparation of regular public disclosures.

In addition, the Article 8.1 of the Board of Directors Regulations establishes that in the event the auditors' report on the financial statements contains reservations or qualifications, the Chairman of the Audit Committee and the auditors themselves shall explain to shareholders and to the markets the content and scope of such reservations and qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes ☐ No ☒

If the secretary of the Board is not a director, please complete the following table:

Name of the secretary	Representative
Luis María Cazorla Prieto	-

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

1. Mechanisms established by the Company to preserve the independence of external auditors.

In accordance with Article 7.4 of the Board of Directors Regulations, the Board of Directors, acting in full and through its Committees, with the support of the Audit Committee, is responsible for ensuring the external auditor is both independent and professionally acceptable.

Article 19 of the Board of Directors Regulations authorises the Audit Committee to maintain relations with the external auditors in order to receive detailed individual information on any issues that might jeopardise the auditors' independence and, where applicable, to authorise services other than those prohibited in the terms established by regulations, and to monitor compliance with the regulations in force concerning the provision of additional services other than audit services, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence.

In this regard, each year the Audit Committee shall receive from the auditors written confirmation of their independence vis-à-vis the Company, in addition to detailed individual information on any other type of service provided by the auditors and the fees received by the auditors or persons or entities related to them, and shall issue a report each year, prior to the auditor's report, stating an opinion on whether the independence of the auditors has been compromised. The report must contain a motivated assessment of provision of each and every additional service, considered individually and together, other than statutory legal services, and in relation to the regime of independence or to the regulations governing the auditing of accounts.

At meetings on 25 February and 30 July 2019, the Audit Committee received from the external auditors, *PricewaterhouseCoopers Auditores, S.L.*, written confirmation of the independence with which they had acted in the audit of the yearly and half-yearly financial statements, respectively.

In addition, at its meeting held on 7 October 2019, the Audit Committee authorised the provision of services by the external auditor, *PricewaterhouseCoopers Auditores, SL*, consisting of the audit of the information related to the Internal Control System on Financial Information (ICFR) and the verification of the Non-Financial Information Statement (NFIS) corresponding to the year 2019 after assessing that with said provision of services would not put their independence at risk.

2. Mechanisms established by the Company to preserve the independence of financial analysts.

The Investor Relations Department, a division of the Finance Department, provides institutional investors and financial analysts with all possible information on the Company's performance, periodic results and strategy. The management of information by the department of Investor Relations is carried out with the utmost respect for the principles of transparency and non-discrimination, and always in the strictest compliance with regulations relating to the securities markets and the policy for communicating with shareholders, analysts, institutional investors and proxy advisors.

3. Mechanisms established by the Company to preserve the independence of investment banks and rating agencies.

The principles applicable to the information provided and communications of the Company with the credit rating and information agencies are included in the Policy for Communicating with shareholders, analysts, institutional investors and proxy advisors.

In particular, the principles on which the Company's relationship with rating and information agencies (rating) are based are transparency, equal treatment and non-discrimination.

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C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☒

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐ No ☒

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes ☒ No ☐

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	45	0	45
Amount invoiced for non-audit services / Amount for audit work (%)	13.23%	0.00%	7.12%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations:

Yes ☐ No ☒

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	7	7

	Individual	Consolidated
Number of years audited by current audit firm/Number of fiscal years the company has been audited (by %)	38.88%	38.88%

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒ No ☐

Explanation of procedure

Board of Directors meetings are generally called at least six days in advance of the date on which they are scheduled to be held. The call notice includes the agenda of the Board of Directors meeting and the relevant documentation and information concerning the items on the agenda.

In accordance with Articles 13.2.c) and 16.2 of the Board of Directors Regulations, the Chairman of the Board of Directors, assisted by the Secretary, ensures that the Directors receive, with sufficient notice and in the appropriate format, the information necessary to discuss the matters included in the agenda of the corresponding meetings.

Furthermore, under Article 24 of the Board of Directors Regulations, Directors shall have the powers to obtain information on any aspect of the Company and its group, and shall be granted access to any documents, registers, past records or any other information they may require.

All requests for information shall be addressed to the Chairman and shall be dealt with by the Secretary of the Board of Directors who shall directly provide the information required or put the Director in contact with the appropriate person within the Company, while ensuring that the necessary measures are taken to guarantee that the Directors' right to information is met to their full satisfaction.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒ No ☐

Explain the rules

Article 28 of the Board of Directors' Regulations stipulates that, amongst their duties to inform, Directors shall disclose any fact or situation which may affect the nature or terms under which their appointment as Directors was made, or which could materially influence their activity as Directors. More specifically, this article establishes that they must disclose any legal, administrative or other types of claims affecting them the importance of which could seriously affect the Company's image.

In addition, Articles 38.2 of the Articles of Association and 20.4 of the Board of Directors Regulations stipulate that Directors must resign when their continuation in office could jeopardise the Company's interests.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐ No ☒

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

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C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Company has not formalised significant agreements with the characteristics described.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	4
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Type of beneficiary

The CEO and three (3) members of senior management.

Description of agreement

1. Executive directors.

There are no such clauses which include benefits for executive Directors, except for the CEO.

The Directors' Remuneration Policy for 2019, 2020 and 2021 contains, among other issues, the main conditions of the "Contract of Director with executive functions" signed by BME and Mr Javier Hernani Burzako whereby, in the event of departure, revocation of his powers or authorisation, or termination of the contract at his behest on the basis of non-compliance with the obligations undertaken by the Company, the CEO shall be entitled: "To receive the greater of the two following amounts: (i) payment of the amount equivalent to two years' fixed and annual variable remuneration existing at the moment of termination of the employment relationship as CEO or (ii) the legal compensation pursuant to the Workers' Statute at that time for any dismissal considered unfair.

If termination results from a failure to fulfil his duties as CEO of the Company duly declared by a court and/or any of the cases needed for BME to be able to take corporate action against him for liability concur, neither resumption of the employment relationship nor payment of the aforementioned amount shall occur."

This condition was set out in the "Contract of Director with executive functions" signed by BME and Mr Javier Hernani Burzako, which was approved unanimously by the Board of Directors, with no involvement by Mr Hernani Burzako, at its meeting on 27 April 2017, at the behest of the Appointments and Remuneration Committee.

On the occasion of the modification of the corporate governance structure of the Company and the new qualification of Mr Antonio J. Zoido Martínez as a non-executive Director, Mr Zoido Martínez waived the termination compensation that would grant him the right to the payment of an amount equivalent to three times his fixed annual compensation. In the case of termination as Chairman of the Board of Directors Mr Zoido Martínez shall have the exclusive right to collect the pension commitment arranged in his favour by the Company.

2. Senior management.

With respect to senior management, one (1) member of senior management has signed a senior management contract entitling the senior executive to receive compensation in the event of dismissal equivalent to twenty-two (22) months of the gross annual salary, unless employment law stipulates higher compensation. Likewise, one (1) manager has signed an ordinary employment contract with the right to receive compensation equivalent to forty-five (45) days per year worked in the event of dismissal and one (1) manager has signed a commercial contract with the right to receive compensation equivalent to two (2) years of fixed and annual variable compensation in the event of dismissal unless the current employment regulations provide for higher compensation.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

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	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses		
	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		NO

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Remarks

As a result of the agreement adopted by the General Shareholders' Meeting held on 25 April 2019 regarding the amendment of the Articles of Association, the Board of Directors meeting held at the end of said General Shareholders' Meeting unanimously agreed to abolish the Executive Committee.

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

AUDIT COMMITTEE

Name	Post	Category
Ana Isabel Fernández Álvarez	Chairperson	Independent
Juan March Juan	Member	Proprietary
Isabel Martín Castellá	Member	Independent
% of executive directors		0.00%
% of proprietary directors		33.33%
% of independent directors		66.67%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit Committee is regulated by articles 35 of the Articles of Association and 19 of the Board of Directors Regulations and the Audit Committee Regulations, approved by the Board of Directors at its meeting held on October 31, 2019.

Organisation and operation

- The Audit Committee shall comprise a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed and removed by the Board of Directors. All the Committee members must be non-executive Directors, and a majority must qualify as independent Directors.

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The Audit Committee currently comprises three (3) members pursuant to the agreement adopted by the Board of Directors at its meeting on 27 July 2006.

- The Chairman of the Audit Committee shall be appointed by the Board of Directors from among its independent Directors and must be replaced every four (4) years. The Chairman may be re-elected one year after completing his term.

In the event of the absence or temporary unavailability of the Chairman, his place shall be taken by the independent Director Committee member designated for that purpose by the Board of Directors and, in his absence, by the eldest independent Director Committee member and, if the independent members are the same age, by the member chosen by lot.

- The Secretary of the Committee shall be appointed by the Board of Directors from among its members and shall draw up the minutes of the resolutions adopted. The Board may also appoint the Board Secretary or any of the Deputy Secretaries as Secretary to the Committee even if they are not Committee members, as well as a member of the Company's Legal Advisory Services, in which cases the Secretary may speak at meetings but may not vote.
- The Audit Committee shall meet whenever it is convened by the Chairman or a meeting is requested by at least two (2) of its members, and at the request of the Board of Directors.
- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting by proxy. When there is a tie in voting, the Chairman, or the person standing in for him, shall have the casting vote.
- In order to perform its tasks, the Committee may seek the assistance and collaboration of independent third-party experts and the attendance at its meetings of Company and Group company executives.
- The Audit Committee must report to the Board of Directors on its activities in the course of each year, and the Secretary shall send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences

The Audit Committee has been assigned the duties established in article 529n of the Corporate Enterprises Act, as well as the following additional competences:

- To supervise the Group's compliance function, under the authority of the Audit Committee.
- Supervision of the effectiveness of risk control systems includes supervision of tax risks.
- To be informed of the fiscal policies applied by the Company.
- To analyse information on structural and corporate changes the Company plans to carry out and report on the economic conditions thereof and their accounting impact.
- To ensure compliance with the Internal Code of Conduct by members of the management body of BME and of companies in its Group and members of BME's senior management.
- To supervise the implementation of the Company's corporate social responsibility policy and monitoring the strategy and practices of corporate social responsibility.
- To evaluate everything related to the non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.

These last two powers were attributed to the Audit Committee after the amendment of the Regulations of the Board of Directors approved by the Board of Directors on 25 April 2019.

Action taken in 2019.

The Audit Committee held ten (10) meetings in 2019, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2019, which shall be made available in the "Shareholders and Investors" section on the Company's corporate website www.bolsasymercados.es.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	Ana Isabel Fernández Álvarez
	Isabel Martín Castellá
Date of appointment of the chairperson	26/04/2018

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
David María Jiménez-Blanco Carrillo de Albornoz	Chairman	Independent
Ignacio Garralda Ruiz de Velasco	Member	Independent
Juan Carlos Ureta Domingo	Member	Independent
Santos Martínez-Conde y Guitierrez-Barquín	Member	Proprietary
% of executive directors		0.00%
% of proprietary directors		25.00%
% of independent directors		75.00%
% of external directors		0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Remuneration Committee is regulated by Article 36 of the Articles of Association and Article 20 of Board of Directors Regulations.

Organisation and operation

- The Appointments and Remuneration Committee shall comprise at least three (3) and at most five (5) Directors, appointed by the Board of Directors from among its non-executive members, of which at least two (2) must be independent Directors.

The members of this Committee shall remain in office for as long as they continue to be Company Directors, unless the Board of Directors resolves to remove them. Currently the Appointments and Remuneration Committee comprises four (4) members pursuant to the resolution adopted by the Board of Directors at its meeting on 27 February 2014.

- The Chairman shall be appointed by the Board of Directors from among its independent Directors.
- The Board of Directors shall also appoint a Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its Deputy Secretaries, as well as by a member of the Company's legal advisory services, in which cases the Secretary may speak at meetings but not vote.
- The Committee shall meet as often as is necessary in the Chairman's opinion for the performance of its functions, at the request of the Board of Directors and whenever a meeting is requested by at least two (2) members.
- There shall be quorum at Committee meetings when a majority of Committee members are present or represented by proxy, and resolutions shall be adopted by an absolute majority of the members who are present or represented. In the event of a tie, the Chairman shall have the casting vote.
- The Committee shall report to the Board on the performance of its functions and tasks in the course of each year and the Committee Secretary shall send a copy of the minutes of all Appointments and Remuneration Committee meetings to all Board members.

>> Consolidated Directors' Report / **Corporate Governance Report**Competences

The Appointments and Remuneration Committee has been assigned the duties established in Article 529 *quindecies* of the Corporate Enterprises Act, as well as the following additional competences:

- To report on compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment, re-election and removal of members of the Board of Directors proposed to sit on any of the Board Committees, as well as, where applicable, to hold any posts thereon.
- To report on compliance with the Articles of Association and the Board of Directors' Regulations regarding the appointment and removal of the Deputy Secretaries of the Board.
- To verify compliance with the Company's remuneration policy.
- To verify information on remuneration received by Company Directors and senior executives contained in corporate documents.
- To ensure the independence of the external advice provided for the Committee.
- To supervise, at the request of the Board of Directors, compliance with the rules of corporate governance.

Action taken in 2019.

Throughout 2019, the Appointments and Remuneration Committee held nine (9) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2019, which shall be made available in the "Shareholders and Investors" section on the Company's corporate website www.bolsasymercados.es.

MARKETS AND SYSTEMS OPERATING PROCEDURES COMMITTEE

Name	Post	Category
Joan Hortalá i Arau	Chairman	Executive
Juan March Juan	Member	Proprietary
Juan Carlos Ureta Domingo	Member	Independent
% of executive directors		33.33%
% of proprietary directors		33.33%
% of independent directors		33.33%
% of external directors		0.00%

Explain the duties exercised by this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Markets and Systems Operating Procedures Committee is regulated under articles 37 of the Articles of Association and 21 of Board of Directors Regulations and in the Markets and Systems Operating Procedures Committee Regulations amended by resolution of the Board of Directors at its meeting held on 30 October 2019.

Organisation and operation.

- The Markets and Systems Operating Procedures Committee shall consist of a minimum of three (3) and a maximum of five (5) Directors, who shall be appointed, re-elected or removed by the Board of Directors.

By virtue of the agreement adopted by the Board of Directors at its meeting on 29 November 2007, the number of members of the Markets and Systems Operating Procedures Committee was established as four (4).

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The Markets and Systems Operating Procedures Committee currently has three (3) members, with one (1) vacancy.

- The Board of Directors shall appoint the Chairman of the Markets and Systems Operating Procedures Committee from among its members.
- The Board of Directors shall appoint a Committee Secretary, an office which need not be held by a member of the Board and may be filled by the Board's Secretary or any of its Deputy Secretaries, as well as by a member of the Company's legal advisory services. In these cases, the Secretary may speak at meetings but not vote.
- After the abovementioned amendment to the Regulations of the Markets and Systems Operating Procedures Committee, this committee shall meet at least once a month, and whenever it is convened by the Chairman, and there shall be quorum when a majority of Committee members are present or represented by proxy.
- Resolutions must be adopted with the favourable vote of the majority of the members who are present or represented at the meeting. When there is a tie in voting, the Chairperson shall have the casting vote.
- The Markets and Systems Operating Procedures Committee must report to the Board of Directors on its activities, and to this end the Secretary must send the members of the Board of Directors a copy of the minutes of Committee meetings.

Competences.

The Markets and Systems Operating Procedures Committee has the following responsibilities, as directed in the Committee's own regulations:

- Analyse and monitor the procedures and regulations set forth by Group companies for the correct operation of the markets and systems managed thereby.
- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.

- To interpret the Internal Code of Conduct of the Company and its Group so that it may approve the instructions or implementing regulations and report on any amendment to said Code that are submitted to the Company's Board of Directors for approval.

- Any other general or specific tasks commissioned by the Board.

The Markets and Systems Operating Procedures Committee shall report to the Board of Directors on the performance of its tasks, send the Board of Directors copy of the minutes of its meetings, and draft any reports or proposals on them that may be requested by the Board of Directors.

Action taken in 2019.

Throughout 2019, the Markets and Systems Operating Procedures Committee held nine (9) meetings, at which it addressed all issues in relation to the responsibilities attributed to it. None of these can be described as more important than others, since they are all considered important.

All these actions and the way in which each of the functions attributed are carried out are detailed in the report that this Committee approves regarding implementation of its responsibilities during 2019, which shall be made available in the "Shareholders and Investors" section on the Company's corporate website, www.bolsasymercados.es.

Remarks

Luis María Cazorla Prieto is Secretary (non Member) of all the Committees.

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C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	FY 2019		FY 2018		FY 2017		FY 2016	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	2	66.67%	2	66.67%	1	33.33%	1	33.33%
Appointments and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Market and Systems Operating Procedures	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The operation of the Board Committees is governed by the Board of Directors Regulations.

The Markets and Systems Operating Procedures Committee has its own organisation and operating Regulations, whose article 12, paragraph 1, was amended by resolution of the Board of Directors on 30 October 2019 in order to contemplate the agreement to reduce the frequency of the meetings of this Committee to that referred to in the previous section.

At that meeting, the Board of Directors approved, subject to a favourable report from the Audit Committee, the Regulations for the organisation and operation of the Audit Committee.

As mentioned above, in accordance with the provisions of Article 10.3 of the Board of Directors' Regulations, the Committees prepare a report on their responsibilities, which is sent to the Board of Directors so that their activities can be assessed.

The Regulations of the Board of Directors, the Audit Committee and of the Markets and Systems Operating Procedures Committee, and the activity reports of the Board's Committees for each financial year, may be found in the "Shareholders and Investors" section of the corporate web-site, www.bolsasymercados.es.

D. Related-party and intragroup transactions

D.1 Describe, if applicable, the procedure for approval of related-party and intra-group transactions.

Procedure to notify approval of related-party transactions.

Article 7.4 d) of the Board of Directors' Regulations establishes that the Board of Directors, acting in full and through its Committees, shall approve the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interest, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto. The transactions that simultaneously meet the following three characteristics are excluded from the aforementioned approval:

- they are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- they are performed at prices or rates established on a general basis by the person supplying the goods or services; and
- the amount does not exceed 1% of the Company's annual revenue.

Section I) of Article 19.2 of the Board of Directors Regulations also states that the Audit Committee shall report on the transactions that the Company or the Group companies carry out with shareholders holding significant ownership interests, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related thereto.

Moreover, given the market/systems activities carried on by the Group companies, Article 29 of the Board of Directors Regulations establishes that trades, transactions or actions undertaken by Directors and significant shareholders and their related parties in their activities on the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

1.- Conflicts of interest between the Company and/or its group and its Directors.

The general duties of diligence and loyalty, which include the duty to avoid conflicts of interest are regulated by Articles 25, 26 and 27 of the Board of Directors Regulations, under the same terms as established in the current legislation.

Directors must abstain from participating in the deliberations and voting on resolutions and decisions in which the Director or a related person has a direct or indirect conflict of interests. This obligation to abstain shall not include resolutions or decisions that affect their status as Director, such as their appointment or removal for positions on the Board of Directors or other similar decisions.

Proprietary Directors must not participate in votes on matters in which the shareholders who proposed their appointment and the Company have a direct or indirect conflict of interests.

For these purposes, Directors shall notify the other Directors and, where applicable, the Board of Directors of any situation that may entail a direct or indirect conflict of interests between them or any persons related thereto and the Company.

Directors of the Company must also notify the Audit Committee before accepting any Directorship or management position in another company or entity.

Moreover, transactions, operations or actions undertaken by Directors and/or their related parties in their activities in the markets and systems managed by Group companies shall not require prior authorisation, nor shall they be subject to disclosure obligations, provided that they are within the ordinary course of business of the parties involved and on an arm's length basis, without prejudice to compliance with any regulations applicable to transactions with related parties.

The above is understood as notwithstanding the fact that members of the Company's Board of Directors are also affected by the obligations established in this respect by the Internal Code of Conduct, described below.

2.- Conflicts of interest between the Company and its Group and employees.

The Internal Code of Conduct applies to all employees of BME and of its Group companies and to the rest of persons who provide services or engage in a professional relationship with BME or its Group companies, known as "the persons concerned". Rules 9, 10 and 11 of Title IV of the Internal Code of Conduct address the regulation of conflicts of interest.

The parties concerned must act with all due impartiality, and must not put their own interests before those of BME and the companies in its Group and of shareholders, and must endeavour to avoid conflicts of interest with BME shareholders, members of or participants in the markets or systems governed or managed by companies belonging to the BME Group, or with the issuers of the securities affected listed on those markets or systems or which have applied for listing.

Where applicable, the persons concerned must inform the relevant control body of any conflicts of interest that may affect them or their related parties.

The persons concerned must update any information on their potential conflicts of interest, for which purpose they must notify any cessation or alteration of any situation of conflict or the emergence of any new situation. Notice must be given within five (5) days of the person concerned becoming aware that a conflict of interest has arisen and in any event before the adoption of any decision or action affected by the conflict.

If the persons concerned have any doubts as to the existence of a conflict of interest, they must consult the relevant control body before adopting any decision or course of action that might be affected by the potential conflict.

If the persons concerned are affected by a conflict of interest, they must refrain from intervening in or influencing discussions and decisions concerning the persons or entities to which the direct interest in conflict refers, and must notify whoever is responsible for decision-making accordingly.

Notwithstanding the foregoing, the individuals affected may participate in the discussion and approval of any rules, instructions or decisions that shall apply generally to all investors, market members or companies with securities admitted to trading.

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3.- Conflicts of interest between the company and its significant shareholders.

Article 21.2.b) of the Board of Directors Regulations and Article 7.1b) of the Markets and Systems Operating Committee Regulations stipulate that this Committee must oversee the procedures established so that normal market conditions and the principle of equal treatment are applied to the transactions, operations and actions which the Company, its Directors or shareholders with significant and stable shareholdings perform as issuers, clients or users in the markets and systems managed by Group companies.

In this regard, Article 29 of the Board of Directors Regulations stipulates that transactions, operations or actions undertaken by significant shareholders and their related parties on the markets and systems managed by Group companies shall require prior authorisation by the entire Board, unless they form part of the ordinary course of business of the parties involved and are carried out in normal conditions or in recurring market conditions, without prejudice to compliance with any regulations applicable to transactions with related parties.

D.7 Is there more than one company in the group listed in Spain?

Yes ☐ No ☒

Identify the other companies that are listed in Spain and their relationship to the company:

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group.

Identify the measures taken to resolve possible conflicts of interest between the listed subsidiary and the other group companies:

E. Risk control and management systems

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The inherent risks of the activity carried out by BME Group companies are managed with criteria which allow the Company to pursue its interests and maximise its value, profitability and efficiency along with its other legitimate interests, both public and private, in a way whereby it is able to grow and operate in the markets and systems where Group companies operate and abide by EU law, the Spanish Securities Market Act and its implementing provisions.

BME is directly or indirectly the sole shareholder of companies operating in securities registration, clearing and settlement systems, central counterparties, official secondary markets in Spain and multilateral trading systems, and, as such, is responsible for the unity of action, decision and strategic coordination of these companies.

The implementation of the risk control and management policy, defined by the Board of Directors and administered by the Management Committee, falls to the Continuity and Risk Committee in its capacity as the body responsible for monitoring and analysing the risks arising from the various activities carried on by Group companies within a framework of coordinated management through Business Units and Corporate Areas. The Continuity and Risk Committee also draws up the corporate Risk Map, which is maintained by the parties in charge of managing the risks identified, and by the Chief Risk Officer.

The Continuity and Risk Committee has constructed an Integrated Risk Management System (IRMS) adopting the COSO II report as the methodological framework (process-based), in which, depending on the nature of the risks, the following exist:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, technology, IT security, human resources and non-financial) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Additionally, the IRMS has been given a second approach to asset-based risk analysis, combining physical and logical threats, based on the following standards:

- Analysis of physical risks: AS/NZS 4360 and ISO 31000.
- Analysis of logical risks: ISO 27001 and MAGERIT II.

Therefore, the IRMS currently uses a mixed methodology aimed at already active processes ensuring compliance with the legislation applicable to the different companies of the BME Group.

Maintenance of the corporate Risk Map requires that each risk officer regularly update the information on each identified global risk needed for management and control; new events and controls are identified and action plans are rearranged as necessary.

The Continuity and Risk Committee regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Compliance, IT Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans to the Management Committee.

The BME Group's **risk control system** applicable in 2019 was drawn up in accordance with international standards. Its functioning is governed by the following aspects:

1. BME Group companies that manage securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems are governed by European Union law and the Spanish Securities Market Act and its implementing provisions.
2. In accordance with this legal framework, BME's financial statements and those of most of its Group companies are verified by an external auditor. Likewise, as required by the laws and regulations governing all markets, multilateral trading systems, central counterparties, and registration, clearing and settlement systems, the external auditors must review the internal control systems and assess the appropriateness thereof.

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3. A Continuity and Risk Committee, which reports to the Management Committee, comprising senior managers from the various corporate areas in charge of monitoring and analysing the risks arising from the various activities carried on by the companies in the BME Group in the framework of management coordinated through Business Units and Corporate Areas, as well as logical security and physical safety risks. The Continuity and Risk Committee is composed of the Continuity Supervisor, the Chief Risk Officer and the Risk and Continuity representatives of each of the Business Units and the Technology Area, as appointed by the Management Committee. The Head of the Internal Audit, the Chief Compliance Officer and the Head of Logical Security, may attend these Committee meetings with the right to speak but not to vote.
4. The Company has an Internal Audit Department, as an independent body of the Company's executive line, reporting to the Audit Committee which operates throughout the BME Group and which acts in keeping with the Framework for Professional Practice of the Institute of Internal Auditors.
5. The Company also has a Compliance Department that operates independently from the Company's executive officers and bodies, reporting to the Audit Committee. Its role is to ensure compliance with the laws and regulations applicable to Group activities and to support the Audit Committee in supervising related compliance risk.
6. In order to establish common control systems there are regulations governing the different business units and corporate areas which regulate basic matters including:
 - a. Financial and accounting matters. The financial reporting process is subject to an internal control system (ICFR) which has been reviewed and documented in accordance with BME's IRMS methodology. This enables it to comply with the new regulatory requirements aimed at improving the transparency of listed companies' reports to the market. These include, inter alia:
 - i. A Procedures Manual for subprocesses containing a description of the operations, identification of the main risks and controls in place to mitigate them, valuation rules and book-entry register criteria for the activities and transactions that could have a material impact on financial reporting.
 - ii. Corporate Accounting Plan.
 - iii. Annual calendar for financial and accounting information.
 - b. Information to markets:
 - i. Policies on the collection, treatment and disclosure of information to the markets.
 - ii. Procedure for drawing up and sending periodical information to Supervisory Bodies.
 - c. IT Security. This area constantly strives to meet the most demanding standards and the sector's best practices. To this end it has:
 - i. An Information Security Management System ("ISMS") in accordance with ISO/IEC 27001, which includes policies, procedures and organisational structures to ensure that the BME Group's assets are efficiently and suitably protected.
 - ii. A Comprehensive Security Policy applicable to each and every company belonging to the BME Group, in which security applies to protection against any type of risk that could jeopardise the interests of BME, as well as the people, processes, information, facilities etc. under their responsibility as set out in the Logical Security Policy, the Business Continuity Policy and the Physical Security Policy.
 - iii. A Policy on Handling Sensitive Information in order to establish a criterion for classifying and handling documents according to the level of confidentiality in order to reduce the risk of unauthorised access to sensitive information belonging to the BME Group.
 - d. Project Management Office. The Project Management Office defines and maintains the standards for managing the projects of the BME Group, following best practices in project management and the strategy defined for the organisation. This Office is responsible for centralising the information and status of all Group projects and regularly reporting to the project managers, the heads of the different departments and the management of BME regarding the status of the projects and the progress, risks or changes identified in the different monitoring tasks.

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7. A Security Committee, reporting to the Head of the Office of the CEO, in charge of defining and applying the BME Group's Security Policy on information security, through the Head of Logical Security, who is responsible for implementing, operating and maintaining the SGSI in accordance with the guidelines issued by the Security Committee, and on IT systems, through the Head of Physical Security, who is in charge of safeguarding the physical infrastructures.
8. The Company, through BME Inntech, is a founding partner of the CONTINUAM Business Continuity Institute, together with AENOR and leading players in the financial sector. The mission of CONTINUAM is to create, disseminate and promote a holistic business continuity culture at all levels of society, with the help of leaders from the various sectors.
9. The Company has an Internal Code of Conduct which applies to all members of the Boards of Directors and employees of all Group companies, and establishes their duties in connection with confidentiality and integrity, implemented in relation to insider information with the approval of the Board of Directors of the "Policy for the processing and transfer of insider information", and also allows Group companies to approve special rules of conduct. In these cases, the Internal Code of Conduct shall apply in the absence of such special rules.
10. On 30 September 2010 BME embraced the Code of Best Tax Practices, approved by the Large Businesses Forum on 20 July 2010 and, following up the recommendations of the Code, approved policies and courses of action in relation to tax, which were updated by the Board of Directors at a meeting on 30 July 2015, after the Company's tax strategy had been defined. In 2016 the other Group companies embraced the aforementioned Code of Best Tax Practices, and approved their respective tax policies.
11. At the behest of the Audit Committee, the Board of Directors established a Criminal Risk Prevention System for the BME Group which, among other issues, introduces a Code of Conduct with the main ethical principles and standards of conduct governing the actions of directors, legal representatives, management and employees of BME Group companies, and an Internal Whistleblowing Channel, used by BME employees and management to report any facts which may lead to indications of breaches by other employees or managers of Group policies or procedures or the Code of Conduct, or other actions that could constitute indications of a possible criminal offence.

12. Liquidity management is homogeneous throughout the BME Group, in accordance with the criteria established by the Company's Board of Directors, following a report by the Audit Committee. However, within the scope of these criteria, Group companies may prioritise investment in assets offering higher liquidity as opposed to returns in order to comply with the applicable specific regulations. In this respect, the criteria for investing the Group's liquidity set out the criteria for investing the minimum own funds of BME Clearing, S.A.U. to cover the types defined in Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012, on OTC derivatives, central counterparties and trade repositories, and its implementing provisions.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR) has its own investment policy of own funds approved by its Board of Directors in order to contemplate the criteria that, with regard the minimum investment of its share capital, are applicable as a central securities depository, in accordance with the provisions set forth by Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (hereinafter, Regulation (EU) No. 909/2014 of the European Parliament and of the Council) and its implementing regulations.

This specifies the criteria pursuant to which the Company should purchase assets, the term of such operations and authorisation levels. The main objective is to prioritise security and minimise liquidity risk, and this rules out the possibility of carrying out speculative operations.

13. The Company also has a Deficiency Communication Procedure in place regarding deficiencies in risk control and management systems which has been approved by the Audit Committee, whereby personnel from the Company and the Group's companies may anonymously report any irregularities in the aforementioned systems.

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In addition to the BME Group's risk control system, which applies to all Group companies, BME Clearing, S.A.U., the central counterparty, has an additional governance system and mechanisms for internal control and managing specific risks in accordance with the provisions of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, and its implementing provisions. Similarly, Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (hereinafter, IBERCLEAR) central securities depository, also has an additional governance arrangements, internal control and risk management mechanisms in accordance with the provisions of Commission Delegated Regulation (EU) 2017/392 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council..

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.Board of Directors

The Board of Directors is BME's most senior governing and administrative body, in charge of stimulating, directing and supervising matters that are of particular importance to the Company.

The general functions of the Board of Directors, which are set out in Article 7 of the Board of Directors Regulations, include defining the policy for the control and management of risks, including tax risks, and supervising the internal information and control systems, including the process for the preparation and presentation of the regulated financial information.

The Board of Directors is assisted in its functions by the Audit Committee.

Audit Committee

Pursuant to Article 19 of the Board of Directors Regulations, the Audit Committee shall have the following responsibilities, including:

- To supervise the effectiveness of the Company's internal control and risk control systems, including tax risks, which shall involve the review, at least once a year, of the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported. The Audit Committee is also charged with discussions with the auditors or, as the case may be, experts appointed for that purpose, regarding any significant weaknesses detected in the auditing process, and also with the submission of recommendations or proposals to the Board of Directors.

- To supervise the Company's internal audit services which shall be answerable to the Audit Committee. To this end, the Committee will ensure the independence and efficiency of internal audit functions, receiving periodical information regarding its activities and ensuring that senior management takes into consideration the conclusions and recommendations of its reports.

The Company has a communication procedure in place regarding deficiencies in the risk control and management systems which are directly supervised by the Audit Committee.

The Audit Committee has set up a Crime Prevention Committee, which is responsible for the prevention of criminal risks, and the implementation and development of and compliance with the BME Group's criminal risk prevention system.

Markets and Systems Operating Procedures Committee

Pursuant to Article 21 of the Board of Directors Regulations, and Article 7 of the Regulations of the Markets and Systems Operating Procedures Committee, the Committee has the following functions, such as:

- To analyse and monitor the procedures and regulations set forth by group companies for the correct operation of the markets and systems managed thereby.
- To be cognisant of the procedures established so that normal market conditions and the principle of equal treatment are applied to the trades, transactions and actions which the Company, its Directors or shareholders with significant and stable capital shareholdings perform as issuers, clients or users in the markets and systems managed by group companies.
- To interpret the Internal Code of Conduct.

Management Committee

The Management Committee, composed of the CEO and the heads of Business Units and Corporate Areas, is the body which carries out the strategic plan approved by the Board of Directors, examines proposals concerning new activities and business opportunities, and carries through the risk control and management policy defined by the Board.

Continuity and Risk Committee

In relation to risks, the Company has a Continuity and Risk Committee works with the Management Committee on execution of the BME Group's risk control and management policy defined by the Board of Directors, pursuant to the provisions of Article 25 of the Articles of Association and Article 7 of Board of Directors Regulations, and administered by the Management Committee, and specifically as follows:

- a) implementing and following the risk assessment model adopted by the Management Committee in pursuance of the risk management policy defined by the Board of Directors.
- b) drawing up the corporate Risk Map, subsequently to be maintained by the various officers responsible for managing identified risks and by the Chief Risk Officer.
- c) receiving information from the Chief Risk Officer on incidents detected in the course of the activities carried out by BME Group companies, and any risks identified that are considered relevant.
- d) reporting to the Management Committee on all matters relevant to the BME Group's risk management policy.
- e) submitting proposals to the Management Committee for action to improve risk monitoring and control procedures.

Regardless of its relationship with the Management Committee, the Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of the action taken in implementing the risk management and control policy defined by the Board. To this end, the Chairman of the Continuity and Risk Committee may also be called to attend meetings of the Audit Committee.

Security Committee

The Security Committee is in charge of establishing the BME Group's Security Policy, covering both logical and physical security.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

BME is present throughout the entire value chain in the management of several financial markets, exposing it to a variety of risks:

Operational risks: The risk of direct or indirect losses arising from inadequate or failed internal processes, people and systems, or from external events. Operational risks are classified in terms of their applicability to the BME Group overall, or exclusive identification for one of the business units or corporate areas.

Operational risks affecting all BME business units and corporate areas include:

- Risk of fraud: This is the risk of action taken, either internally or externally, to avoid a regulation, which may cause damage to a third party or to the Group itself.
- IT risk and information security risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, these are considered the main risks for the BME group.
- Risk of administrative errors: These arise from erroneous calculations, improper execution, faulty manual operations, or because databases have not been updated. They also include any events arising from errors during billing or monitoring of collections.

Market risk: These are the current or potential risks posed by adverse movements in interest rates or changes in prices or share prices.

Liquidity and solvency risk: Defined as the risk that a Group company may be unable to meet its payment commitments.

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Credit or counterparty risk: The risk arising in the event a debtor defaults on its payment commitments, or its credit rating is impaired. This includes, amongst other scenarios, risk of non-payment of bills or charges.

Industry risks: Compliance risks in connection with regulatory changes, the Company's reputation, sector competition, relations with stakeholders and the political, economic, legal and tax environment.

Key business risks: risks arising from the specific activities carried on by BME Group companies. The following are the main business risks:

- **Risks of inadequate functioning of markets:** Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.
- **Risks in relation to the Securities Settlement System (Iberclear):**
 - **Risk of errors in settlement processes:** These risks may relate to delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited.
 - **Risk of errors in reconciliation processes:** This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.
- **Counterparty risk associated with BME Clearing:** In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk.
- **Risks in relation to the dissemination of information:** These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems.

Other non-financial risks: environmental risk - possibility of damage being caused to the environment due to the Company's activity - and the risk of corruption and bribery - possibility from non-compliance with ethical standards and regulations normally leading to administrative infringements and even crimes. These risks have been assessed as largely insignificant at the BME Group.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

As mentioned in section E.1, BME, directly or indirectly, is ultimately the sole shareholder of the companies managing securities registration, clearing and settlement systems, central counterparties, official Spanish secondary markets and multilateral trading systems.

BME's Group companies are members of the European Association of CCP Clearing Houses (EACH), the European Central Securities Depositories Association (ECSDA) and the Federation of European Securities Exchanges (FESE). These bodies share a common goal of obtaining greater efficiency and integration in the capital markets based on the best practice recommendations for settlement systems proposed by the Bank for International Settlements (BIS) and the International Organisation of Securities Commissions (IOSCO).

BME Group companies operate specific governance systems and mechanisms for internal control, risk management and ongoing supervision which enable them to design response plans in alignment with specified risk tolerance levels, having regard to applicable laws and regulations and to the recommendations issued by the organisations referred to above (see section E.6).

The Continuity and Risk Committee is responsible for monitoring and analysing all risks arising from the activities performed by Group companies. These tasks are conducted as part of coordinated management through the business units and corporate areas.

The Committee is also responsible for implementing the risk management and control policy laid down by the Board of Directors and overseen by the Management Committee. In particular, the implementation and monitoring of the risk assessment model adopted by the Management Committee. It must also take account of the level of risk tolerance.

The Group has a model based on the most advanced standards (Basel, BIS) which calculates, for each of the Group's main activities and sources of counterparty risk, estimated contingent losses in extreme but realistic worst-case scenarios in the event of adverse changes to exposures to various risks. The expected loss model is an internal probabilistic model calibrated at the 99% confidence level for reasonable timeframes that provide a good fit with each activity segment. Some Group companies, however, use a higher confidence interval in compliance with the regulations specifically applicable to their activities. The model is also supplemented by stress tests (extreme worst-case scenarios) to gain an insight into how risk exposures might behave in extreme and improbable situations.

E.5 State which risks, including tax compliance risks, have materialised during the year.

Of the risks covered by the system, as mentioned in E.3 above, IT risk is particularly noteworthy as part of operational risks.

The systems supporting BME Group companies' activities undergo continuous review and adaptation in response to regulatory changes and the implementation of IT recommendations and best practices as they emerge. Given their connections to public and private entities, the systems are subject to functional modifications and improvements that require changes and new versions.

The incidents related to this risk that have occurred have been managed by prioritising recovery of service, with sufficient internal and external reporting.

Resolving such incidents has entailed the implementation of improvements in the control systems and reporting to the Continuity and Risk Committee and the Markets and Systems Operating Procedures Committee and, where appropriate, to the CNMV.

None of the other main risks materialised to any significant extent (see section E.6).

Finally, there was no significant impact on the company's results or its capacity to generate value, and response systems performed satisfactorily.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

IT risk and information security risk: The risk of faults in the IT and electronic systems used by the Group, either internally or affecting the market. They may arise as a result of communications errors, or hardware or software malfunctions. They include failures in the collection and disclosure of market information to users. They also include any alterations and/or intrusions that may arise in system security. Given the nature of its operations, this operational risk is considered critical for the BME Group.

This risk is managed and controlled by the BME Technology Corporate Area. The Area has IT engineers specialising in each of the systems supporting BME's activities.

The systems supporting activities engaged in by BME companies are duplicated in order to eliminate single failure points. Critical infrastructure and equipment are duplicated in the alternative back-up centre at a different location to the main DPC. For most of the critical systems, all data stored by the central system are backed up simultaneously in real time at the alternative back-up centres. In trading applications, replication is based on an asynchronous parallel trade processing solution in the passive back-up systems located in the alternative back-up centre. Back-up copies of all processes are kept. As with the primary DPC, the alternative centre is equipped with all the technical means required to resume the Company's activity in the event of a disruption of the primary centre.

The communications network providing access points for participants provides dual connections to the primary DPC and the back-up centre, with diversification of suppliers. Procedures and agreements are in place with the main communications suppliers to ensure lines from the primary DPC to the back-up centre can be switched transparently for the entities.

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The Production and Systems Departments are responsible for monitoring any error messages, alerts or flags in any application, communication system, network, database or system. An internal server monitoring system is in place which reviews a series of parameters by default. The system can be configured so that updates and alert messages are triggered in certain circumstances involving usage of disk space, memory and processing power.

The Production and Systems Departments have documented incident response procedures in place. The various system performances are monitored daily. Data obtained from this monitoring are automatically processed to prepare statistics and reports that are available to authorised users on the intranet. All procedures are documented and available on the Group intranet.

Risks of inadequate functioning of markets: Possibility of errors arising in trading or supervision processes to prevent adequate overall functioning of the system.

BME has a number of controls to supervise trading processes, including, among others, the following: automatic contrasts and validations of information, automatic checking of securities and prices (including multiple verifications and checks of securities) and monitoring of the proper functioning of systems and applications. The market quality department also has its own controls to contrast with the supervision department, and it sets up matches between the various sources of comparative information.

Risks in relation to the Securities Settlement System (Iberclear):

- *Risk of errors in settlement processes:* These risks may relate to errors or delays in reception of information from the issuer or payment agent and calculation of prices leading to errors in the multiple settlement or the amount of cash to be charged or credited

The procedure for reception and inspection of information received by Iberclear has a control list (checklist) and a double-checking system by both the legal department and the primary department. Time schedules are also established for the reception of information which, on a regular basis and with sufficient notice, is requested from the companies concerned to ensure it is received in time.

In relation to the possibility of errors arising in the calculation of prices, the company has an automatic process which conducts a weekly examination of the prices applied to each of the services.

- *Risk of errors in reconciliation processes:* This is the risk of data mismatches between ARCO and T2S concerning positions or accounts.

Iberclear has a number of automatic reconciliation processes which are monitored by system users, and dynamically reconcile data between the two platforms, detecting any possible discrepancies in sufficient time to ensure the processes operate properly.

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***Counterparty risk associated with BME Clearing:** In its role as the Central Counterparty, the risk undertaken by BME Clearing, S.A.U. as counterparty of the position of a clearing member is hedged by actively managing the risk and controlling the collateral called in from and paid by clearing members with respect to that risk.*

As a central counterparty, BME Clearing manages its business risks independently in accordance with BME's IRMS.

Therefore, under the EMIR rules applicable, it has a risk management framework comprising risk management policies, procedures, and systems that enable it to identify, measure and control any risks to which it is or may be exposed. In addition, there is a Risk Committee that advises the Board of Directors of BME Clearing regarding all the measures that might affect the central counterparty's risk management.

The central counterparty's risk management framework encompasses, inter alia: margin requirements and how margins are to be enforced; topping up the default fund in the event of defaults; review of the models employed, stress tests, back testing, control of liquidity risk and the procedure to be followed in the event of default.

All risks are first identified by BME Clearing's Risk Committee, which periodically reviews risk management issues related with day-to-day operations, specifically the level of compliance with risk management criteria, models and parameters.

The risk management system used by BME Clearing, in accordance with the laws and regulations referred to above, focuses on monitoring and measuring exposures to participants by measuring credit, market and concentration risks in real time, using applications for managing the issues involved and sending alerts to participants.

***Risks in relation to the dissemination of information:** These risks chiefly relate to non-availability of systems over a longer period than expected, compromising dissemination of information from trading systems.*

BME has a system to monitor activity in the different systems, supervising data transmission and reception processes, monitoring proper access of users, number of messages and latencies of each product. Alarms are also in place to detect any potential errors, in almost real-time mode.

***Industry risks:** Compliance risks in connection with regulatory changes, the Company's reputation, sector competition, relations with stakeholders and the political, economic, legal and tax environment.*

Group companies manage securities registration, clearing and settlement systems, central counterparties and multilateral trading systems. These activities are regulated by legislation passed by the European Parliament and the Council, and by the Spanish Securities Market Act and its implementing provisions.

BME operates a Compliance Department to check that Group companies' processes are compliant with applicable laws and regulations and to help monitor regulatory changes that might affect the Group's activities. At a meeting on 27 July 2017, the Audit Committee approved the Compliance function's Statute, the last version of which was approved by resolution of the Audit Committee on 25 July 2019, in order to define the functions carried out by Compliance as a result of obtaining IBERCLEAR the licence of the Central Securities Depository under Regulation (EU) No 909/2014 of the European Parliament and of the Council.

Furthermore, in accordance with specifically applicable regulations, BME Clearing has a Regulatory Compliance Verification Unit tasked with supporting BME Clearing and its Board of Directors in meeting its objectives by implementing compliance control procedures which help provide services that are responsible and compliant with EMIR rules and Delegated Regulation (EU) No 153/2013.

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Also, in accordance with the requirements of Regulation (EU) No 909/2014 of the European Parliament and of the Council and its implementing regulations, specifically, Commission Delegated Regulation (EU) No. 2017/392, IBERCLEAR has a Compliance verification and internal control function that has been entrusted to the BME Compliance Department. The terms of said undertaking are set out in the Protocol for the development of the activities of the Compliance function signed by IBERCLEAR and BME.

As already mentioned above in section E1 of this report, as a result of the adhesion of BME to the Code of Best Tax Practices, at a meeting on 25 February 2019 the Audit Committee took due note of the tax policies applied by the Company in 2018, which were set out by the Chief Financial Officer before the financial statements were drawn up. Subsequently, at a meeting on 24 July 2019 the Audit Committee was informed by the Chief Financial Officer of the tax policies applied by the Company for the filing of the 2018 Income Tax return.

Regarding the Company's risk monitoring process, the Board of Directors, through the Audit Committee, is responsible for ensuring that the BME Group's internal control and risk management systems, including tax risk, are efficient, as set out in Article 19 of Board Regulations, which, among other matters, stipulates that the Audit Committee shall be authorised to *"supervise the efficiency of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process."*

The Board of Directors determined the Company's tax strategy, in accordance with the provisions of Article 529 ter of the Corporate Enterprises Act, and subsequently, at a meeting on 30 July 2015, it updated the tax policies applicable to BME, which set out the principles of the tax strategy and which had been approved since it embraced the Code of Best Tax Practices.

The Audit Committee is supported in its role of supervising the internal control and risk management systems by the BME Group's Internal Audit Department. Thus, the regulations for the BME Group Internal Audit Service state that, among its functions, the Internal Audit department shall: *"... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Continuity and Risk Committee, on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems"*.

F. Internal risk management and control systems related to the process of publishing financial information (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

As stipulated in Article 25 of the Articles of Association and Article 7 of the Board of Directors' Regulations, the Board of Directors is the Company's most senior governing and administrative body, and shall undertake, among other responsibilities, supervision of the transparency and veracity of Company information in its relations with shareholders and with the markets in general, identification of the principal risks affecting the Company, including tax risks, and supervision of internal control systems. The BME Group has defined an Integrated Risk Management System (IRMS), into which it incorporated the Internal Control over Financial Reporting (ICFR) system, after this had been approved by the Risk Committee (the current Continuity and Risk Committee).

As stipulated in Article 7 of the Board of Directors' Regulations, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team. In line with this delegation of management to senior management, the BME Group's finance department is responsible for the design, introduction and functioning of the ICFR.

The Board of Directors, through the Audit Committee, is the body responsible for ensuring the effectiveness of the Company's internal control and the BME Group's risk management systems, including tax risks, which includes supervising the IRMS, including the ICFR, as per Article 19.2.e) of the Board of Directors' Regulations. This article, among other issues, stipulates the Audit Committee shall be authorised to *"supervise the effectiveness of the Company's internal control and risk control systems, including tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main*

risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process."

The Internal Audit Department of the BME Group plays a key role in carrying out the functions delegated to it by the Audit Committee with regard to monitoring IRMS and, particularly, ICFR. Thus, the regulations for the BME Group Internal Audit Service state that, among its functions, the Internal Audit department shall: *"... oversee the proper functioning of the internal control and risk management systems, and keep the Board, Audit Committee and senior management of BME informed, through the Continuity and Risk Committee, on the adequacy and effectiveness of the procedures, norms, policies and instructions established by Group companies to ensure the proper functioning of these systems with respect to the achievement of goals related to:*

- *Effectiveness and efficiency of resources and operations.*
- *Reliability of financial and operational information; and.*
- *Compliance with applicable laws and other regulations".*

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review corporate structure; (ii) clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The BME Group is a group of companies under coordinated management divided into seven Business Units (Equities, Derivatives, Clearing, Fixed Income, Settlement and Registration, Market Data & Added-Value Services) and six Corporate Areas (Human Resources, Technology, Finance, Corporate Communication and Public Affairs, General Secretariat and of the Board and Legal Affairs).

By virtue of the provisions of Article 7.4 of Board of Directors Regulations, the Board of Directors is responsible for approving the financial information that must periodically be disclosed because it is a listed company, and the process of drawing up and presenting this information is supervised by the Audit Committee, as stipulated in Article 19.2 of the aforementioned Regulations.

As noted above, the Board of Directors shall entrust the management of the Company's ordinary business to its delegate bodies, its executive members and the senior management team, focusing its activity on the general responsibility of stimulating, directing and supervising matters of particular significance for the Company, undertaking, among other duties, to stimulate and supervise senior management, establishing the basis of the corporate organisation in order to ensure maximum efficiency.

To this end the BME Group has various procedure manuals which clearly establish the allocation of tasks and levels of responsibility and authority in the preparation of financial information. These manuals have been distributed to all employees involved in preparing relevant financial information, including all companies of the Group. With this framework, the BME Group endeavours to guarantee, amongst other aspects, that the established organisational structure offers a consistent ICFR model.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

The Company has a Code of Conduct in place for the BME Group and an Internal Code of Conduct, approved by the Board.

The BME Group Code of Conduct was approved by the Board of Directors on 29 November 2012 as part of the system for the prevention of criminal risks, and comprises the ethical principles and conduct with which all BME Group directors, legal representatives, managers and employees must comply. The Code of Conduct lays down the general guidelines for conduct of all those affected by the Code and describes the guidelines for conduct in specific situations, including the fulfilment of accounting and tax obligations and compliance with internal controls in this regard.

In conjunction with the BME Group Code of Conduct, the Internal Code of Conduct lays down the principles and framework of action that the employees of the Company and its Group must observe with respect to the securities markets. Employees have permanent access to the Code of Conduct and the Internal Code of Conduct in internal regulations and on the Group's intranet in the Online Human Resources section under "Code of Conduct", where they are requested to acknowledge that they have read them.

The main points covered in the Code are as follows:

- Scope of application.
- Interpretative and supervisory bodies.
- Rules of conduct.
- Conflicts of interest.
- Conclusion of transactions.
- Inside information.
- Treasury shares.
- Breach.

The BME Group also has a Declaration of *Ethical Values for the preparation of financial information*, approved by the current Continuity and Risk Committee at a meeting on 13 February 2012, and applicable to all BME Group employees.

The declaration of ethical values establishes the rules of conduct to which all employees must adhere and the ethical principles related to the preparation of financial information, on the following principles:

"(...)

- *Independence: employees shall adopt a permanent attitude of objectivity and independence in the performance of their various activities within the Group, not only observing all applicable guidelines but also preventing situations in which, due to a possible conflict of interests or any other circumstance, impartiality and objectivity could be affected.*
- *Integrity: employees shall demonstrate honesty and rigour when carrying out tasks concerning the preparation of financial information and shall not be influenced by external factors which may affect their professional judgement, and shall ensure that the criterion is maintained at all times and that the information is treated impartially and comprehensively.*
- *Responsibility: employees shall use their technical and professional skills when handling and preparing financial information. They shall be responsible for receiving the necessary training in order to carry out their duties to the best of their ability.*

Likewise, they shall be subject to applicable legislation regarding financial reporting and shall respect the procedures established internally. They shall record transactions accurately and maintain the same criteria for all files and records required.

- *Professionalism and dedication: employees shall comply with the professional standards, laws and the rules and regulations applicable to each case and avoid any situation which might jeopardise the prestige of the Group or its professionals.*

Likewise, they shall endeavour to do not only what is lawful, but also what is right and proper.

- *Confidentiality: employees are bound by professional secrecy and strict confidentiality when handling financial information to which they are privy in the course of their work.*

(...)"

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

Article 19.2.c) of Board of Directors Regulations outlines, inter alia, the responsibilities delegated to the Audit Committee concerning the establishment and supervision of: "(...) the instruments to enable Company personnel to anonymously report any irregularities in the internal control and risk management systems. (...)"

In accordance with the abovementioned article, at a meeting on 25 January 2007, with prior approval by the Audit Committee, the Board approved the procedure for notifying deficiencies in the internal control and risk management systems, which is available to all employees on the Group's intranet.

This procedure for notifying deficiencies is a way for all BME Group staff to report possible irregularities detected in the internal control and risk management systems to the Audit Committee, through the Internal Audit Department, anonymously and in writing, via any mail system, in strict confidence at all times.

For practical purposes, for this procedure the Internal Audit Department shall be responsible for (i) keeping a record of all notifications received concerning relevant issues; (ii) analysing all notifications and, if applicable, carrying out the necessary enquiries, verifications and analysis to check the irregularity or deficiency reported; and (iii) informing the Audit Committee of its actions.

In connection with the BME Group's Criminal Risk Prevention System, there is a Whistleblowing Channel set up whereby BME employees and management may report any events that may indicate non-compliances by other employees or management with the policies or procedures operated by the Group, with the Code of Conduct or any other actions which could indicate that an offence has been committed.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

The BME Group has a training policy defined by the Human Resources Department aimed at providing a continuous training plan for all staff involved in preparing and reviewing financial information, as well as assessing ICFR.

During 2019, as part of the annual training plan for all BME Group employees, various courses were offered. These courses were internal and external, onsite (offered at the Company's various work centres) and online (based on an *e-learning/ blended learning* methodology for courses which could be offered in this format), covering the following areas:

- User applications: Training in the software facilitator for task automation.
- Skill development: Training aimed at developing competences and skills in the workplace.
- Markets and financial assets: Training in the BME Group's markets, assets and business units.
- IT: Training in the development and perfection of new technologies.

The training actions are aimed at all BME Group employees. In 2019, Group employees received a total of 10,427 hours of training. 30 hours of training were provided for the Financial Corporate Area, and 68 for the Internal Audit Department.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The Continuity and Risk Committee of the BME Group has established an Integrated Risk Management System (IRMS) adopting the COSO II report as the methodological framework (process-based), in which, depending on the nature of the risks, the following coexist:

- Business risks are managed on a decentralised basis; each business unit or corporate area is autonomous, and all units and areas report to the Continuity and Risk Committee.
- Corporate risks (strategic, financial, regulatory, tax, technology, information security, human resources and non-financial risks) are managed on a centralised basis, coordinated among the different areas and treated at corporate level, with homogeneous reporting to the Continuity and Risk Committee.

Additionally, the IRMS has been given a second approach to asset-based risk analysis, combining physical and logical threats, based on the following standards:

- Analysis of physical risks: AS/NZS 4360 and ISO 31000.
- Analysis of logical risks: ISO 27001 and MAGERIT II.

Therefore, the IRMS currently uses a mixed methodology aimed at already active processes ensuring compliance with the legislation applicable to the different companies of the BME Group.

The Continuity and Risk Committee regularly reviews the most significant matters relating to the business units and corporate areas, and receives the results from the activities of BME's control functions (Compliance, Information Security and Internal Audit). The Continuity and Risk Committee is capable of identifying the existence of risks and proposing the implementation of action plans. These plans are reviewed by BME's control functions.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Within the risk identification process, including tax risks, and formalisation of the ICFR, in order to guarantee the reliability of the relevant financial information based on a criterion of defined materiality, and taking into account all the financial information reported and disclosed, the following global objectives of the BME Group have been considered:

- Existence and occurrence: Trades and other events presented in the financial information exist in reality and have been recorded at the right time.
- Completeness: The information includes all trades and other events in which the Group is the affected party.
- Valuation: Trades and other events are recorded and valued in accordance with applicable standards.
- Presentation, disclosure, and comparability: Trades and other events are classified, presented and disclosed in the financial information in accordance with applicable standards.
- Rights and obligations: Financial information shows, at the corresponding date, rights and obligations through the assets and liabilities, in accordance with applicable standards.

With regard to the preparation and maintenance of the corporate risk map, which includes those relating to ICFR:

- Information concerning each of the global risks identified (necessary for the purposes of management and control), a periodic update is carried out by each risk officer (concerning ICFR, the Finance Department):
- New events are identified; and
- Action plans are rearranged as necessary.

The Internal Audit Department evaluates the controls in place and quantifies residual risk.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

As part of the process of identifying and assessing risks in financial reporting, the Group's Finance Department is responsible for identifying and/or modifying the scope of consolidation and assesses the following:

- the significant influence, if applicable, the Company, individually or in conjunction with the rest of the BME Group companies, has over the company concerned;
- the percentage of the effective stake held by the BME Group in the company concerned;
- the activity and corporate purpose; and
- the existence of a "decision-making unit" in accordance with applicable legislation.

Therefore, in accordance with the provisions of Article 7.3.g) of its Regulations, following a report by the Audit Committee pursuant to Article 19.2.j) of these Regulations, with regard to the management guidelines and establishing the basis for the corporate organisation of senior management, the Board is responsible for: *"Approving the creation or acquisition of stakes in exclusively special-purpose vehicles or entities registered in countries or territories considered to be tax havens, and any other trades or transactions of a comparable nature the complexity of which could impair the transparency of the group"*.

No complex corporate structures or special-purpose entities were identified in 2019.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The risk identification process takes into consideration both business and support pro-

cesses, and applications used in the preparation of financial information. To this end, the BME Group has established a **Structure of corporate risks** which includes the following types of risk

- Operational risk (internal/external fraud, computer, information security and administrative errors).
- Market risk.
- Liquidity and solvency risk.
- Credit or counterparty risk.
- Industry risks (regulatory changes, the Group's reputation, sector competition, relations with *stakeholders*, the political, economic and legal environment).
- Business risks (specific to each Group company).
- Other non-financial risks: environmental, corruption and bribery.

The BME Group prioritises each of the identified risks, weighting them according to the probability of occurrence (low, moderate, significant and very high) and the impact on the Group should a detected risk turn into a real event (low, moderate, significant and critical).

• **The governing body within the company that supervises the process.**

The Board is responsible for *“determining the risk management and control policy, including tax risks, and overseeing the internal information and control systems, including the process of preparing and submitting regulated financial information”*. To carry out this duty, the Board of Directors has the support of the Audit Committee, to which it entrusts, among others, the task of *“supervising the efficiency of the Company's internal control and risk control, including any tax risks. To this end, at least once a year it shall supervise the control and risk management systems to ensure that the main risks are properly identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process.”*

Ultimately it is the Internal Audit Department which, in accordance with the provisions of the *Statute of the BME Group Internal Audit Service*, which was amended by the Audit Committee on 24 July and 20 November 2019, has the following functions: *“(…) cooperate with the BME Audit Committee, and in companies listed in Appendix II –BME Clearing, S.A.U. and Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear)-, with their respective Boards, in supervision of the effectiveness of the risk management processes and the control mechanisms applicable, by exercising an inde-*

pendent function in line with regulations and professional standards of quality, which help good Corporate Governance and reduce to acceptable levels the possible impact of the risks on the achievement of the Company's objectives. (...)”.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 **Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

The preparation of the financial information which is disclosed to the stock market and its subsequent review is entrusted to a suitably defined human and technical team which ensures that this information is precise, true and comprehensive according to current legislation. The procedures for preparing and reviewing financial information have been defined and documented by the Finance Department. Other departments also assist in ensuring that the necessary level of detail is obtained.

Therefore, the procedures for accounting closure and the preparation of the financial statements occasionally rely on key judgements, estimates and assumptions made by senior management to quantify assets, liabilities, revenue, expenses and commitments, which are described in detail in the corresponding financial statements. These estimates are made according to the best available information at the date on which the financial statements are prepared, using generally accepted methods and techniques and data, and observable and contrasted assumptions. In the current year, the following main issues were addressed:

- the assessment of potential impairment losses on certain assets;
- assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits;
- the useful life of property, plant and equipment and of intangible assets;

- assessment of possible goodwill impairment losses;
- the fair value of certain financial instruments;
- the calculation of provisions;
- the assumptions used to determine variable remuneration schemes based on BME shares; and
- the recognition of deferred tax assets.

In order to guarantee the reliability of this financial information, the Finance Department carries out monthly review and closing procedures, such as analysing the adherence to budgets, preparing business performance indicators and analysing the ratios defined by the BME Group.

Through the Audit Committee, in accordance with the provisions of Article 7.4.b) of the Board of Directors Regulations, the functions of the Board include "approving the financial information that, due to it being a listed company, must periodically be made public", the preparation and presentation of which are supervised by the Audit Committee, as per Article 19.2 of said Regulations.

The Finance Department is responsible for determining the relevant financial information, based on quantitative criteria of materiality, and qualitative criteria, taking into consideration all the financial information reported and published in the financial markets. Later, the processes linked to this information are analysed, distinguishing between business processes, support processes and the applications used in preparing the financial information. To this end, the BME Group has descriptive documentation of the activity flow charts relating to the processes, sub-processes and activities linked to this financial information, as well as the main risks and controls associated with these.

The Internal Audit Department shall "(...) *Revise the reliability and completeness of the financial and operating information, as well as of the means used to identify, evaluate, classify and disseminate this information (...)*", as stipulated in the *Statute of the BME Group's Internal Audit Service*.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The IT systems which support the processes on which the financial information is based are subject to internal control policies and procedures to guarantee the completeness of the preparation and publication of the financial information.

Specifically, policies have been established in relation to:

Security when accessing the information: the process systems which contain the BME Group's financial information can only be accessed by univocal user IDs which are password-protected in each of the environments. Likewise, permission to access the different environments, applications or operating systems is granted according to types of user and their authorisations. The process of managing users in these systems is based on established procedures using formally established channels.

Operating and business continuity: the BME Group has a comprehensive IT Contingency Plan in place (capable of dealing with the most complex situations) to guarantee the continuity of its IT services. There is a back-up centre where copies are automatically generated to guarantee the availability of all information in the event of an emergency. The Company carries out tests to guarantee the correct functioning of its contingency plan.

Segregation of duties: the development and operation of the financial IT systems is carried out by a large group of professionals with clearly differentiated and segregated functions. The staff of the business unit in question are responsible for defining the requirements and final validation tests before any system is rolled out. The rest of the duties fall to different persons within the IT area:

- The project leaders carry out functional analyses and manage the development projects, developmental and operational management and integration tests.
- The development teams are in charge of technological design, construction and tests, adhering at all times to the development methodologies defined by the Group. Access to information to resolve incidences must be formally requested and authorised internally.

The IT systems contain user profiles based on the roles of each of the people that require access to them. Staff competent in every application or environment manage these requests and permissions and verify that incompatible permission is not assigned

Management of changes: the BME Group has established mechanisms and policies to ensure that possible failures in the service caused by updates or changes to the IT systems are avoided. There are change and monitoring committees which ensure that the established management procedures for changes are complied with. These include security measures aimed at mitigating risks. All changes to the systems are carried out by controlled staff, and the changes identified and upgrades indexed to production environments.

Incident management: the policies and procedures in this matter are in place to resolve incidents in the shortest time possible. There are incident communication channels and registration tools in place. Efficient incident management is achieved by correctly prioritising and following up incidents according to importance, reducing communication times and, finally, determining problems and identifying suggestions for improvement.

Incident monitoring and improvement plans are reported periodically to the pertinent committees, and are aimed at monitoring the service provided.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements:

BME has a ***Procedure for managing outsourced activities*** which stipulates that the need to outsource activities must be based on the existence of sufficient reasons or legal provisions which justify this need in order for the BME Group to attain its goals or meet legal arrangements. To proceed with the subcontracting/outsourcing, a minimum of two and a maximum of three suppliers shall be considered, whenever possible.

In all cases, the outsourcing of activities and subcontracting to third parties shall be carried out through service contracts between the supplier and the relevant BME Group company, clearly indicating the service to be provided and the means to be used to provide these services. According to the nature or an assessment of the risks identified, the department responsible for subcontracting/outsourcing shall notify suppliers that the service provision contract shall include clauses stating that the staff at the contracted company must comply with BME Group regulations.

Before services can be subcontracted/outsourced, the department responsible for the subcontracting/outsourcing must send the offer and the conclusions of the preliminary risk study to the Legal Department.

The list of BME Group suppliers is revised and, if applicable, updated each year. Likewise, controls implemented by suppliers are monitored.

In order to appraise, calculate or value the services commissioned from independent experts when these may materially affect the financial statements, the Group has a system in place to assess the competence, ability, credentials and independence of independent experts, prior to their selection. When monitoring this appraisal, BME verifies the reasonableness of the assumptions used by the expert, as well as the completeness of the data and the methods used.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Responsibility for defining, interpreting and settling doubts or disputes regarding the accounting criteria and policies of the BME Group, among other functions, falls to the Finance Department.

To this end, the BME Group has a Procedures manual which describes the accounting treatment of the different types of transactions which may materially affect financial information. This Procedures manual is updated periodically to include any legislative amendments as well as new trade types which may require new criteria and accounting policies to be established. Once updated, this procedures manual is made available to all BME Group employees.

Application of accounting policies is established on the basis of the legislative framework applicable to the Company and BME Group companies, set out in the Code of Commerce and other mercantile legislation, in the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and its sector adaptations, in CNMV Circular 9/2008 of 10 December (amended by Circular 6/2011 of 12 December and Circular 5/2016 of 27 July), and in the International Financial Reporting Standards adopted by the European Union, in relation to the BME Group's consolidated financial statements.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The BME Group has mechanisms for the capture and preparation of financial information based on tools of renowned prestige. All BME Group companies use the same tools, guaranteeing completeness, uniformity and correct functioning, as well as the correct preparation of the required financial information and the applicable disclosures.

These tools are segregated into different interconnected layers and are equipped with applications into which data on the operations which take place each day via the different channels (internet, in-house services etc.) are entered. This information is then processed and prepared before being treated by specific back-office systems and segregated according to market and transaction category. This provides reliable and exact information on accounting and the generation of results. The results and calculation of data once the operations have been carried out on the market are automatically transferred to management, reporting and financial consolidation tools which have quality controls to ensure they are reconciled.

F.5 Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

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The internal audit function is carried out by the Internal Audit Department, which is a staff body within BME. It has no executive responsibilities in managing the Group's ordinary businesses and reports directly to the Audit Committee, a BME Board committee.

Article 19.2.c) of Board Regulations assigns responsibility to the Audit Committee to *"supervise the Company's internal audit services, which shall depend on the Audit Committee, reporting to the Board of Directors. To this end, the Committee shall monitor the independence and efficiency of the internal audit functions, proposing the selection, appointment, re-election and departure of the head of the internal audit service, as well as the budget for the service, receiving periodical information in regard to its activities and verifying that senior management takes into consideration the conclusions and recommendations of its reports. It shall also establish and supervise the arrangements whereby Company personnel may anonymously report any irregularities in the internal control and risk management systems."*

The Internal Audit Department compiles, at least, the following reports for the Audit Committee:

- Internal Audit reports: consequences of the execution of the department's activities plan. Also, when requested to do so by the Audit Committee and managers of BME Group companies.
- Review of Internal Control over Financial Reporting: assessment of the effective functioning of the Internal Control over the Financial Reporting System.
- Annual report on the activities of the Internal Audit service: including information on the execution of the review activities carried out and incidents relating to the risks identified in the department's processes.

Also, in accordance with BME's IRMS Methodology, the Continuity and Risk Committee receives information regarding any risk events, assessment of these events and action plans relating to ICFR that may have materialised.

In turn, the Head of the Internal Audit Department, who attends Committee meetings at which he may speak but not vote, proposes recommendations and suggests the most relevant points of reflection on the IRMS, based on the information provided.

In 2019, the Internal Audit Department undertook an annual assessment of ICFR and followed up the extent of response to the recommendations given after the previous year's review. With this assessment, the Internal Audit Department validates the effectiveness of the controls in place, through the performance of various audit tests. These tests basically consist of testing compliance in processes and/or risks classified as having a critical impact, and self-assessment questionnaires or specific tests of the existence thereof and their application for the controls in place for risks that have not been deemed to have a critical impact, or controls of a general nature.

Lastly, in 2019 the Internal Audit Department presented the BME Internal Audit Department's 2020 Activities Plan to the Audit Committee. The Plan focuses on ongoing improvement to the IRMS through suggestions and proposals by the Continuity and Risk Committee and, mainly, on reviewing those business processes for which ICFR assessment is mandatory under specifically applicable regulations, to assess its functioning and validate its effectiveness.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

Article 19 of Board of Directors Regulations stipulates, inter alia, the responsibilities delegated to the Audit Committee in relation to: *"supervising the efficiency of the Company's internal control and risk control system, including tax risks. To this end, at least once a year it shall supervise the internal control and risk management systems to ensure that the main risks are adequately identified, managed and reported, and shall discuss with the auditors or audit firms or experts appointed for that purpose any significant weaknesses detected in the auditing process. To this end it may submit recommendations or proposals to the Board."*

The Audit Committee shall also *"continue to liaise with the external auditors in order to receive information on any issues that might jeopardise their independence for examination by the Committee and any others connected with the auditing procedure, and, where applicable, authorise services other than those prohibited in the terms stipulated in regulations, and any other communications envisaged in audit legislation and in the technical auditing regulations. The Committee shall also receive information from the external auditors on a regular basis regarding the audit plan and the results of its execution, ensuring that the auditors' recommendations are taken into consideration by senior management. The Committee shall also monitor compliance with the regulations in force concerning the provision of services other than auditing, the limits in regard to business concentration of the auditor and, in general, any other rules aimed at ensuring the auditors' independence. In this regard, each year the external auditors shall issue written confirmation of their independence vis-à-vis the Company, as well as detailed individual information on any other type of service provided and the related fees received by the external auditors or persons or entities related thereto."*

Pursuant to the provisions of its Internal Audit Statute, the Internal Audit Department *"shall present to the management levels audited the scope of its conclusions and recommendations for analysis and comment."* It must also *"ascertain whether the recommendations in the report have been implemented in the areas audited, and notify the results to the Audit Committee"*.

In this regard, the Audit Committee met on 10 occasions in 2019. The external auditors were called to meetings of the Audit Committee at which the financial information of both BME and its Group companies was reviewed.

F.6 Other relevant information

F.7 External auditor's report

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

Pursuant to the recommendation in the *Guidelines for Action on the report by the auditor concerning the Internal Control over Financial Reporting on listed companies*, as published on the CNMV's website, the Company submitted the contents of information on the system for Internal Control over Financial Reporting for review by the auditors. This report shall be included as an Appendix to this Annual Corporate Governance Report.

G. Extent of compliance with Corporate Governance Recommendations

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance:

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable

1. **That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies ☒ Explanation ☐

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

a) **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**

b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

a) **Changes that have occurred since the last General Shareholders' Meeting.**

b) **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies ☒ Complies Partially ☐ Explanation ☐

4. **That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☒ Complies Partially ☐ Explanation ☐

5. **That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for the delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.**

And whenever the board of directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Complies Partially ☐ Explanation ☐

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies ☒ Complies Partially ☐ Explanation ☐

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies ☒ Explanation ☐

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional cases in which qualifications may appear, that the chairman of the audit committee and the auditors should clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies ☒ Complies Partially ☐ Explanation ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or appoint a proxy. And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies Partially ☐ Explanation ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies Partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☒ Explanation ☐

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explanation ☐

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies ☒ Complies Partially ☐ Explanation ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☐ Explanation ☒

The Company considers that the current structure of the Board of Directors, which presents a high degree of independence, is appropriate to the shareholding composition of the Company where the Directors qualified as independent have sufficient weight in this body and represent the appropriate interests of minority shareholders, without significant shareholders having a disproportionate influence.

At 31 December 2019 the following characteristics of the Board of Directors indicate relevant representation of the interests of the body's non-controlling shareholders:

- The considerable number of independent Directors on the Board, accounting for 54.55% of the total number of Directors, thereby attaining the degree of independence which Recommendation 17 of the Good Governance Code of Listed Companies considers appropriate for large-cap companies, and 66,67% of external Directors;
- The non-existence on the Board of Directors of any major shareholders with disproportionate representation, since a single significant shareholder of the Company was represented on the Board of Directors by two (2) members as the holder of the largest percentage of the Company's equity, 12.06%, and it cannot be understood that this representation grants a position of control or a majority on the Board;
- The majority of independent Directors on the Appointments and Remuneration Committee, accounting for 75% of the total number of members, pursuant to Recommendation 47 of the Code of Good Governance of listed companies.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies ☒ Complies Partially ☐ Explanation ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies ☒ Complies Partially ☐ Explanation ☐

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies ☒ Complies Partially ☐ Explanation ☐

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies ☒ Complies Partially ☐ Explanation ☐

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request by the protesting party.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies ☒ Complies Partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies ☒ Explanation ☐ Not Applicable ☐

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies ☒ Complies Partially ☐ Explanation ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☒ Complies Partially ☐ Explanation ☐

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☐ Complies Partially ☒ Explanation ☐

The only part of the recommendation that the Company does not monitor is that relating to the Chairman of the Board of Directors organising and coordinating the evaluation of the Company's chief executive. At present, the organisation and coordination of the process for evaluating the performance of the Chief Executive Officer in his role as the company's chief executive corresponds to the Chairman of the Appointments and Remuneration Committee.

In this regard, BME has considered that the Chairman of the Appointments and Remuneration Committee, qualified as an independent Director, is the right person to lead the evaluation process of the CEO as the company's chief executive since this condition guarantees the independence with which this process must be developed is preserved at all times.

Likewise, the coincidence that the Chairman of the Appointments and Remuneration Committee has been appointed as the Lead Independent Director of the Company allows him to extend his skills as a binding figure regarding the impressions the non-executive Directors have of the role he assumes in heading up the evaluation process of the performance of Chief Executive Officer's duties as chief executive of the Company.

- 34. That when there is a lead director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies



Complies Partially



Explanation



Not Applicable



Although the Company does not have the legal obligation to have a Lead Independent Director after the amendment to the corporate governance structure of the Company, the Chairman does not have the status of executive, the Board of Directors has unanimously considered it beneficial for the Company to maintain the figure of the Lead Independent Director given the relevance of the functions he performs and his role in gathering and transmitting the opinions of the non-executive Directors.

The Lead Independent Director has been assigned the powers referred to in the recommendation, except those relating to maintaining relationships with investors and shareholders. These powers of the Lead Independent Director have been enhanced by the Company through the establishment of a Working Group of non-executive Directors, which has approved its own rules of organisation and operation.

The Company considers that the eminently independent nature of the Lead Independent Director, required for the role as leader of the Company's external Directors, and consequent lack of involvement in the effective management of the Company, justifies the role of maintaining contact with investors and shareholders not being assigned to this Director.

In this regard, the Company considers that its structure for communicating with investors and shareholders, with an Investor Relations Department staffed by people with a deep, detailed and well-founded knowledge of the economic and financial position of the Company, the Company's projects, its day-to-day activity etc., is adequate and allows the Company to be aware of the opinions and concerns of shareholders and investors regarding any aspect of the running of the Company, including any aspects concerning corporate governance.

Thus, the Investor Relations Department, which reports to the CEO, is entrusted with, among other duties, reporting to management the concerns, queries and suggestions of the shareholders and investors with whom it maintains permanent contact. Should these concerns affect matters of corporate governance, the Investor Relations Department can rely on the General Secretary and the Secretary of the Board of Directors, and is assigned the task of ensuring that the decisions of the Board of Directors take into account the recommendations in matters of corporate governance and, where appropriate, actively participates in meetings with investors and shareholders to explain the Company's corporate governance structure.

All of the above is irrespective of whether, when considered appropriate, the Lead Independent Director maintains contact with investors and shareholders in matters which are deemed beneficial for the Company.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies  Explanation 

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Director's work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies  Complies Partially  Explanation 

The Board of Directors conducts an annual assessment of the efficient functioning and quality of the work carried out by the Board and its Committees, and also of the performances of the Chairman of the Board and the Company's CEO, as laid down in Article 10 of its Regulations.

Additionally, the Board of Directors is assisted, every three years, by an independent expert proposed by the Appointments and Remuneration Committee to assess the quality and efficiency of the operation of the Board of Directors, the operation and composition of its Committees and diversity in the composition and responsibilities of the Board of Directors.

2019 saw the completion of the evaluation initiated in 2018 by the independent expert, Egon Zehnder International, S.L., on the quality and efficiency of the Board of Directors, the operation and composition of its delegated Committees and the diversity in the composition and powers of the Board of Directors.

The only part of the recommendation which the Company does not follow is that relating to the Board's assessment, once a year and individually, of the performance and contribution of each Director, on the grounds that, during the period for which they form part of the Board, individual assessments of the Directors are carried out with sufficient frequency, as detailed below.

Thus, it should be taken into account that the extensive professional experience offered by the members of the Board of Directors, analysed in detail by the Appointments and Remuneration Committee prior to the proposal for their appointment to the Board of Directors in the case of independent or "other external" Directors, or to the issuance of the corresponding report for the other types of Director, is a sufficient initial guarantee of the quality of the services that the Director shall provide.

Following this initial assessment, and as established in Article 22.2 of the Board of Directors Regulations, the quality of the services provided and the dedication of each of the Directors is assessed by the Appointments and Remuneration Committee and by the Board of Directors, in the corresponding re-election or ratification proposals, and also in any cases where a proposal is submitted for their appointment to a position on the Board or one of its Committees.

In this regard, the proposal of the Appointments and Remuneration Committee in the case of independent Directors and Directors qualified as "other external" or, in all other cases, the report individually assesses the services provided by the Directors during their previous term and their dedication both on the Board and, where appropriate, on the Committees of which they form part.

Following the proposal or report by the Appointments and Remuneration Committee, the Board of Directors, in the justifying report that must be approved in accordance with that established in Article 529 *decies*, section 5 of the Corporate Enterprises Act, and Article 22.1 of Board of Directors Regulations, also assesses the performance of the duties of the Director whose re-election is proposed to the General Shareholders' Meeting.

- 37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

- 38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

- 39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.**

Complies ☒ Complies Partially ☐ Explanation ☐

- 40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies ☐ Complies Partially ☒ Explanation ☐

Article 19.2.c) of Board Regulations makes the Audit Committee responsible for "*supervising the Company's internal audit services, which shall report to the Audit Committee*", and lists the main supervisory tasks in relation to internal audit.

The purpose, authority and responsibility of the Internal Audit function in the Company are defined in the "Statute of the BME Group's Internal Audit Service", which states that the Internal Audit Department is a permanent internal body within the organisation, without executive responsibilities in managing the group's ordinary businesses and reporting directly to the Audit Committee.

BME considers that what is established in the aforementioned regulation with regard to the authority of the Internal Audit Department is a sufficient guarantee of the independence with which it can act, and that the fact that this Department reports functionally to the Chairman of the Audit Committee does not grant it a higher degree of autonomy to carry out its duties

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function, propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department, approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the task accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Complies Partially ☐ Explanation ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies Partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risk in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

Complies ☒ Complies Partially ☐ Explanation ☐

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies ☐ Complies Partially ☐ Explanation ☒

BME considers that the operation of the control and risk management systems and the preparation of the risk strategy are matters that must correspond to the Company's senior management and to the people who form part of its workforce and are experts in the management of the risks to which its activity is subject.

BME considers that the Audit Committee must monitor the effectiveness of the defined internal control and risk control systems, implemented and processed by the Company's executive team, and in the scope of this supervision shall be aware of any weaknesses that may be detected by the internal and external auditors in these systems and, in these cases, shall discuss and propose the adoption of the measures deemed appropriate to solve them.

Moreover, with regard to the structure of BME as a holding company and the high specialisation of the activities carried out in each of the companies forming part of the Group, BME has considered it more appropriate that the internal control and risk management function be undertaken in a decentralised manner, as described below.

In this regard, BME has implemented a risk control system in accordance with international standards and adopted the COSO II Report as the methodological reference framework (process-based), with which the Company's risks are managed in an efficient and prudent manner. To define this risk control system, which is detailed in section E of this Report, the strong specialisation of activities performed in the Group has been considered, which has made it advisable that, given the different nature of the risks, the decentralised management of the business risks, which are managed by each Business Unit, co-exists with the centralised management of corporate risks (strategic, financial, regulatory, technological, information security, human resources and non-financial), risks that are all coordinated by the Continuity and Risk Committee, reporting to the Management Committee.

The Continuity and Risk Committee keeps the Board of Directors informed, through the Audit Committee, of all actions carried out when implementing the control and risk management policy, in order for these bodies to be able to undertake the duties attributed to them by law for supervising the effectiveness of the Company's internal control and the internal control systems implemented within the Group.

BME considers that this structure ensures that the Company's risks are suitably identified, managed and quantified, and allows the Audit Committee and the Board to successfully carry out their functions of monitoring the internal control and risk management systems.

47. **That members of the appointments and remuneration committee -or of the appointments committee and the remuneration committee if they are separate- are selected taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies ☒ Complies Partially ☐ Explanation ☐

48. **That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies ☐ Explanation ☐ Not Applicable ☒

49. **That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies Partially ☐ Explanation ☐

50. **That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) **Propose basic conditions of employment for senior management.**
- b) **Verify compliance with company remuneration policy.**
- c) **Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) **Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) **Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies ☒ Complies Partially ☐ Explanation ☐

51. **That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.**

Complies ☒ Complies Partially ☐ Explanation ☐

52. **That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:**

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meeting be recorded and the minutes be made available to all directors.

Complies



Complies Partially



Explanation



Not Applicable



Article 17 of Board of Directors Regulations establishes the Board's Markets and Systems Operating Procedures Committee, to which Article 21 of Board of Directors Regulations grants competence for supervising issues in relation to the efficiency and proper functioning of the markets and systems managed by the BME Group; application to BME, Group companies and their main shareholders of the habitual market conditions and the principle of equal treatment in their trading in the markets and systems managed by BME; and interpretation of the BME Group's Internal Code of Conduct.

The composition and operation rules for this Committee, established in the Board of Directors Regulations and implemented through its own regulations, follow sections c), d) and e) of the recommendation.

The composition requirements established in sections a) and b) of the recommendation are not followed insofar as an executive Director forms part of this Committee and also holds the position of its Chairman.

BME considers that given the specialised duties assigned to this Committee, what must be taken into account as a priority when appointing the members of the Board of Directors to serve on it is knowledge of the operation of the markets and systems managed by BME and the Group companies and professional experience in fields directly related to the operation of the financial and securities markets, given that this knowledge and experience shall enable the Committee to better carry out the functions attributed to it in the interests of the Company.

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:
- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
 - b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
 - c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
 - d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
 - e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting nonfinancial information in accordance with applicable rules and international benchmarks.

Complies ☒ Complies Partially ☐ Explanation ☐

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Complies Partially ☐ Explanation ☐

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies Partially ☐ Explanation ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☒ Complies Partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☐ Complies Partially ☐ Explanation ☒ Not Applicable ☐

The Directors' Remuneration Policy includes, among other items in relation to the system of remuneration for executive Directors, medium-term and long-term variable remuneration the purpose of which is to boost their commitment to Company shareholders. This is paid in the medium and long-term Variable Remuneration Plans described in section A.3 of this report.

These medium and long-term Variable Remuneration Plans entail the allocation of theoretical units in a financial year, and stipulate that any shares to be received if the targets set are achieved shall be awarded by the Company when the three-year measurement period has elapsed.

BME considers that these characteristics of medium-term and long-term remuneration established in the Directors' Remuneration Policy and laid down in the aforesaid current Share-based Variable Remuneration Plans include a clear element of deferral which allows the actual achievement of targets to be verified, and it is unnecessary to establish any additional retention periods.

Also, the share-based Variable Remuneration Plan approved by the General Shareholders' Meeting on 26 April 2018 establishes the obligation for the beneficiaries of the Plan to hold the Company shares for one year after delivery.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies ☐ Complies Partially ☒ Explanation ☐ Not Applicable ☐

The current Directors' Remuneration Policy includes, among the main conditions of the "Contract of Director with executive functions" signed by BME and Mr Javier Hernani Burzako, a recovery or "claw-back" clause whereby, in certain circumstances, within a period of two years following payment, BME may demand that the CEO return the amounts paid as annual variable remuneration and shares received pursuant to the medium/long-term remuneration plans.

This recovery or "claw-back" clause was included in the "Contract of Director with executive functions" signed by the Company and the CEO, following unanimous approval by the Board of Directors, with no involvement by the CEO, pursuant to the provisions of Article 249 of the Corporate Enterprises Act.

The only component of the Directors' variable remuneration that does not comply with this Recommendation is the share-based variable remuneration of which the Chairman of the Board of Directors is a beneficiary.

Thus, as a result of the new corporate governance structure presented by the Company following the General Shareholders' Meeting on 25 April 2019, the Chairman of the Board of Directors does not perform executive functions. As established by the current Directors' Remuneration Policy, Mr Antonio J. Zoido Martínez retains the status of beneficiary of the Variable Remuneration Plans described in section A.3 of this report, through which he received shares in 2019 and will receive shares that are not subject to recovery or "claw-back" clauses in the years 2020 and 2021.

The contractual conditions for the Chairman, including the conditions of remuneration, were established prior to approval of the Good Governance Code of Listed Companies, and do not include any clauses for recovery or “claw-back”.

Regardless of the foregoing, as evidenced in the explanation to the previous recommendation and described in the current Directors' Remuneration Policy, the Variable Remuneration Plans incorporate a deferral element that allows the verification of the effective validity in the long-term fulfilment of the objectives set, without it being necessary to establish clauses that allow their repayment to be claimed.

64. **That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies

☒

Complies Partially

☐

Explanation

☐

Not Applicable

☐

H. Further information of interest

1. **If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.**
2. **This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant. Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.**
3. **The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.**

Pursuant to the Code of Best Tax Practices approved by the Large Businesses Forum, which BME embraced on 30 September 2010, the annual corporate governance reports of companies embracing this Code must include reference to the fact that these companies comply with such practices.

In 2019, in order to comply with the commitments undertaken by the Company through its adhesion to the Code of Best Tax Practices to be applied by the Company approved by the Board of Directors at its meeting on 30 July 2015, at a meeting on 25 February 2019 the Audit Committee was informed and took due note of the fiscal policies applied by the Company, before preparing the financial statements.

Subsequently, at a meeting on 24 July 2019 the Audit Committee was informed of the tax policies applied by the Company for the filing of the 2018 Income Tax return.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on 27 February 2020.

State whether any directors voted against or abstained from voting on this report.

Yes

☐

No

☒

**Bolsas y Mercados Españoles,
Sociedad Holding de Mercados y Sistemas
Financieros, S.A. and Companies comprising the
Bolsas y Mercados Españoles Group**

**Non-financial Information Statement for the year ended 31 December
2019, together with the Independent Expert's Report**

>> Consolidated Directors' Report / **Consolidated Non-Financial Information Statement 2019**



BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A. AND COMPRISING THE BOLSAS Y MERCADOS ESPAÑOLES GROUP
(102-1)

NON-FINANCIAL INFORMATION STATEMENT

2019



Independent Verification Report



Informe de verificación independiente

A los accionistas de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.:

De acuerdo al artículo 49 del Código de Comercio hemos realizado la verificación con el alcance de seguridad limitada, del Estado de Información No Financiera Consolidado (en adelante EINF) correspondiente al ejercicio finalizado el 31 de diciembre de 2019, de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (la Sociedad dominante) y sociedades que componen el Grupo Bolsas y Mercados Españoles (el Grupo) que forma parte del Informe de Gestión Consolidado adjunto del Grupo del ejercicio 2019.

Responsabilidad de los administradores de la Sociedad dominante

La formulación del EINF incluido en el Informe de Gestión Consolidado del Grupo, así como el contenido del mismo, es responsabilidad de los administradores de la Sociedad dominante. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los *Sustainability Reporting Standards* de *Global Reporting Initiative* (estándares GRI) según la opción Esencial, de acuerdo a lo mencionado para cada materia en la tabla "Índice de contenidos de información no financiera" del EINF.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de la Sociedad dominante son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesional, confidencialidad y comportamiento profesional.

Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NIICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, 1ª de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 100 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

El EINF está firmado por el responsable de la firma en España.
Firmado en: España, el día 15 de febrero de 2020.

1



Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 Revisada en vigor, "Encargos de Aseguramiento distintos de la Auditoría y de la Revisión de Información Financiera Histórica" (NIEA 3000 Revisada) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad proporcionada es también menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la dirección, así como a las diversas unidades del Grupo que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación.

- Reuniones con el personal de la Sociedad dominante para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2019 en función del análisis de materialidad realizado por el Grupo y descrito en el apartado "Materialidad de la memoria", considerando los contenidos requeridos en la normativa mercantil en vigor.
- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2019.
- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2019.
- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2019 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los administradores y la dirección de la Sociedad dominante.



Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de 2019 de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. y sociedades que componen el Grupo Bolsas y Mercados Españoles correspondiente al ejercicio anual finalizado el 31 de diciembre de 2019 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI según la opción Esencial, de acuerdo a lo mencionado para cada materia en la tabla "Índice de contenidos de información no financiera" del citado EINF.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones

28 de febrero de 2020

INSTITUTO DE CENSORES
JURADOS DE CUENTAS
DE ESPAÑA

PRICWATERHOUSECOOPERS
AUDITORES, S.L.

2020 N.º de Matr. 01/2011466

30.000 EUR

SELLA COMERCIAL
INFORME SOBRE TRÁFICOS DISTINTOS
A LA AUTENTICIDAD DE CUENTAS

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Letter from the Chairman

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Letter from the Chairman**

Dear shareholders,

I am pleased to address you to talk about sustainability, an exciting issue that is far from being a passing fad. This can be seen by the growing commitment of governments and companies to this issue, which also increasingly interests citizens. Following sustainable criteria in our activity is not just another option, it is the only possible way forward. A firm conviction that has been held in BME for years and that we do not stop reinforcing.

We live in a world in which companies are becoming more aware of the importance of their position in society and the impact they have on the environment. Transparency and good practices in corporate governance, the defence of diversity in all its forms and commitment in the fight against the effects of climate change are central issues in our day-to-day activities as a listed company. It is a priority for BME, because as a corporate business we are committed to sustainability in the broadest sense of the word.

Undoubtedly, BME is playing a leading role in this exciting paradigm shift, since capital markets are the best way to channel the commitment of listed companies with regard to this issue. The unstoppable growth of sustainable financing is proof of this. Last year, 9.76 billion euros in sustainable bonds were issued in Spain, 50% more than in 2018, according to data from the Spanish Observatory for Sustainable Financing, of which BME is part.

This intense issuing activity has put Spain in the top 10 worldwide in the issuance of green bonds, according to the Climate Bonds Initiative and the IMF. It is a higher position than we would expect for our GDP.



Antonio J. Zoido, BME Chairman

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Letter from the Chairman**

The growth of sustainable financing is also driven by increased demand from investors. The development of the green bond market in Europe had so far followed private standards, e.g. the Green Bonds Principles of associations such as ICMA or the Climate Bonds Initiative, but as a result of the European Commission's recent Action Plan on Sustainable Finance, its own regulations are starting to appear. The new taxonomy will enable this market to be clarified, which will benefit all participants.

It should also be mentioned that the issuance of green bonds has already reached small and medium capitalisation companies, as Grenergy showed last year when it registered the first green bond with BME's Fixed Income market, MARF, amounting to 50 million euros.

But sustainable investment is not limited to Fixed Income. Fund managers and investors are increasingly considering environmental, social and corporate governance criteria when creating their portfolios. In this regard, BME provides a very valuable instrument with the FTSE4Good Ibex index, which includes the Spanish companies that best meet the criteria for good corporate social responsibility practices.

This BME Non-Financial Information Statement provides a detailed explanation of our commitment to sustainability.

I invite you to read these pages, in which we reflect on BME's contribution in this field, which is in our DNA and for which we will continue working tirelessly.

Yours sincerely,

Antonio J. Zoido



Letter from the Chief Executive Officer

(102-14)

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Letter from the Chief Executive Officer**

Dear shareholders,

It is a pleasure to introduce the Non-Financial Information Statement for 2019, a significant year for the company in many respects and in which we have redoubled our commitment to sustainability as a hallmark. As proof of this, last year BME approved the Corporate Social Responsibility Policy for BME and its Group, which was prepared in accordance with the provisions of the Code of Good Governance of Listed Companies, which includes the principles and guidelines for action with the different actors that participate in the markets and society in general.

As you know, since 2007 BME has provided its stakeholders with an annual Corporate Social Responsibility Report, which since 2018 has been termed Non-Financial Information Statement, due to a change in regulations. The objective of this Report, prepared based on the criteria for the preparation of Sustainability Reports by international Global Reporting Initiative (GRI) (*) standards and Law 11/2018, of 28 December, is to present the sustainable impact of the activities of BME and its subsidiaries. It is, therefore, an exercise in transparency and accountability with you on an issue that has concerned us for years and in which we firmly believe.

The content of the report has been prepared following the materiality analysis, according to which Good Governance is the most influential feature of the decisions of the company's stakeholders, while transparency and independence in trade is what has a greater impact on BME's ability to carry out its activities.

One of the milestones for BME in 2019 was the A- with stable outlook rating granted by the risk rating agency S&P Global Ratings, placing the Company in the solid investment grade area. This was due to the company's low level of indebtedness, strong operational efficiency, vertical integration of the whole value chain of its business and a solid liquidity position.



Javier Hernani, BME CEO

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Letter from the Chief Executive Officer**

As a market infrastructures manager, BME has a vocation for social service, since it allows the real economy to obtain financing. With the help of capital markets, companies generate jobs, innovate, develop new projects and contribute to the progress of society. This has been the case since its inception, but for years now BME has been adding many other commitments to the original social function in its dual role as a company and manager of the infrastructures of the stock exchanges and the markets.

This ongoing and transversal defence of sustainability is materialised through several national and international initiatives of which this company is part. BME follows the principles of the United Nations Global Compact, which it joined in 2011, and also participates in the Sustainable Stock Exchanges. Both initiatives serve as a guideline for action in all areas of its activity, since BME faithfully complies with the universal principles of social and business responsibility, respect for human rights, environmental protection and the fight against corruption that they both advocate. The company has also been part of the Code of Good Tax Practices since 2010.

BME's main asset is its human capital. It is a priority for the BME Board of Directors to promote the defence of equality and respect for the diversity of its professionals. BME works every day to guarantee the best working conditions for everyone. Last year more than 100 courses in the continuous training plan for employees were offered, 26% more than in 2018. The ratio of training hours received by BME employees was 13.1 hours.

The shareholders, of which 95.8% are non-controlling, also enjoy preferential attention from BME. BME's pay out remained at 96% last year, one of the highest on the Spanish Stock Exchange. The company also continues to promote the Shareholder Training Plan, with in-person courses taught by qualified professionals in Madrid, Barcelona, Valencia and Bilbao. The level of satisfaction of BME shareholders participating in the specific training plan developed by the Company was 4.16 out of 5.

BME's commitment to training and financial culture is not limited exclusively to its employees and shareholders. Through Instituto BME, BME's training centre, which last year gave 4,097 hours of training to a total of 6,062 students, it contributes to the dissemination of financial knowledge, which is essential in our country. Its courses are also acknowledged by society. The training activities carried out by Instituto BME have been assessed in surveys that show a high degree of satisfaction, more than 8.34 out of 10.

Other significant stakeholders for BME are its suppliers, of which 90.42% are local. We pursue sustainable management of our supply chain through different processes that seek to contribute to actions that are respectful with the natural environment and with society.

This company is very clear about the importance of combating climate change and protecting the environment. As a securities market manager, BME promotes and encourages the growth of sustainable finance, which continues to grow, as can be seen by major developments in the issuance of sustainable bonds. As a company, BME continues to work to reduce the impact of its activity on the environment. Last year there was a reduction of 12.8% in indirect greenhouse gas emissions associated with electricity consumption, business trips by air and rail and employees commuting to the workplace using their own vehicle.

The Annual Report includes a detailed overview of BME's business last year, which was marked by the implementation of the 2019-2021 Strategic Plan and by the Takeover Bid presented by SIX GROUP.

Yours sincerely,

Javier Hernani

(*) Global Reporting Initiative (GRI) is a non-governmental organisation whose purpose is to promote sustainability reports with a view to improving their quality, rigour and usefulness through the implementation of the triple bottom-line approach: environmental, social and economic. For these purposes, the GRI publishes a methodology for the preparation of sustainability reports which it frequently reviews, and the current version of which is implemented through the GRI Standards.

1



The BME Group and Corporate Social Responsibility

(102-5)

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **The BME Group and Corporate Social Responsibility**

Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME or the Company), operator of the securities markets and financial systems in Spain, is a benchmark in the sector in terms of solvency, efficiency and profitability. The Company is a public limited company listed on the Exchange since 14 July 2006 and included in the *FTSE4Good IBEX® index* since its beginnings.

Since 2018, the Company has prepared and made available to its shareholders the consolidated non-financial information statement for the purposes of issuing the financial statements, and included as an Appendix to the consolidated management report.

The preparation of this consolidated non-financial information report, which sets out the activities carried out by BME and its subsidiaries throughout the financial year and their impact in matters of sustainability, demonstrates the high regard that the Company has for its environment. The report discloses all relevant information on financial and non-financial issues affecting the Company's activities, using one of the internationally accepted methodologies for this purpose, the *Global Reporting Initiative (GRI)*.

At its meeting held on 27 February 2019, the Board of Directors, within the scope of its powers, approved this Non-Financial Information Statement (Corporate Social Responsibility Report) for 2018, which was prepared in accordance with the content established for the preparation of the Sustainability Reports by the *GRI Standards* and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts regarding non-financial information and diversity. The consolidated non-financial information statement (Corporate Social Responsibility Report) for 2018 was included as an appendix to the consolidated management report for 2018 and was verified by the independent auditor *PricewaterhouseCoopers Auditores, S.L.*

At its meeting held on 27 February 2020 the Board of Directors approved this consolidated non-financial information corresponding to the year 2019, which has been prepared in accordance with the *GRI Standards* methodology for the preparation of Sustainability Reports and the aforementioned Law 11/2018 of 28 December. The Non-Financial Information Statement for 2019, included as an appendix to the Consolidated Management Report for 2019 and verified by the independent auditor *PricewaterhouseCoopers Auditores, S.L.*, complements the annual Corporate Governance Report, the Annual Report on Directors' Remuneration and the Report on the Activities of the Board of Directors and its Committees for 2019, which are made available to the shareholders and investors on the corporate website.

Scope of the consolidated non-financial information statement for 2019.

The data included in the consolidated non-financial information statement for 2019 includes the data of the BME Group companies that consolidate financial statements. These have been consolidated using the equity method for which REGIS-TR's financial data have not been included. REGIS-TR, Société Anonyme and REGIS-TR UK Ltd, which have been consolidated using the equity method, as they are 50% owned by the BME Group companies.

The information about employees included in this statement, encompasses the whole BME Group workforce. In order to increase the transparency of this information, the non-financial and diversity information also comprises *Open Finance S.L.*, a company that manages independently its labour regime. This information does not include 3 employees of BME Soporte Local Colombia, S.A.S. and 1 of *LATAM Exchanges Data Inc.* as their employment regime is also managed independently and the data is not considered material to the whole workforce of the BME Group and Open Finance S.L.

Main key performance indicators of BME concerning Corporate Social Responsibility. (102-54)

■ MAIN KEY PERFORMANCE INDICATORS

ECONOMIC / OPERATIONAL



Economic value generated: **287,106** thousands of euros (-6.91% vs 2018)



Shareholder remuneration through dividends: **130,106** thousand euros in dividends (-13.70% vs 2018)



Record of financing small cap companies through alternative markets: **10,357** in fixed income in MARF (+63% vs 2018) and **1,642** million euros in shares in the MAB (79% vs 2018)

ENVIRONMENTAL



Indirect greenhouse gas emissions (associated with the consumption of electricity, business trips by air and rail and employees commuting to the workplace using their own vehicle): **2,752.50 t of CO₂** (-12.08% vs 2018)



Internal energy consumption (consumption of electricity and natural gas): **33,506.54 GJ** (2.08% vs 2018)



13 years forming part of FTSE4Good IBEX

SOCIAL



Economic value distributed to stakeholders: **285,008** thousands of euros (-8.67 vs 2018)



BME economic investments aimed at benefitting the community: **1,243** thousand euros (13.51% vs 2018)



Training provided through the BME Institute with the aim of disseminating financial knowledge: **4,097** hours **6,062** students

Our stakeholders. (102-40, 102-42, 102-43)

In accordance with the relevant criteria for the Company and its activities, it has identified five stakeholder groups which are the users of its services, its shareholders, company employees, service providers and society in general.

STAKEHOLDERS**USERS**

Leading Exchange in Dividend Yield **4.5%** for listed companies (according to classification of market prepared by MSCI).

**COMPANY**

17.2% and **48.1%** of the value of listed shares are held by Spanish households and foreign investors, respectively.

**SUPPLIERS**

90.42% of BME's suppliers are local.

**EMPLOYEES**

13.1 hours/employee. Ratio of training hours received per employee.

**SHAREHOLDERS**

Based on the average number of BME shareholders during 2019 which stands at **51,431**, **95.53%** are minority which held **41.67%** of the share capital.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **The BME Group and Corporate Social Responsibility**

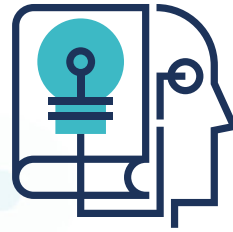
The needs and priorities of these stakeholders have been taken into account to establish BME's principles and guidelines of action (see the section on "Responsible management model").

With the aim of strengthening a constructive relationship with its stakeholders, BME maintains channels of communication that allow the Company to respond to their expectations. BME establishes the frequency in the relationship with its main stakeholders, depending on business needs.

Through the approval of this report, the Board of Directors addresses those relevant issues that have arisen in the relationships and communication of the Company with its stakeholders and the departments involved in its relationships with stakeholders. In particular, this consolidated non-financial information report has been prepared based on the materiality analysis previously performed in which the most relevant aspects for the Company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues.



2



Company Profile

(102-2, 102-3, 102-4, 102-6, 102-45)

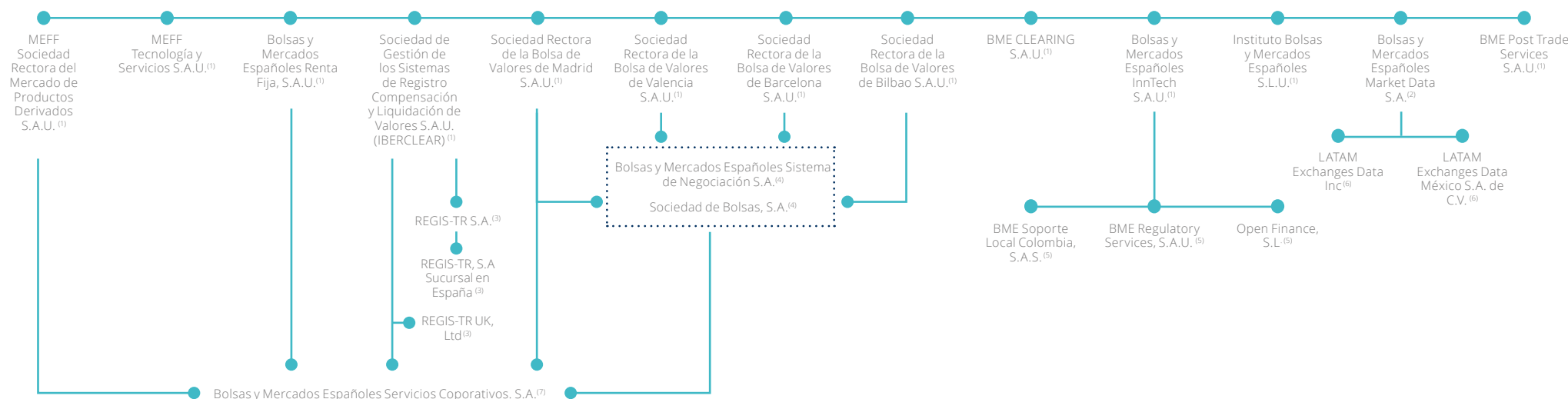
>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - Company Profile

COMPANY ORGANISATIONAL CHART AND OTHER COMPANY OWNERSHIP INTERESTS AT 31 DECEMBER 2019

The Bolsas y Mercados Españoles (BME) Group comprises the following entities:



BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A. (BME)



(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., IBERCLEAR, 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 Clearing, 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., Sociedad Rectora de la Bolsa de Valores de Valencia, S.A.U. and Sociedad de Bolsas, S.A. respectively hold a participation of 49.71%, 7.77%, 0.14%, 10.09%, 9.93%, 9.93%, 9.93% and 2.5% of the share capital of the company Bolsas y Mercados

Españoles Market Data, S.A.

(3) IBERCLEAR holds a 50% interest in the share capital of REGIS-TR UK Ltd and REGIS-TR Société Anonyme, a company that created a branch in Spain.

(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. hold a 25% stake in the companies Bolsas y Mercados Españoles Sistema de Negociación, S.A. and Sociedad de Bolsas, S.A.

(5) Bolsas y Mercados Españoles InnTech, S.A.U. holds a 100 percent stake in the share capital of Bolsas Mercados Españoles Regulatory Services, S.A.U., and BME Soporte Local Colombia, S.A.S., as well as a 90% stake in the share capital of Open Finance S.L.

(6) Bolsas y Mercados Españoles Market Data, S.A. holds a 51% and 49% interest in the share capital of LATAM Exchanges Data Inc. and LATAM Exchanges Data México S.A. de C.V., respectively.

(7) 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. and Sociedad de Bolsas, S.A. respectively, hold a participation of 11%, 9%, 21%, 48% and 11% of the company Bolsas y Mercados Españoles Servicios Corporativos, S.A.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Company Profile**

The social and operational headquarters of BME and of all Group companies (with the exception of Regis-TR, S.A., Regis-TR UK, Ltd, BME Soporte Local Colombia, S.A.S., LATAM Exchanges Data Inc -hereinafter LED- and LATAM Exchanges Data México S.A de C.V. - hereinafter LED Mexico-) are located in Spain, the country in which it mainly carries on its activity, with BME headquarters located in Madrid, at Plaza de la Lealtad 1, and with the main operational headquarters of the organisation being in Las Rozas (Madrid), on Calle Tramontana 2bis.

Since it was founded, BME has been committed to developing and upgrading the Latin American financial markets, the energy market and the financial sector in general, through shareholdings as of December 31, 2019 (notwithstanding the 49% stake in the share capital of LATAM Exchanges Data México SA de CV held on that date by Bolsas y Mercados Españoles Market Data, SA and which has been stated in the previous corporate organization chart):

- **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 Bolsas y Mercados Españoles Inntech, S.A. (Sociedad Unipersonal) 5.65% of its share capital.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.,** of which BME holds a 5% stake therein.
- **Noster Finance, S.L. (Finect),** a financing company which offers investors, inter alia, a specialised community, interactive tools to improve decision-making and financial information based on smart data technology, in which BME holds a stake of 8.98%.

Corporate transactions corresponding to 2019. (102-10)

Corporate operations carried out during 2019 have not led to changes in BME's registered office or operating headquarters, although two companies have been dissolved and liquidated and two others incorporated.

In 2019 the dissolution and liquidation process of Infobolsa Deutschland, GmbH in Liquidation, with its registered office in Germany, was completed and Difubolsa - Serviços de Difusão e

Informação de Bolsa, SA, with its registered office in Portugal was dissolved and liquidated.

Furthermore, Bolsas y Mercados Españoles Market Data, SA together with Bolsa Mexicana de Valores, SA de Capital Variable incorporated a company named LATAM Exchanges Data México SA de C.V. (LED Mexico), with registered office in the state of Mexico, in which Bolsas y Mercados Españoles Market Data, SA holds a 49% stake; and the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR) joined with Clearstream Holding AG to incorporate a company called Regis-TR UK, Ltd with registered office in the United Kingdom, in which IBERCLEAR holds a 50% stake.

Scale of the organisation. (102-7)

The following table details the necessary figures to determine the size of the organisation at 31 December 2019: total workforce and capitalisation.

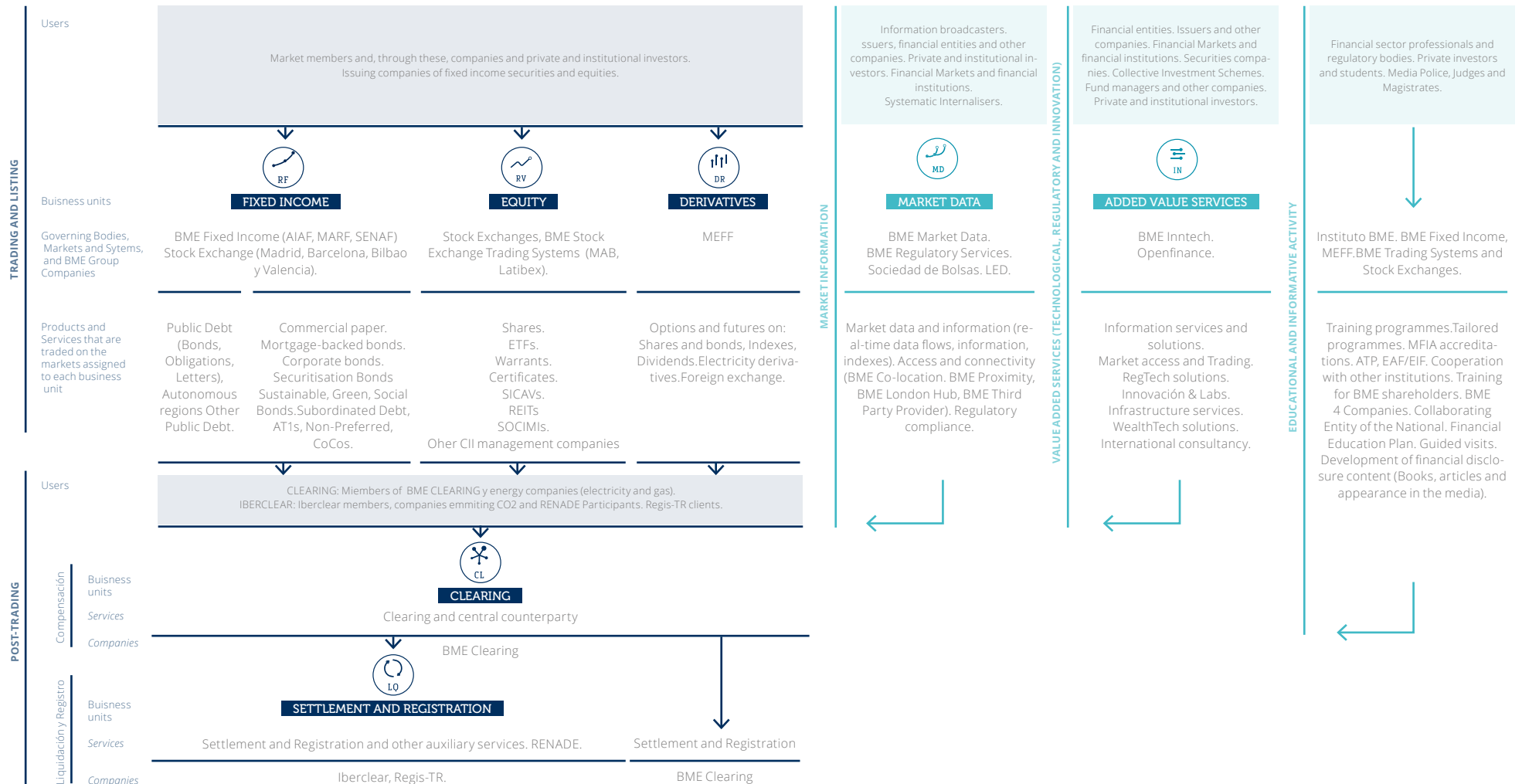
■ SIZE OF THE ORGANISATION

	2018	2019
Total workforce of the BME Group and Openfinance S.L.	825	796
Own equity (thousand euros)	399,210	382,844

2.1. BUSINESS MODEL.

(102-2)

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 the necessary and sufficient knowledge to allow them to obtain their objectives with greater assurance, transparency and security.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Company Profile****BUSINESS MODEL**

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

(102-15, 102-29, 102-30)

**MISSION AND OBJECTIVES**

The mission of BME is to be the leading 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 at the heart 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 drives the significant increase in its revenue through:

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

**DISTINGUISHING VALUES**

BME is a leader in the sector in terms of solvency, efficiency and shareholder returns. BME is a company recognised for its impartiality, transparency and protection, it is a dynamic and modern company committed to customer service, innovation and development, using technology developed in-house that has been exported to other several countries.

**NECESSARY RESOURCES**

The necessary resources so that BME can carry out the activities detailed in the value chain centred 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 Spanish companies, as well as 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 clients 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 local suppliers.



POLICIES APPLIED BY THE GROUP AND ASSOCIATED RISKS

With the exception of Open Finance S.L., the policies that BME Group applies in relation to the activities it carries out are, inter alia, the Corporate Governance Policy, the Directors' Remuneration Policy, the Corporate Social Responsibility Policy, the dividend distribution policy, the Communication Policy, the principles of conduct of the Human Resources area, the Remuneration Policy for employees and executives and the Security Policy, as well as the measures adopted in relation to the foregoing. The above policies and their results are described in the consolidated non-financial information statement.

Within the framework of its risk management system and in the Criminal Risk Prevention System, BME has identified, evaluated and managed the risks related to, among others, environmental performance (given the possibility of damage to the environment derived from the activity of the Company), Social (derived for example from political or social instability) and labour (derived from inadequate processes for measuring and evaluating employee performance), as well as other areas such as the fight against corruption and bribery (faced with the possibility of non-compliance with ethical norms and standards), fraud (faced with the risk of committing a criminal act in the workplace) and other irregular practices. None of them is part of the main risks associated with the company's activity. However, the company has established control mechanisms to prevent its materialization, and none of these risks have materialized in 2019.

The main impacts and risks related to the activities of BME are detailed in sections E and F of the Annual Corporate Governance Report of BME for the year 2019, which is incorporated into the consolidated management report.



KEY INDICATORS OF NON-FINANCIAL RESULTS

View the main key performance indicators of BME concerning Corporate Social Responsibility detailed in Chapter 1.

2.2. RESPONSIBLE MANAGEMENT MODEL.

(102-16)

Since its incorporation, BME has been committed to playing a key role in the economies of Spanish and Latin American companies through the Latibex market. In this manner, as the 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.

During 2019, the Corporate Social Responsibility Policy of BME and its Group was approved, which was prepared in accordance with the Code of Good Governance of Listed Companies and made available in the Shareholders and Investors section of the corporate website www.bolsasymercados.es. This Policy includes the action principles and guidelines with the different actors participating in the markets and society in general, including the establishment of fluid relations between the Company, its employees and trade union organisations. (102-16)

BME Group is committed to favouring transparency and free market rules, as well as competing in markets in a fair manner and not carry out misleading or denigrating publicity of its competition or third parties. In 2019, BME Group was not affected by any significant legal proceedings filed for anti-competitive behaviour, anti-trust, and monopoly practices. (103: Unfair competition, 206-1)

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Company Profile**

■ BME PARTICIPATES IN THE FOLLOWING NATIONAL AND INTERNATIONAL INITIATIVES:

(102-12)



THE CODE OF BEST TAX PRACTICES

The aim of this Code is to promote a cooperative relationship between the Tax Agency and BME Group companies that have signed this Code, based on the principles of transparency, mutual trust, good faith and loyalty between the parties.

BME has been adhered to this code since 2010.

Almost all of the companies in the BME Group with their registered offices in Spain are individually adhered to the Code of Best Tax Practices.



THE UNITED NATIONS GLOBAL COMPACT

This initiative 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 been adhered to this code since 2011.

BME complies 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.



In 2019 the company approved its first
Corporate Social Responsibility Policy



SUSTAINABLE STOCK EXCHANGES (SSE) OF THE UNITED NATIONS.

This initiative aims to raise awareness of best corporate governance and social and corporate responsibility practices, and to foster sustainable business practices.

BME has been a *Partner Exchange* since 2015.

In the performance of the aforementioned commitment, BME encourages the issuers of securities and the new companies listed on the markets and systems managed by BME, to report non-financial environmental, social and corporate governance information in their periodic reports.
(102-12)

Tax transparency. (103: Economic performance, 201-1)

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

On 30 September 2010, BME signed the Code of Best Tax Practices and, in response to its recommendations, in 2011 it approved a series of tax policy principles, which are available on the BME corporate website and which were replaced by the fiscal strategy approved by BME in fiscal year 2015 and developed by the tax policies applicable to BME and the BME Group companies approved in that same fiscal year 2015.

By virtue of the Company's fiscal strategy, the Board of Directors, subject to a favourable report by its Audit Committee, must 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 the 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.

TAX TRANSPARENCY.

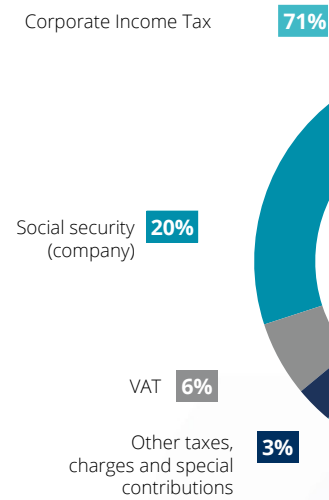
	Country	2018	2019
Pre-tax profits ⁽¹⁾ (thousands of euros)	Spain	177,285	159,255
	Germany	5	-12
	Portugal	-52	-36
	Colombia	18	27
	United States	-249	-485
Income tax (thousands of euros)	Spain	43,721	39,450
	Germany	0	-
	Portugal	0	-
	Colombia	3	5
	United States	0	0
Total tax contribution ⁽²⁾ (thousands of euros)	Spain	127,708	123,066
	Germany	10	-
	Portugal	10	-
	Colombia	61	20
	United States	8	11

(1) The data on pre-tax profit recorded in this table correspond to the profit obtained individually by the group's companies in the country in which they have their registered office, excluding consolidation adjustments. Subsequently, the data expressed here differ from the data on pre-tax profit presented in the consolidated financial statements.

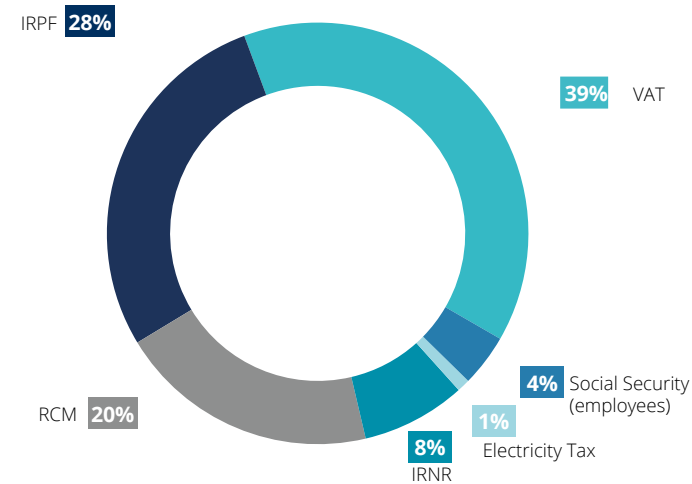
(2) This includes the taxes on its activities, which are an effective cost for the Company and its group and the taxes collected and paid on behalf of other tax payers as a result of the economic activity generated.

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TAXES PAID AND OTHER EXPENSES OF 2019



TAXES COLLECTED (2019)



CAPTION:

VAT: Value-added Tax. IRPF: Personal Income Tax. IRNR: Non-resident Income Tax.

RCM: Investment Income. Social Security (Company) Staff costs related to Social Security.

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

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 is a body dependent on the CEO office, which is responsible for defining and applying the BME Group's Security Policy, as well as directing and organising 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.

Also, as part of the global reorganisation of the company, and in order to align the structure with the BME Strategic Plan, the position of *Chief Data Officer* (CDO) was created in 2019, which includes functions covering digital transformation, *data & analytics*, support for the implementation of new projects, and the organisation and coordination of IT with Information Security.

Logical Security Policy.

BME's Logical Security Policy, which allows it to protect the information and IT systems 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 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.

- *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 . (102-16, 102-34)

Ethics and integrity at BME are the cornerstones upon which its commitment to its stakeholders is built. With this in mind, 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. (102-16, 102-17)

The Company has in place an Internal Code of Conduct (ICC) that the Board of Directors maintain up-to-date, the purpose of which is to define the principles and framework of action that must be observed for operating in the securities market by 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 Internal Code of Conduct, and in line with guidelines for disclosing insider information to third parties published by the Spanish National Securities Market Commission (CNMV) and Regulation 596/2014 on Market Abuse BME's *Policy for the treatment and transmission of insider information* lists the measures and internal control procedures to be established in BME and its group companies to safeguard insider information.

In addition to these rules of conduct, BME has established a *Procedure for reporting deficiencies in the 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 2019.

These regulations and the implementation of the procedure for reporting deficiencies in internal control and risk management systems form a mechanism for detecting potential cases of corruption and fraud.

Monitoring and compliance bodies.

The Markets and Systems Operating Procedures Committee is the competent body responsible for the interpretation of the Internal Code of Conduct, while the Audit Committee is responsible for the processing and, where applicable, the imposition of the penalties for non-compliance with the Internal Code of Conduct on the members of the Board of Directors and persons with managerial responsibilities. The Regulatory Compliance Department is responsible for monitoring and reviewing employee compliance with the Internal Code of Conduct.

The Board of Directors oversees the activities of its delegated Committees, among these being the Markets and Systems Operating Procedures Committee and the Audit Committee, with an annual assessment of their performance, through the Activities Report of these Committees. The monitoring of the actions carried out for the compliance with the Internal Code of Conduct can be consulted in the Reports on the activities of the Board of Directors and of the Committees all corresponding to 2019, which are available on the corporate website www.bolsasymercados.es.

General principles governing the actions of BME employees. (103: Anti-corruption, 102-16, 102-17, 205-2, 205-3)

With the aim of addressing and preventing all types of crime, 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.

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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* comprises the ethical principles and rules of conduct which govern the actions of all directors, legal representatives, executives and employees.

For illustrative purposes, employees are issued with "*Principles of Action Guidelines for Employees*" which aims to provide employees with knowledge of those conducts that may be 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 special section of the *Crime Risk Prevention Manual*, which were updated during 2015 and 2016 due to the entry into force of amendments to Spain's Penal Code. In 2019, the work of updating the Criminal Prevention System was continued with the aim, inter alia, of updating its content and improving controls to prevent corruption and other irregular practices.

Although BME is not obliged by Law 10/2010 of 28 April on Anti-Money Laundering and the Financing of Terrorism, the abovementioned Crime Risk Prevention System establishes specific controls to mitigate the behaviour associated with money laundering and the financing of terrorism within the organisation.

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 2019 a communication was addressed to Whistleblowing channel's email address, which was also sent to the following email addresses: accionista@grupobme.es; info@grupobme.es, infobolsamadrid@grupobme.es and InvestorRelations@grupobme.es, from a private investor in relation to the processing of a purchase order for shares of a

listed company, an issue that is not within the objective and subjective scope of application of the Whistleblowing Channel Usage Policy, for which its content has been referred to the competent body.

The Crime Prevention Committee, reporting to the Audit Committee, was set up to implement, develop and comply with BME Group's crime risk prevention system.

In order to raise awareness among employees of the importance of these crime risk prevention measures, the company has developed and delivered a specific training course on this topic 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.

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 conducts 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 a Declaration of Good Repute and present the Criminal Record Certificate issued by the Ministry of Justice, 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, the members of the governing bodies of these companies and the other 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 2019 by the Business Continuity and Risk Committee. (102-16, 102-17, 205-1, 205-2, 205-3)

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Company Profile**Monitoring and compliance bodies. (102-29, 102-30, 205-1)

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 and 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 any proposals to modify the Crime Risk Prevention Manual before the Board of Directors for approval, 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 Department 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 the determination of the management and risk control policy currently being drafted.

2.4. RELATIONSHIP WITH STAKEHOLDERS AND OTHER RELEVANT SECTORS.

A) RELATIONSHIPS WITH ITS STAKEHOLDERS (102-44)

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

USERS

Means used by BME to communicate with users:

- Investor Ombudsman.
- BME Group companies websites.
- Social Media:      
- Telephone hotline and the emails for Business Units.
- Press releases and documents of interest.
- Articles and other publications.
- Training days and forums.
- Technical committees and commissions.
- Collaboration with institutions and associations.
- Visit to company facilities.

Most interesting aspects of BME for users:

- New services and products.
- Quality certificates for the services provided.
- Efficiency and diversification in the business model.
- Ethics and transparency.
- User protection and privacy.
- User education.

EMPLOYEES

Means used by BME to communicate with employees:

- Corporate website: www.bolsasymercados.es.
- Social Media:      
- BME Intranet and Human Resources online.
- Email.
- Human Resources Query Hotline.
- Internal communiqués.
- Representative Bodies.
- Technical Committees deriving from the Collective Agreement.
- General Shareholders' Meeting.
- Corporate Publications (ACTIVO Magazine, Newsletters)

Most interesting aspects of BME for employees:

- Work/life balance.
- Diversity and equal opportunities.
- Social benefits.
- Training.
- Career advancement.
- Salary policy and employment conditions.

SOCIETY

Means used by BME to communicate with society:

- Participation in national and international institutions.
- Financial Education Day.
- Partnerships with universities and academic associations.
- BME Digital Editions and sponsorship of publications.
- Educational and informative activity.
- Support for *SMEs y start-ups*.
- Corporate website: www.bolsasymercados.es.
- Guided visits of company facilities.
- Involvement in cultural foundations and organisations.

Most interesting aspects of BME for society:

- Financial training.
- Promoted financial sponsorship and awards.
- Financial informative activity.
- Cultural and social activities.
- Environmental and greenhouse gas emissions policy.

SHAREHOLDERS

Means used by BME to communicate with shareholders:

- General Shareholders' Meeting.
- Electronic Shareholder Forum.
- Dedicated section on the corporate website: www.bolsasymercados.es
- Permanent information service for market players and regulators (www.cnmv.es).
- Social Media:      
- Shareholders' Office: accionista@grupobme.es.
- Investor relations: investorRelations@grupobme.es.
- Corporate publications.
- Press room.

Most interesting aspects of BME for shareholders:

- Economic value generated and distributed.
- Optimisation of cost and investments.
- Fiscal Policy.
- Value creation: Share price trend.
- Shareholder remuneration.
- Shareholder Education Plan.
- Marketing and Communication.

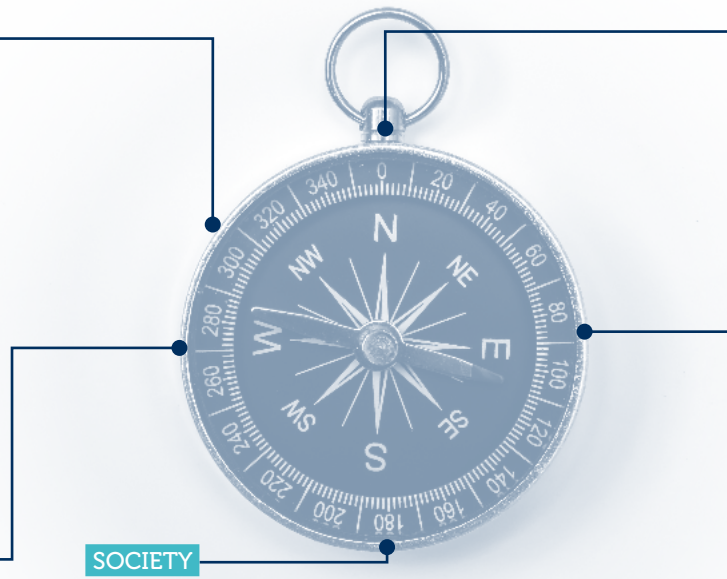
SUPPLIERS

Means used by BME to communicate with suppliers:

- Corporate website: www.bolsasymercados.es.
- Complaint and enquiry service.
- Meetings with suppliers.
- Invitations to tender.
- Formal commitment of suppliers.
- Initial supplier appraisals and quotations.
- Order evaluations.

Most interesting aspects of BME for suppliers:

- Average suppliers payment period.
- Volume of procurements.
- Suppliers accreditation, assessment and monitoring process and orders.
- Quality standards of goods and services required by BME.



B) RELATIONSHIPS WITH PUBLIC ADMINISTRATIONS AND OTHER RELEVANT SECTORS. (103: Public policy, 201-4, 415-1)

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 make donations 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 contribute any financial assistance to the government or public authorities in general in 2019.

■ FOUNDATION FOR CONTINUOUS TRAINING SYSTEM

	2018	2019
Monetary value of financial assistance deriving from the State Foundation for On-the-job Training system	82,431 €	94,404.72 €

2.5. CORPORATE GOVERNANCE AND RISK MANAGEMENT

A) CORPORATE GOVERNANCE. (102-6, 102-18, 102-22, 405-1)

BME's corporate governance structure is based on the guiding principles of transparency, shareholder participation and the independence of the external auditor.

In this regard, BME's Board of Directors has approved and updated its *Corporate Governance Policy*, which is available on the corporate website 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 rules of the Company and its Group. BME's internal regulations are available under the "Shareholders and Investors" section of the corporate website www.bolsasymercados.es.

■ CORPORATE GOVERNANCE BODIES



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As at 31 December 2019, the **Board of Directors**, the highest governance and administrative bodies of the Company and responsible for approving the Corporate Social Responsibility Policy, was made up of 11 members of recognised capacity, integrity and independence and its composition complied with the recommendations of the Good Governance Code for listed companies,

with 9 external directors (6 independent, 2 proprietary and 1 other external) and only 2 executive directors.

■ COMPOSITION OF THE BOARD OF DIRECTORS AS AT 31 DECEMBER 2019

Directors	Position on the Board	Character	Length of service on the Board	Committees		
				Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Committee
Mr Antonio J. Zoido Martínez	Chairman	Other external	15.02.2002	-	-	-
Mr Javier Hernani Burzako	Chief Executive Officer	Executive	27.04.2017	-	-	-
Mr Ignacio Garraida Ruiz de Velasco	First Deputy Chairman	External Independent	27.02.2014	-	Member	-
Mr David María Jiménez-Blanco Carrillo de Albornoz	Lead Director	External Independent	26.04.2018	-	Chairman	-
Ms Maria Helena dos Santos Fernandes de Santana	Director	External Independent	28.04.2016	-	-	-
Ms Ana Isabel Fernández Álvarez	Director	External Independent	26.04.2018	Chairwoman	-	-
Mr Joan Hortalá i Arau	Director	Executive	15.02.2002	-	-	Chairman
Mr Juan March Juan	Director	External proprietary	30.10.2014	Member	-	Member
Ms Isabel Martín Castella	Director	External independent	26.04.2018	Member	-	-
Mr Santos Martínez-Conde y Gutiérrez-Barquín	Director	External proprietary	30.10.2014	-	Member	-
Mr Juan Carlos Ureta Domingo	Director	External independent	26.04.2018	-	Member	Member

Secretary of the Board and of the Committees: Mr Luis María Cazorla Prieto

Deputy Secretary of the Board and of the Committees: Ms Cristina Bajo Martínez

■ NUMBER OF MEMBERS OF THE BOARD OF DIRECTORS BY AGE

	2018	2019
< 30	0	0
30 - 50	1	1
> 50	10	10

The Directors classified as internal proprietary directors represent the only legal entity shareholder with a significant share of the share capital, whereas the majority 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, detail the posts held and activities performed in the companies of BME Group and other companies outside of the Group.

The Audit Committee, as per the Board of Directors' Regulations, is responsible for supervising the application of the principles and guidelines concerning the Company's corporate social responsibility and the monitoring of the corporate social responsibility strategy and practices. (102-20)

All the powers of the Appointments and Remuneration Committee and the Market and Systems Operations Committee, as well as all the information on corporate governance is available under the "Shareholders and Investors" section of the corporate website. In particular, the information relating to the powers of the Board of Directors, the duties allocated to the Chief Executive Officer, as the highest executive of the Company, 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 on the Board to ensure the balance between genders, the evaluation processes of the performance of their duties by the Chairman and the Chairman of the Board of Directors, the Executive Chairman, Chief Executive Officer and the Board of Directors and its Committees is detailed in the Annual Corporate Governance Report and Report on the Activities of the Board of Directors for 2019.

BME's structure. (102-19, 102-20)

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.

For these purposes, the Company has a **CEO**, which as of 25 April 2019 is BME's highest executive, and who is responsible for the running of the ordinary business of the Company, with the maximum executive functions. On 25 April 2019, the Chairman of the Board of Directors became non-executive Chairman, after 17 years as head of the company. (102-23)

BME's senior management is made up of the Secretary General, Mr. Luis María Cazorla Prieto, and the members of the **Management Committee**, which reports hierarchically to the CEO. This 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.

In 2019, BME approved a series of changes in the management team, aimed at favouring a better execution of the Strategic Plan, while moving towards a more adequate distribution of tasks between businesses and corporate areas. As a result of the aforementioned changes, on 31 December 2019, the composition of the Management Committee was as follows:



In 2019 the CEO of the Board of Directors became **non-executive Chairman** consolidating best corporate practices

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■ MANAGEMENT COMMITTEE ⁽¹⁾ ⁽²⁾

Mr José Manuel Ortiz Repiso Jimenez (Director of Clearing and the CEO Office)

Mr Jorge Yzaguirre Scharfhausen (Director of Markets and Market Data)

Mr Jesús Benito Naveira (Director of Settlement and Registration)

Ms Berta Ares Lombán (Director of Value Added Services)

Ms Marta Bartolomé Yllera (Financial Director)

Mr Francisco Nicolás Tahoces (Technology Director)

Mr Pablo Malumbres Muguerza (Corporate Communication Director and Public Affairs)

Mr Ignacio Olivares Blanco (Director of Legal Services)

(1) Mr. Javier Hernani Burzako, CEO and chief executive of BME, chairs the Management Committee.

(2) Mr Luis García Berral, Director of the Human Resources Department, may also attend the meetings of the Management Committee.

■ NUMBER OF MEMBERS OF THE COORDINATION COMMITTEE BY AGE

	2018	2019
< 30	0	0
30 - 50	2	4
> 50	7	5

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 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.

Also, the Continuity and Risk Committee is the body that reports to the Management Committee, which is responsible for monitoring and analyzing the risks derived from the activities carried out by the Group companies and keeping the Board of Directors informed, through the Audit Committee, of the actions taken in the preparation and implementation of the risk management and control policy, the preparation, application and maintenance of the Business Continuity Policy and the approval and supervision of the application of the Business Continuity Plan.

Given the group's corporate structure, the coordinated management of its activities is based on a structure of seven Business Units and six Corporate Areas providing support functions to all business units. (102-19, 102-20)

■ BUSINESS UNITS

Person Responsible



Fixed Income: Trading of private fixed-income and public debt securities as well as listing and maintenance services for issuers on the private fixed-income market.



Equities: Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) and floors as well as listing and maintenance services for issuers on the equity markets.

Mr Jorge Yzaguirre Scharfhausen



Derivatives: Arrangement of derivatives by electronic means.



Market Data Primary information, index use licences and other related; access and connectivity and regulatory compliance services.



Clearing: Clearing and central counterparty activities for equities, financial derivatives, government debt repos, interest rate derivatives and electricity and gas derivatives.

Mr Ignacio Solloa Mendoza



Settlement and Registration: Registration and settlement of equity, private fixed-income and public debt trades. Shareholder Register Services, Issuing Agent Services, RENADE and BME Securities Solutions.

Mr Jesús Benito Naveira



Value Added Services: Technological innovation, financial, consulting and infrastructure services; global access services and algorithmic trading.

Ms Berta Ares Lombán

■ CORPORATE AREAS

Head / Person Responsible

General Secretariat

Mr Luis María Cazorla Prieto

Legal Services

Mr Ignacio Olivares Blanco

Corporate Communication and Public Affairs

Mr Pablo Malumbres Muguerza

Financial

Ms Marta Bartolomé Yllera

Human Resources

Mr Luis García Berral

Technology

Mr Francisco Nicolás Tahoces

Remuneration of the Board of Directors and Senior Management of BME.

(102-35, 102-36, 102-38, 102-39, 102-48)

BME's Directors' Remuneration Policy, which is approved by the General Shareholders' Meeting, 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.

The information relating to the remuneration policies of the Directors, their remuneration process and the consideration of stakeholders with regard to Director remuneration is detailed in the Annual Report on Directors' Remuneration for 2019, available on the corporate website.

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BME Group's Remuneration Policy, which was proposed by the Appointments and Remuneration Committee and approved by the Board of Directors during its meeting of 29 November 2017, is applicable to all persons with an employment relationship with BME or any of the companies forming the Group and those persons who, as a result of their status as members of the governing bodies of the BME Group companies with executive powers, have had their employment relationship suspended with any of the companies of the Group.

The information on the remuneration of BME's senior management is detailed in the Annual Corporate Governance Report available on the corporate website.

■ AVERAGE GROSS REMUNERATION OF THE DIRECTORS OF THE COMPANIES OF THE GROUP WHOSE POSITIONS ARE REMUNERATED ⁽¹⁾

(THOUSANDS OF EUROS)

	2018	2019
Directors	24	21
Women	16	16
Men	25	22

(1) The average remuneration of the Directors of the BME Group companies whose positions are remunerated includes exclusively the allowances received by the Directors of 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., Sociedad Rectora de la Bolsa de Valores de Valencia S.A.U., Sociedad de Bolsas S.A., MEFF Sociedad Rectora del Mercado de Productos Derivados S.A.U., Bolsas y Mercados Españoles Renta Fija S.A.U., Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U. y BME Clearing S.A.U. for attending the meetings of their Boards of Directors and delegated committees as well as the fixed and variable remuneration received by the Executive Chairman of the Board of Directors of the Governing Company of the Barcelona Stock Exchange, S.A.U.

■ AVERAGE GROSS REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT OF BME BY GENDER ⁽¹⁾

(THOUSANDS OF EUROS)

	2018	2019
Directors ⁽²⁾	174	206 ⁽³⁾
Women	51	77
Men	219	255
Senior Management ⁽⁴⁾	369 ⁽⁵⁾	452 ^{(6) (7)}

(1) The average remuneration of the Directors and senior management of BME contained in this table include all remunerative concepts received by the Directors as such and based on the executive functions they perform in BME and members of the senior management (including target or estimated variable remuneration, attendance fees, compensation, the payment of any form of remuneration, except the payment of long-term share-based savings schemes).

(2) During 2018, the new hires and turnovers of the Board of Directors were the following (i) Mr. Manuel Olivencia Ruiz passed away on January 1, 2018; (ii) Ms. Margarita Prat Rodrigo left her position as Director, Member and President of the Audit Commission and Member of the Executive Commission on April 26, 2018; (iii) Mr. Álvaro Cuervo García was appointed Chairman of the Appointments and Remuneration Committee on January 15, 2018. On April 26, 2018, he left his position as Director, Chairman of the Appointments and Remuneration Committee and Member of the Committee on Audit and Executive Commission; (iv) Mr. Carlos Fernández González left his position as Director and Member of the Appointments and Remuneration Committee on April 26, 2018; (v) Mr. Karel Lannoo left his position as Director and Member of the Market and Systems Operations Commission on April 26, 2018; (vi) Mrs. Ana Isabel Fernández Álvarez was appointed Director, Member and President of the Audit Commission and Member of the Executive Commission on April 26, 2018; (vii) Mr. David María Jiménez-Blanco Carrillo de Albornoz was appointed Director, Member and Chairman of the Appointments and Remuneration Committee and Member of the Executive Committee on April 26, 2018; (viii) Ms. Isabel Martín Castellá was appointed Director and Member of the Audit Committee on April 26, 2018; and (ix) Mr. Juan Carlos Ureta Domingo was appointed Director and Member of the Appointments and Remuneration Committee and of the Market and Systems Operations Committee on April 26, 2018.

(3) For the calculation of the average remuneration of the Directors of BME, the allowances received by Ms. have been included. Ana Isabel Fernández Álvarez, D. David Jiménez-Blanco Carrillo de Albornoz, D. Juan March Juan, D^a. Isabel Martín Castella and D. Santos Martínez-Conde Gutiérrez Barquín, for attending the meetings of the Audit and Remuneration Committees of the Management Company of the Compensation, Settlement and Registry of Securities Systems, S.A.U. (IBERCLEAR) of which they are part by agreement of the Board of Directors of that Company of September 10, 2019.

(4) The calculation of the average remuneration of the senior management takes into account the number of days the senior management has formed part of the company during the year, the daily remuneration received for the period and the number of members of the senior management during the period.

(5) The data on the average remuneration of senior management as of December 31, 2018 have been modified as the number of members of senior management is incorrectly shown in the consolidated non-financial information statement for 2018.

(6) During 2019, the new hires and turnovers of the Board of Directors were the following: (i) Mr. Jaime Aguilar Fernández-Hontoria removed his position as Director of Legal Advice on May 9, 2019; (ii) Mr. Ramón Adarraga Morales left as Director of International Coordination and Value Added Services on May 27, 2019; (iii) Ms. Berta Ares Lombán was appointed Head of Value Added Services on May 27, 2019; (iv) Mr. Ignacio Olivares Blanco was appointed Director of Legal Advice on May 9, 2019; and (iv) Mr. José Manuel Ortiz-Repiso Jiménez was appointed Director of the CEO Office on May 9, 2019. On the aforementioned dates, Mrs. Ares Lombán and Mr. Olivares Blanco and Ortiz-Repiso Jiménez joined to the Management Committee.

(7) The average remuneration figure of senior management is recorded without breaking down its amount by gender, since only one woman is part of it and its disaggregated information could constitute a breach of the personal data protection regulations. Likewise, it is indicated that during the 2019 financial year, the average remuneration figure for senior women and men in thousands of euros amounts to 236 and 500, respectively.

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, the BME Audit Committee annually approves a report regarding the independence of the external auditor of BME and its consolidated Group, which is available on the corporate website, and the Board of Directors approves the annual Corporate Governance Report, 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, such as the independent review of this non-financial information statement.

B) Risk management. (102-29, 102-30)

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.

The Continuity and Risk Committee which reports to and works with the Management Committee in the formalisation of a risk control and management policy, which is currently in the development phase, is also responsible for the creation of the corporate Risk Map and the implementation and monitoring of the risk assessment model defined and adopted by the Management Committee, as well as the competences relating to the preparation, application and maintenance of a Business Continuity Policy and the approval and supervision of the application of the Business Continuity Plan.

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

BME has put in place an Integrated Risk Management System (IRMS), based on the COSO II methodology. 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 their effect on the risk probability and impact, as well as the costs and benefits.



BME has established a Comprehensive Risk Management System (SIGR) based on the COSO II methodology that optimises risk management

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Company Profile**

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 highest governance and administrative bodies, is responsible for defining 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 crime risk prevention system (CRPS).
- The **Continuity and Risk Committee** is the body that reports to the Management Committee, whose powers have been detailed in section 2.5.A9 of this Report.
- The **Security Committee** is the body responsible for defining and applying BME Group's Security Policy, which includes information, IT, and physical security.
- The **IT Security Team** is responsible for implementing, operating and maintaining the Information Security Management System (ISMS), in accordance with the Security Committee's guidelines. The Security Team is assisted by an information security operations group and an intelligence group responsible for detecting intrusions and analysing the incidents and cyber-attacks.

- 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 the 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 2019, included in a separate section in the management report and 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.



3



■ BME Shareholders

In accordance with *BME's Corporate Governance Policy* and the *Corporate Social Responsibility Policy*, which are publicly available on the corporate website and by following the best corporate governance practices and techniques, the Company strives to demonstrate before its stakeholders, among them its shareholders, a true and fair view of the performance of its activities through diverse specific activities. With regard to its shareholders:

BME promotes



Interaction between its shareholders, invited to participate actively and continuously in company life, through the bi-directional communication and information channels that the Company provides ([section 3.2](#)).



Generation of long-term sustainable value ([section 3.3](#)).



Responsible, diligent and transparent exercise of shareholders' rights and compliance, under the same terms, with their duties.



BME offers

Transparent, complete and concrete information on financial and non-financial aspects of BME and its Group ([section 3.2](#)).



Maximum shareholder remuneration policy via dividends, reaching *pay-outs* that are the highest in the Spanish Stock Exchange, ([section 3.4.A](#)).



Training to its shareholders through the Shareholder Training Plan ([section 3.4.B](#)).



>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **BME Shareholders**

3.1. SHAREHOLDER PROFILE

In 2019, there were no significant changes to the structure and ownership of BME's share capital. Notwithstanding the foregoing, as a result of the Takeover Bid presented on 18 November 2019 by SIX Group AG, the Swiss stock exchange manager, the composition of BME's shareholders from this date until December 31, 2019 may have undergone changes due to their nature and nationality.



BME 2019 General Shareholders' Meeting

■ SHAREHOLDER PROFILE

	2018	2019
Total number of shares	83,615,558	83,615,558
Avg. number of shares held per shareholder	1,478	1,990
Floating capital (%)	87.06%	86.85%

BREAKDOWN BY NATURE at 31 December 2019

	Institutional Shareholders		Non-controlling Shareholders	
	2018	2019	2018	2019
% of total shareholders	4.70%	4.19%	95.30%	95.81%
% of share capital	56.25%	70.02%	43.75%	29.98%

BREAKDOWN BY NATIONALITY as at 31 December 2019

	Spanish Shareholders		Foreign Shareholders	
	2018	2019	2018	2019
% of total shareholders	99.15%	99.03%	0.85%	0.97%
% of share capital	78.60%	57.20%	21.41%	42.80%

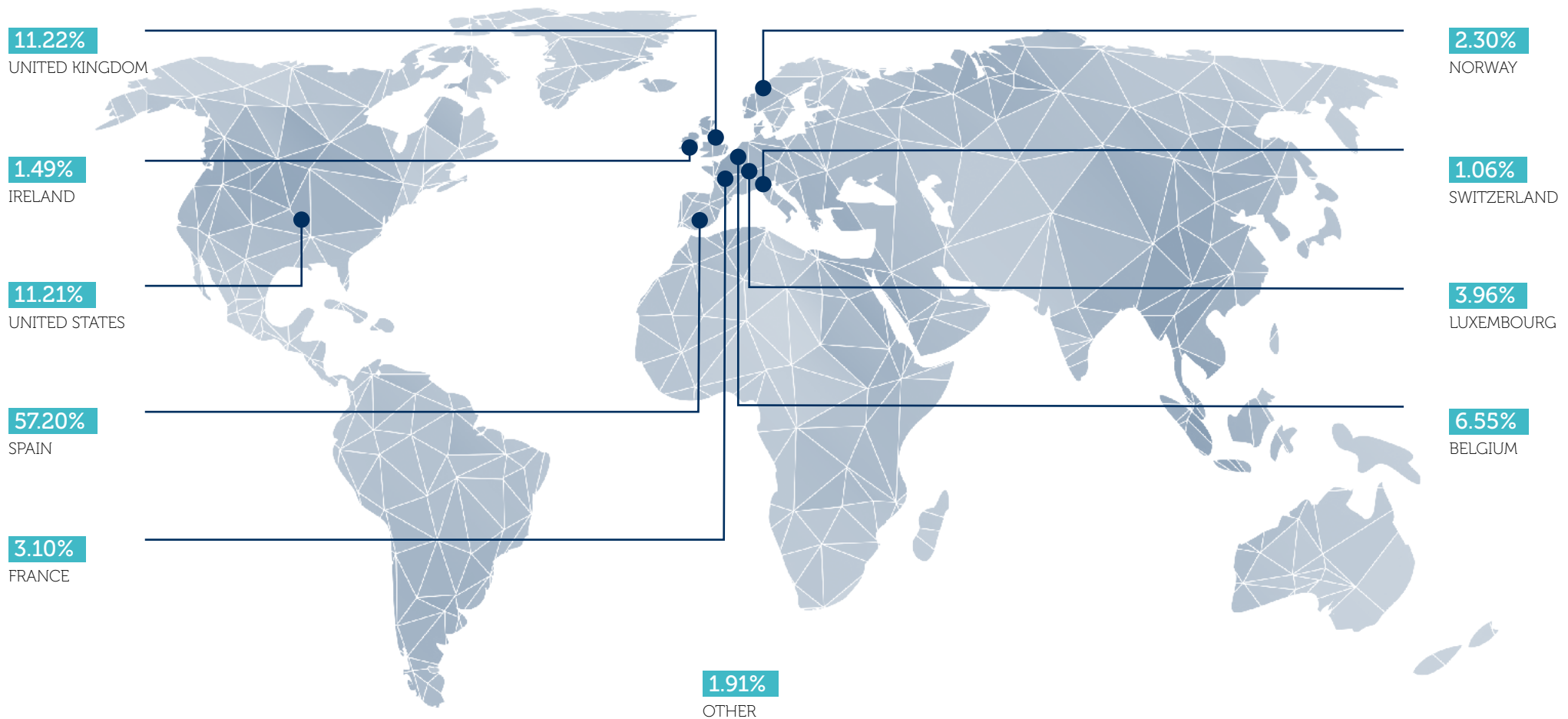
>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **BME Shareholders**



BME pays one of the **highest dividends on the Spanish Stock Exchange**, in accordance with its policy of maximum shareholder remuneration

■ BME SHAREHOLDERS DISTRIBUTION BY COUNTRY

AS AT 31 DECEMBER 2019



3.2. COMMUNICATION AND CONTACT WITH SHAREHOLDERS, ANALYSTS AND INSTITUTIONAL INVESTORS AND PROXY ADVISERS.

BME has put in place a *Policy on communication and contact with shareholders, analysts and institutional investors and proxy advisers* which is publicly available on the corporate website. The general principles of this are information transparency and equal access, accuracy, immediacy, equality of treatment and a balanced distribution of information.

Participation in company life.

The Company's interaction with its shareholders, analysts and institutional investors and proxy advisers is essential so that these may transmit their concerns, suggestions or queries on aspects related to the activities carried out by the BME Group. Subsequently, BME has established bidirectional channels for information and communication to create a constructive relationship with the foregoing.

■ PARTICIPATION IN THE COMPANY LIFE



GENERAL SHAREHOLDERS' MEETING



BME WEBSITE



CNMV WEBSITE



SOCIAL MEDIA



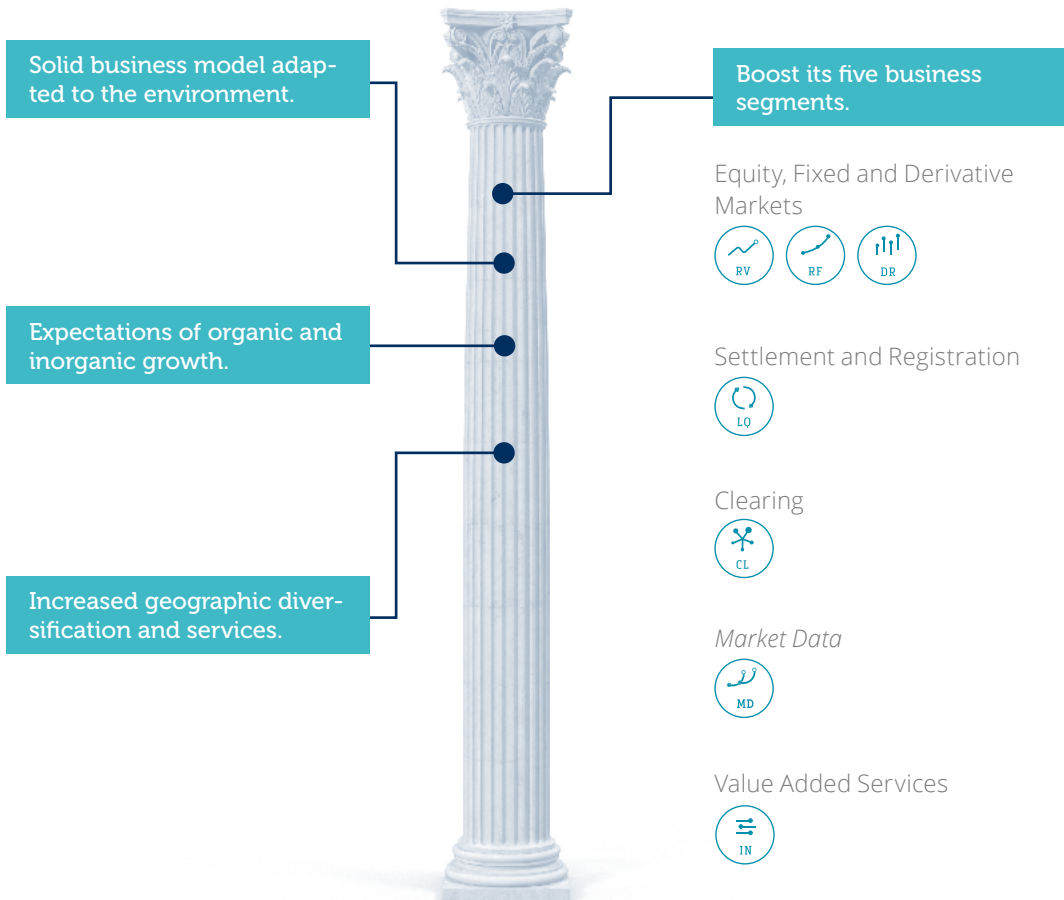
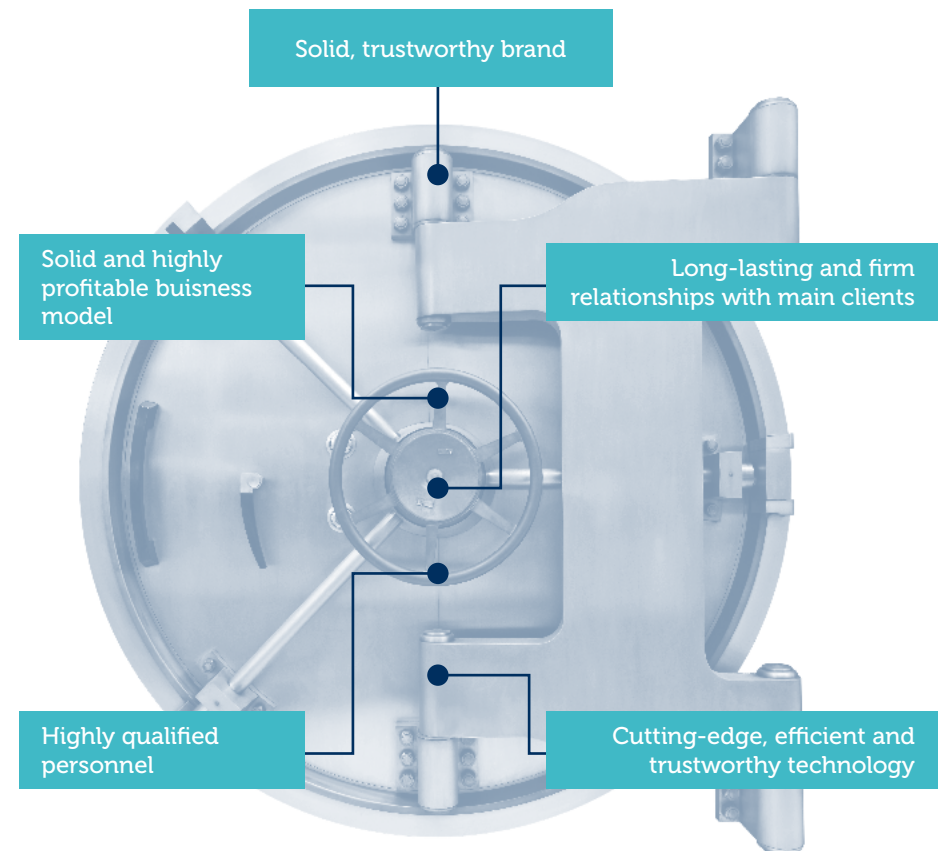
SHAREHOLDERS' OFFICE



TELEPHONES AND EMAIL

Strategic Plan 2019-2021.

The Strategic Plan 2019-2021 includes the Company's main objectives for diversifying its income, accelerating growth and maintaining profitability for its shareholders. These objectives reflect BME's ambition to achieve a stronger position in the increasingly competitive and volatile environment in which it operates.

STRATEGIC PLAN 2019-2021**Main pillars****Main strengths**

3.3 VALUE CREATION

(103: Economic performance)

The cornerstones of BME's corporate governance policy include maximising the Company's sustainable, long-term economic value for its shareholders and fostering business continuity.

Rating.

In 2019, BME was rated A- with a stable outlook by the risk rating agency *S&P Global Ratings*, placing the Company in the solid investment grade area. This is due to the low level of indebtedness, strong operational efficiency, the vertical integration of the entire value chain of its business and a solid liquidity position.

S&P Global Ratings considers that BME will maintain its dominant position as a leading operator of market infrastructures and will gradually diversify its revenue sources. The rating agency also highlights BME's "credible growth plans, through diversification in fixed income, foreign exchange and commodities trading, its central role in one of the most dynamic economies in the eurozone and its proven resistance to the financial crisis over the last ten years".

Share price performance.

In a year characterised by the convergence of various internal political and sectoral factors against a generalised backdrop of economic distrust, BME has managed to maintain its recognised position in the sector and, ultimately, obtain its objective of maximising the value of the shares to increase earnings per share. As a result of the takeover bid at 34 euros presented on 18 November 2019 by SIX Group AG, the Swiss stock exchange manager, BME's share price hit 36 euros, on a par with the highs of 2015, and then floated between 34.28 and 35.50 euros up until 31 December 2019.

BME SHARE PRICE PERFORMANCE COMPARED TO THE IBEX 35®

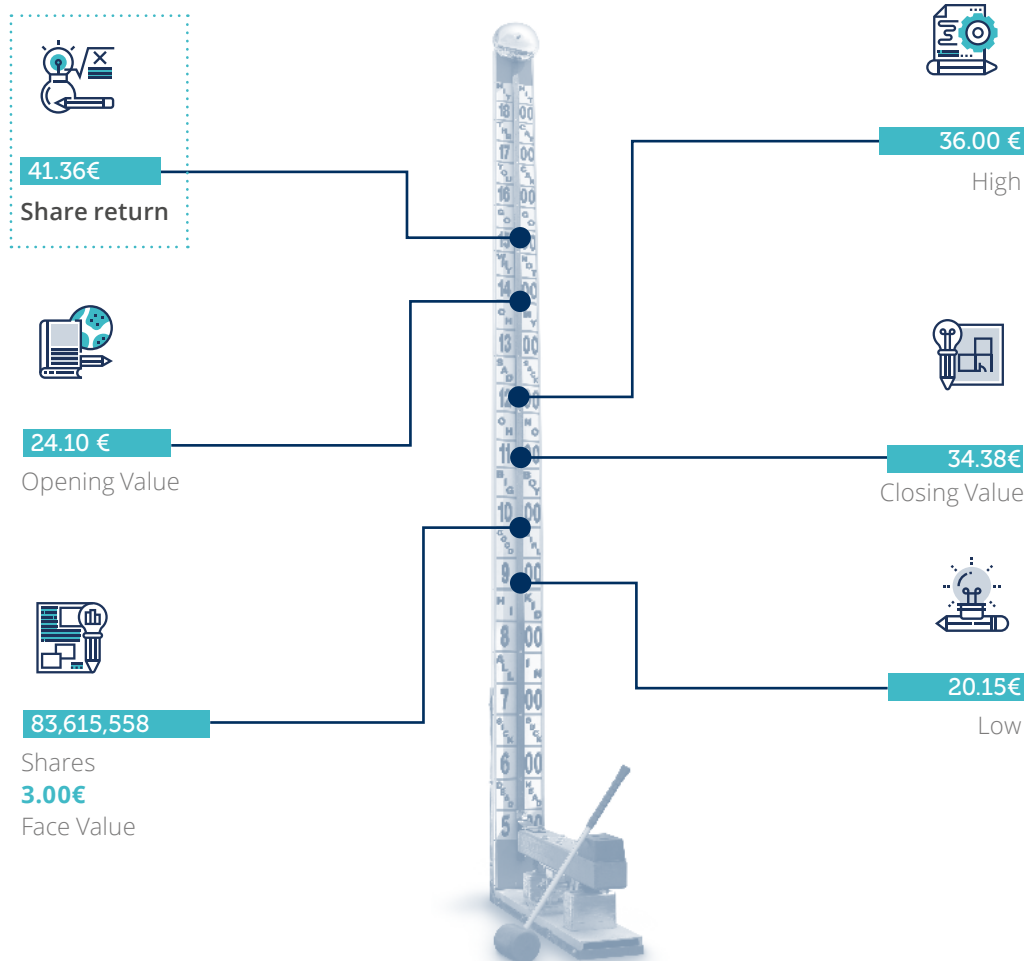
FROM 01/01/2019 TO 31/12/2019



In 2019 BME was awarded an **A-rating**, with a stable outlook by S&P Global Ratings

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **BME Shareholders**

■ MAIN INDICATORS OF THE BME SHARE PRICE FOR 2019



■ ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED ⁽¹⁾

(THOUSANDS OF EUROS) (201-1, 103: Economic Performance)

	2018	2019
Economic value generated	306,937	287,106
Net income	298,587	279,721
Other net gains (losses) ⁽²⁾	8,350	7,385
Economic value distributed	309,711	285,008
Operating expenses	40,272	40,441
Staff costs	75,952	73,135
Dividends	147,897	130,107
Income tax and other taxes ⁽³⁾	44,384	40,404
Payments to capital suppliers (financial cost)	0	0
Payments to public bodies, donations and other investments in the community	1,206	921
Economic value retained (profit not distributed)	-2,774	2,098
Reserves	-11,609	-7,351
Amortisation and depreciation	8,835	9,449

(1) The balance of net turnover for 2018 to 2019 includes the net turnover after deducting the "variable direct costs of operations", the inclusion of which in the consolidated income statement under Revenue and from which it is then subtracted is imposed by CNMV Circular 5/2016 of 27 July on accounting standards, reserved and public disclosure, and financial statements.

(2) Includes work performed by the company on own assets, other operating revenue, the share of profit (loss) of companies accounted for using the equity method and the net financial result, minus the result attributed to external partners.

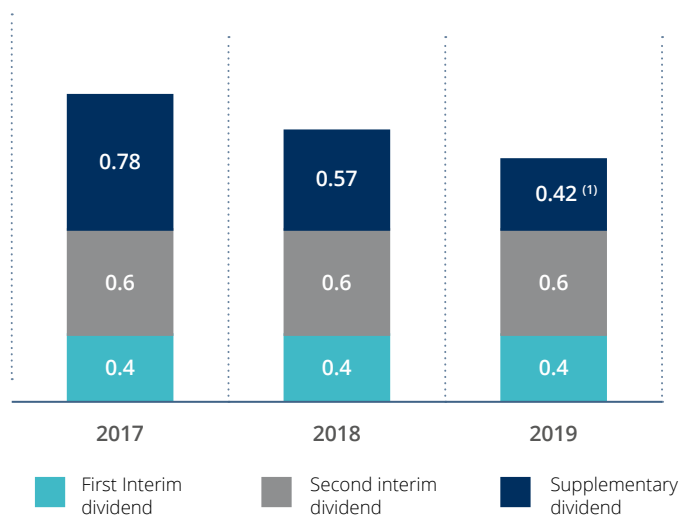
(3) Includes only income tax expense and taxes reported in the year.

3.4. SHAREHOLDER REMUNERATION AND OTHER BENEFITS

A) Shareholder remuneration through dividends. (103: Economic performance)

Since 2009, the company's dividend policy consists of shareholders receiving three ordinary dividends (one final dividend and two interim dividends charged against profit), in May, September and December. In this manner, BME continues implementing a policy of maximum shareholder remuneration, with an ordinary *Pay-Out* of 96%.

ORDINARY DIVIDENDS BY PAY-OUT ACCOUNTING PERIOD



(1) Currently pending approval by the General Shareholders' Meeting, which is expected to be held 29 April 2020, on second call.

B) Shareholders' Training Plan.

BME's shareholder training is one of the pillars of its corporate governance policy, whereby BME implements the Shareholders' Training Plan via the Instituto BME.

The Shareholders' Training Plan involves on-site courses given by highly qualified personnel in each subject at BME's Madrid, Barcelona, Valencia and Bilbao stock exchanges. In 2019, the level of satisfaction of BME shareholders participating in the specific training plan developed by the Company was 4.16 out of 5.



Degree of satisfaction of BME shareholders regarding the Training Plan: **4.16/5**



4



Users

4.1. USER PROFILE

The BME Group currently integrates systems for registering, clearing and settling securities, central counterparty entities, secondary securities markets and Spanish multilateral trading systems, and carries out a range of complementary and auxiliary services spanning, among other areas, information, consulting, IT, contingency services, business continuity and training.

BME's users or clients are therefore mostly entities supervised by the CNMV: the markets and trading systems managed by BME do not provide their services directly to individual investors, except through their auxiliary services.

BME maintains its commitment to sustainable financing not only as a manager of the capital markets but also as a company, as it is part of numerous initiatives and national and international working groups that seek to promote sustainability and good corporate governance in the world and in Spain, which is in the top 10 in the ranking by volume of issuance of sustainable bonds in 2018 and 2019.

The BME group has not received any significant fines or firm sanctions due to non-compliance with the regulations. (419-1)

Quality certificates for the services provided.

In 2019, BME Inntech and Instituto BME, both BME Group companies, retained the international quality stamp. BME Inntech holds UNE-EN ISO 9001:2015 quality certificates issued by AENOR guaranteeing the quality of the service relating to Contingency, Business continuity, physical and virtual hosting of clients' equipment, as well as its management and data applications, technical management and maintenance of IT platforms specialising in the finance sector, the provision of a financial messaging exchange service for banks and companies, consultancy and training regarding international financial markets.

Instituto BME holds the UNE-EN ISO 9001:2015 quality certificate issued by AENOR guaranteeing the quality of the services for the design and provision of training in the operation of financial markets that this company provides, as well as how it has become once again recognised for its quality and prestige at having been selected by the *CFA Society Spain* as an approved supplier for the *CAd (Certified Advisor) certification*, a seal that has allowed it to perform consultation tasks and provide financial information in Spain since 3 January 2017.

New BME projects in 2019. (103 Indirect economic impacts)

In 2019, BME continued to develop products and services that meet the demands of market clients and users and the requirements of companies and financial market participants. The new services and products are described in the 2019 annual market report and in the press releases that are available to shareholders and investors on the BME corporate website www.bolsasymercados.es.



BME Inntech and Instituto BME were awarded
**UNE-EN ISO9001:2015 Quality
 Certificates** by AENOR

4.2. USER PROTECTION AND PRIVACY

(103: Client health and safety, 416-2, 418-1)

As the management body for Spanish financial markets and systems, BME is responsible for settlement participants in the markets and retail investors. Even though they are not direct clients, BME considers its position enables it to help them exercise their rights.

In BME's dealings with retail investors, of particular note are the services provided by the Investor Ombudsmen, set up and maintained by the stock exchange governing companies of Madrid, Barcelona and Valencia to assist and protect investors. The Investor Ombudsman handles queries and claims, attempts to prevent complaints and challenges being filed regarding transactions carried out on the stock exchange, and endeavours to provide conditions to clarify facts and concerns posed by investors and intermediates between parties. When litigious claims are lodged, the Investor Ombudsman ascertains the details thereof and, if the individuals fail to reach an agreement with the stock market members, issues a non-binding final report resolving the claim.

With the aim of guaranteeing and protecting the rights of natural persons in respect of the processing of their personal data, BME Group companies are responsible for the data of their employees, contacts and clients. To such effect, BME complies with the legislation in force regarding Personal Data Protection and has a procedure in place to exercise the rights of access, rectification, cancellation and opposition. The compliance with the legislation concerning data protection and the management of the procedures deriving from its compliance are carried out by the Regulatory Compliance Department. The person responsible is the "Data Protection Officer" (DPO) the legal form of which is governed by the General Regulations on Data Protection. BME Group performs regular controls and external audits in order to guarantee the compliance with the obligations deriving from the legislation on the protection of personal data. In 2019 there were no complaints regarding breaches of privacy or losses of BME Group employees, contact or client data of BME Group companies.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - Users

4.3. USER EDUCATION

As the manager of Spain's financial markets and systems, BME endeavours to actively participate in fostering the culture of finance in Spain. In this regard, it subscribes to the Organisation for Economic Co-operation and Development's Recommendation on Principles and Good Practices for Financial Education and Awareness (OCDE).

Given its significant role in the financial markets, BME regards publicising and raising awareness of financial matters in the most accessible and comprehensive manner possible as another function of its business activity, as well as being an important channel for end clients and brokers in the markets to express their concerns, interests, demands and fears.

The importance BME attaches to education is reflected in Instituto BME, the sole activity of which is to organise educational services related to financial markets in general and issues directly related to products for BME's market and systems, through its educational programmes providing guidance and training in environmental, social and corporate governance matters. This educational activity is complemented by the action performed by the other companies of the Group.

In 2019, the training activities carried out by Instituto BME, which are available on its website www.institutobme.es, have been evaluated through questionnaires revealing a high level of satisfaction, scoring above the 8.48 out of 10. In those cases in which an educational activity receives a score below 5.7, a non-compliance report is initiated, which analyses the reasons for this evaluation and the corrective or preventative actions to be adopted to avoid a reoccurrence.

Instituto BME assists in the preparation for the MFIA Certification exam, the benchmark accreditation of technical excellence in the knowledge of financial products and markets, issued by this BME Group company since 2015 and included on the CNMV's list of certificates and qualifications that comply with the guidelines set out in the Technical Guidelines 4/2017 for the evaluation of the knowledge and skills of personnel providing information and assessment services in accordance with that established by the MiFID II.



Opening Ceremony Bell-Ringing for Financial Education



5



Human Capital

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**

In accordance with the perimeter defined at the beginning of this report, the data on employees included in the present consolidated non-financial information statement for the financial year 2019 refer to the staff of the BME Group and, in order to increase transparency in disclosure of non-financial and diversity information, to the staff of Open Finance, S.L, a company that manages its labor regime independently from the rest of the BME Group employees.

The BME Group Human Resources Area which works to ensure the professional and personal development of its employees by constantly improving the services and activities offered to them, their training and professional development programmes, and the technical tools available to streamline any procedures, consultations or requests they may have, acts according to the following principles:

- (i) the professional development of persons in a motivating work environment which ensures and respects the responsible contribution of each one of its employees;
- (ii) identifying and attracting the best professionals to perform the different activities of BME while ensuring the principles of equality and non-discrimination;
- (iii) retaining talent by promoting training, programmes and tools for all employees to improve their skills and abilities;
- (iv) the internal recognition of the culture of effort, identifying specific objectives and granting the necessary autonomy in order to attain them within a framework that recognises the goals achieved, and
- (v) the promotion of project-based work of a transversal nature involving different areas for their completion.

The Director of Human Resources of the BME Group is the maximum authority responsible for the aforementioned area, which coordinates and supervises, among other issues, compliance with regulations related to labour, health and safety aspects of the employees who remain under his management and their responsibilities, training plans, prepared by the Training Manager. Similarly, the General Director of Open Finance, S.L. manages, directly and independently of the BME Group staff, compliance with regulations related to labour, health and safety aspects of the employees of this Company. (103: [Employment](#))

In respect of the foregoing, BME did not receive any significant fines or sanctions relating to the non-compliance of social matters. (103: [Socio-economic compliance](#), 419-1)



The BME employees at the Companies Race

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**

5.1. EMPLOYEE PROFILE.

(102-8, 401-1, 405-1)

The data on employees collected in this report refer in aggregate to the employees of the BME Group and the employees of Open Finance, S.L., a company that manages its labour regime independently from the rest of the BME group employees.

■ EMPLOYEE PROFILE

AT 31 DECEMBER 31 OF EACH YEAR



■ WORKFORCE BY GENDER

AT 31 DECEMBER 31 OF EACH YEAR

	2018	2019
Women	302	299
Men	523	497
Total	825	796

■ EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER

AT 31 DECEMBER 31 OF EACH YEAR

	2018	2019
Madrid	642	618
Women	246	240
Men	396	378
Barcelona	87	83
Women	26	24
Men	61	59
Bilbao	30	29
Women	10	10
Hombres	20	19
Valencia	66	66
Women	20	25
Men	46	41

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**

■ EMPLOYEES BY GENDER, AGE AND PROFESSIONAL CLASSIFICATION

AS AT 31 DECEMBER OF EACH YEAR

	2018			2019		
	Men	Women	Total	Men	Women	Total
Senior management	7	1	8	7	2	9
Middle management	41	18	59	35	19	54
Specialist technicians	308	189	497	299	196	495
Administrative / Auxiliary / Support	167	94	261	156	82	238
<30	59	41	100	47	39	86
30 - 50	286	177	463	284	173	457
>50	178	84	262	166	87	253

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**

■ NUMBER OF EMPLOYEES BY CONTRACT TYPE ^{(1) (2)}

AS AT DECEMBER 31 OF EACH YEAR

	2018			2019		
	Men	Women	Total	Men	Women	Total
Annual average of permanent contracts by gender, age and professional category						
Senior management	7.00	1.00	8.00	7	1.67	8.67
Middle management	41.17	17.25	58.42	37.00	18.08	55.08
Specialist technicians	308.92	186.25	495.17	296.17	187.50	483.67
Administrative / Auxiliary / Support	130.92	75.42	206.33	154.42	78.42	232.83
<30	38.25	22.25	60.50	42.25	30.00	72.25
30 - 50	271.33	175.33	446.67	287.33	173.67	461.00
>50	178.42	82.33	260.75	165.00	82.00	247.00
Annual average of temporary permanent contracts by gender, age and professional category						
Senior management	0.00	0.00	0.00	0.00	0.00	0.00
Middle management	0.00	0.00	0.00	0.00	0.00	0.00
Specialist technicians	0.00	0.17	0.17	0.17	0.00	0.17
Administrative / Auxiliary / Support	20.67	15.08	35.75	12.08	11.83	23.92
<30	16.75	13.33	30.08	16.75	13.33	30.08
30 - 50	3.92	1.92	5.83	3.92	1.92	5.83
>50	0.00	0.0	0.00	0.00	0.00	0.00

(1) The annual average of both permanent and temporary contracts has been calculated as the average of the permanent/temporary contracts for each month over the course of the year.

(2) In 2018 there were no employees with part-time contracts. In 2019, as of 18 November 2019, there was a single male employee over the age of 50 with a part-time contract in the specialised technician category.

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■ PERMANENT EMPLOYEES BY CONTRACT TYPE

	2018	2019
Full-time contract	825	795
Part-time contract	0	1
Total	825	796

■ CONTRACTED AND SUBCONTRACTED WORKFORCE

	2018	2019
Contracted employees	825	796
Subcontracted employees	159	119
Employees and management hired locally	100%	100%

■ EMPLOYEES WITH DISABILITIES

AVERAGE NUMBER OF EMPLOYEES WITH A DISABILITY OF 33% OR MORE

	2018	2019
Senior management	0	0
Middle management	0	0
Specialist technicians	5	5
Administrative / Auxiliary / Support Staff	1	1
Total	6	6
Employees with disabilities with permanent contracts	100%	100%

■ NUMBER OF DISMISSALS

	2018	2019
By gender		
Women	0	6
Men	3	3
By age		
<30	1	1
30-50	1	5
>50	1	3
By professional classification		
Senior management	0	1
Middle management	0	0
Specialist technicians	1	5
Administrative / Auxiliary / Support	2	3



99.9% of BME employees have
full-time contracts

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■ EMPLOYEE HIRES AND DEPARTURES BY GENDER ^(*)

(401-1)

	New hires		Employee turnover	
	2018	2019	2018	2019
Total	86	41	62	70
Breakdown by gender				
Men	57	28	41	52
Women	29	13	21	18
Breakdown by age range				
<30	24	3	12	16
30-50	62	35	9	24
>50	0	3	41	30
Breakdown by geographic area				
Madrid	77	27	43	51
Barcelona	5	0	12	4
Bilbao	0	0	1	1
Valencia	4	14	6	14

(*) The figures in the above table take into consideration the effective hire and termination date. Transfers between Group companies are not considered hires or turnovers.

■ EMPLOYEE HIRE RATE (%) ^(*)

	2018	2019
Total Workforce	10.42%	5.15%
Breakdown by gender		
Men	10.90%	5.63%
Women	9.60%	4.35%
Breakdown by age range		
<30	24.00%	3.49%
30-50	13.39%	7.66%
>50	0.00%	1.19%
Breakdown by geographic area		
Madrid	11.99%	4.37%
Barcelona	5.75%	0.00%
Bilbao	0.00%	0.00%
Valencia	6.06%	21.21%

(*) The employee hire rate has been calculated using GRI Standard criteria: number of hires among total workforce at year-end.

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■ EMPLOYEE TURNOVER RATE (%) ^(*)

	2018	2019
Total Workforce	7.52%	8.79%
Breakdown by gender		
Men	7.84%	10.46%
Women	6.95%	6.02%
Breakdown by age range		
<30	12.00%	18.60%
30-50	1.94%	5.25%
>50	15.65%	11.86%
Breakdown by geographic area		
Madrid	6.70%	12.62%
Barcelona	13.79%	4.82%
Bilbao	3.33%	3.45%
Valencia	9.09%	42.42%

^(*) The employee turnover rate has been calculated using GRI Standard criteria: number of finished contracts over total end-year workforce.

5.2. COLLECTIVE AGREEMENT AND EMPLOYEE REPRESENTATION .

(102-41)

All BME Group employees are subject to the state Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors Corresponding to the period 2018-2020, which regulates the employment relationships between different companies of BME Group and its employees, with exception to the employees of the Barcelona Exchange and the Bilbao Exchange which are regulated by their own Collective Agreements, the clauses of which are equivalent in all their aspects (social benefits, rights and obligations of the employees and any other concepts). The content of the referred to Collective Agreements includes, inter alia, the principles and policies regarding management, training, equality and non-discrimination and diversity of the employees, are available to employees in the HR intranet.

In 2019, the collective agreement was amended for the purposes of including mandatory retirement due to compliance with the age legally established in accordance with the provisions of Royal Decree-Law 28/2018 of 28 December, for the revaluation of public pensions and other urgent measures in social, labour and employment matters.

The agreements corresponding to 2018-2020, classify employees into professional groups A, B, C, D and E, which relate to the professional classifications of "senior management", "middle management", "specialised technicians", "administrative staff" and "auxiliary/support staff", respectively, used in the data at 31 December 2017, 2018 and 2019 included in the tables of this report.

■ EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS (%) ^(*)

	2018	2019
Percentage of employees covered by agreements		
Collective agreements	100.00%	100.00%
Statutory Collective Agreement for Companies Sharing Organisational and Productive Factors	90.65%	90.68%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Barcelona	3.90%	3.92%
Collective Agreement of Sociedad Rectora de la Bolsa de Valores de Bilbao	5.45%	5.41%
Porcentaje de empleados de Open Finance SL sujetos a Convenios Colectivos	100.00%	100.00%

(*) All employees of BME Group companies and of Open Finance S.L. are included within the scope of this non-financial information statement, are in Spain.

On the other hand, the staff of Open Finance, S.L. is subject to the Collective Agreement of Offices of the Province of Valencia of November 30, 2015, which is tacitly extended, and which classifies employees into six professional groups (first, second, third, fourth, fifth and sixth). In order to be able to report in aggregate the data of employees of Open Finance, S.L. and the data of employees of the BME Group it has been established an equivalence between the aforementioned Professional Groups of Open Finance, SL and the BME Group following a competency criterion.

Pursuant to the legislation, BME informs workers' representatives of the job situation and structure in the various work centres, and of any decisions taken by BME that could lead to significant changes in the organisation of the work or work contracts within the company. There were no labour disputes in 2019 with the workers' representative. Likewise, in 2019 the workforce did not undergo any significant changes in total volume, beyond the dismissal resulting from mandatory retirement after the amendment to the collective agreement due to compliance with the age legally established in accordance with the provisions of Royal Decree-Law 28/2018 of 28 December 28.

The Company has created an Interpretations and Monitoring Committee for the Collective Agreement, the main function of which is to interpret the application of the clauses of the Agreement, study developments in relationships between the parties, arbitrate in the event of problems or questions arising from the application of the Agreement, and supervise the possible process of extending the Agreement to those group companies not currently party thereto.

5.3. OUR TEAM. DIVERSITY AND EQUALITY.

(103: Diversity and equal opportunities)

The BME Group, in accordance with the provisions of Chapter III of the Organic Law 3/2007 of March 22 for the effective equality of women and men, in its wording given by Royal Decree-Law 6/2019, of 1 of March, of urgent measures to guarantee equal treatment and opportunities between women and men in employment and occupation, constituted during the 2019 financial year the Negotiating Commission for the Equality Plan, with the aim of initiating the negotiation of Equality Plans in BME Group companies with more than 50 workers, after the Diagnosis presented by the Commission for its study and for the subsequent preparation of an Equality Plan. Without prejudice of the previous, the BME Group companies promote and guarantee a discrimination-free work environment based on respect and equal opportunities among their employees in their personal and professional development, regardless of gender, race, religion, age, sexual orientation, nationality or disability, as well as also guaranteeing the universal accessibility of this group through regular monitoring.

In this manner, the company's practices for selection, recruitment, remuneration, promotion, training, classification and working conditions follow the criteria of merit and capability in relation to the post's requirements, as highlighted with the measures adopted by BME to promote diversity, equal opportunities and prevent discrimination as detailed in this report.

The 8th of March, BME promoted International Women's Day by Ringing the Bell for Gender Equality at an event to which a hundred professionals from the world of finance were invited. There was also a very good representation of both male and female employees of the Group.



BME promotes a discrimination-free work environment with **equal opportunities**

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**Diversity and equal opportunities (103: Non-discrimination)

The BME Group not only encourages equality, diversity and the individuality of each employee, but has also fully implemented the labour practices outlined in the United Nations Universal Declaration of Human Rights and its protocols. Additionally, the group adhered to the United Nations Global Compact in 2011.

BME's commitment with the concept of gender equality permeates all BME's human resources management procedures, such as hiring, recruitment, training, performance evaluation, promotion, compensation, working conditions, work/life balance and communications. BME has a Joint Equality Commission to study and, where necessary, implement possible measures concerning equality within the BME Group companies.

The recruitment and hiring procedures of the BME Group ensure equal opportunities and eradicate any discriminatory treatment, both in terms of physical access to work stations and with respect to occupying different positions within the company. Personnel are selected through internal processes that ensure confidentiality, independence and equal opportunities, and then through external channels. In 2019 at BME there were no cases of any incidents relating to discrimination or reports of human rights violations. (406-1). Notwithstanding the foregoing, as a continuation of the complaint filed during the 2018 financial year through the Whistleblowing channel of the Code of Conduct, an employee of the BME Group has filed a complaint during the 2019 financial year against the Chairman of the Board of Directors and the CEO of BME alleging the possible commission of a crime against moral integrity in the field of employment relationship (workplace harassment). In relation to the criminal procedure, the Investigating Court number 48 of Madrid has decided to provisionally dismiss the previous proceedings initiated by order that has been appealed by the complainant. Likewise, an act of labour conciliation has been held before the administrative body with jurisdiction in the matter at the request of the same employee.

Likewise, BME has an "Internal Action Protocol in cases of alleged labor and sexual harassment", which has been made permanently available to employees on the BME intranet in order to guarantee the protection of the fundamental rights of all BME Group employees, aimed at ensuring zero tolerance and the prohibition of behaviours that could constitute such harassment phenomena. The Protocol also includes a procedure for dealing with indications of labor or sexual harassment, which specifies the existing notification channels for proper notification and management. Since it was made available to employees, a notification has been received that was managed following the established procedure.

Lastly, BME upholds human rights in the performance of company activities in a manner that requires suppliers rendering security services at BME offices to provide training for their staff in this field. Given the lack of risk in this area, BME has made no significant investment in which clauses relating to human rights were included (103:Assessment by Human Resources, 412-3).



BME committed to diversity. Opening Ceremony Bell-Ringing for Gender Equality

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**Career development and remuneration policy.

The BME Group encourages the development of persons through the internal recognition of talent, rewarding good results and observing the culture of individual effort in an environment of compensation commensurate to performance.

(i) Career advancement.

BME employees can advance professionally and be promoted to higher levels within their professional group by achieving targets in three main areas: annual performance assessment, training, and length of service at current level.

(ii) Remuneration policy for employees and executives (103. Diversity and Equal Opportunities, 102-36, 102-38, 102-39, 405-2)

BME Group's remuneration policy for employees, referred to in section 2.5 of this report, responds to the objective of providing the Group suitable procedures to align the market trends concerning remuneration with the strategic objectives of the business.

The main elements of BME Group's Remuneration Policy for employees, the concepts of which are established in the applicable Collective Agreement, ensure equal remuneration for posts with equal characteristics, namely:

a) The fixed remuneration which comprises a base salary established in the applicable Collective Agreement and a personal complement which remunerates, without any form of discrimination, the professional track record, the responsibility inherent in the post, the level of professionalism exercised and determined by the content of the post held. The remuneration regime of the base salary included in the Collective Agreement of application guarantees the absence of remuneration differences for this item between men and women.

b) The annual variable remuneration that a group of identified professionals may receive, according to the professional level and post held and dependant on the individual and area targets achieved, the aim of which, in the medium term, is to attract, retain and obtain the commitment of mainly the directors and prominent persons of the Group, ensuring the establishment of a stable bond and with a view to remaining with the company for a long period of time.

c) Social benefits. The employees subject to the collective agreements of BME, Barcelona Stock Exchange and Bilbao Stock Exchange, also have a series of social benefits through which it is aimed to obtain a balance between personal and work life, mainly through financial support (assistance for the physically and mentally disabled and attention to diversity, grants for the employees' children, nursery vouchers, assistance for employees' studies and their children's, baby bonus, wedding bonus, interest-free salary advances, personal loans, benefits for disabled employees).

■ SALARY GAP (*)

(405-2)

	2018	2019
Senior management	1.30	1.21
Middle management	1.24	1.23
Specialist technicians	1.08	1.11
Administrative / Auxiliary / Support Staff	1.05	1.11

(*) The salary gap has been calculated as the relationship between the average remuneration of men against the average remuneration of women, by professional category. The calculation of these averages takes into account the number of days the worker has formed part of the company during the year, the daily remuneration received for the period and the number of employees at the close of the period.

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■ AVERAGE REMUNERATION ^(*)

(THOUSANDS OF EUROS)

	2018	2019
Breakdown by gender		
Men	68.82	67.57
Women	57.02	58.41
Breakdown by age range		
<30	30.49	31.60
30-50	54.06	54.66
>50	95.92	92.47
Breakdown by category		
Senior management	347.80	309.13
Middle management	180.37	178.57
Specialist technicians	60.55	59.66
Administrative / Auxiliary / Support Staff	37.14	38.18

(*) The calculation of the average remuneration takes into account the real remuneration received by the BME employee (fixed remuneration, real variable pay received, which corresponds to the previous year, and remuneration in kind) and the number of days that the employee has belonged to the company during the year. The number of employees considered is the total at the end of the year.

5.4. BEST EMPLOYMENT PRACTICES.

Work-life balance policy and social benefits (103: Employment)

BME promotes employment flexibility and work-life balance for its permanent and temporary workers through a number of initiatives that allow the reconciliation with personal and family life: unpaid and paid leave and working day reductions for legal guardianship and nursing mothers.

Other work/life balance measures benefiting all temporary and permanent BME employees include flexible start and finish times, a 5.5-hour working day on Fridays and the days before public holidays, and the possibility of requesting holidays at any time and split over different periods.

Similarly, the number of overtime hours per employee, which is voluntary, may not exceed 80 hours a year, except for those hours worked to prevent or repair accidents or other occasional and urgent damage, without this affecting their remuneration as overtime hours. BME aims to ensure the most extensive rotation possible among the workers affected by overtime hours, therefore preventing, insofar as is possible, the same persons always being affected. In addition, employees may request to fully or partially work from home. Notwithstanding the above, BME at present has not approved a disconnection from work policy.

Other services and activities.

(i) *Services for employees.*

BME provides its employees with various services to facilitate their access to the workplace and allow them to perform their duties more comfortably, such as a restaurant service, travel agent to organise trips and private holidays, educational activities, shows, workshops and games for the employees' children, as well as special conditions for different services provided by third parties.

Since 2018, the Company has had BME Conecta, a mobile app for employees, from which employees can access a variety of Human Resources functionalities online and other services aimed at employees.

(ii) *Sport and leisure activities.*

In 2019, BME organised a new edition of its Paddle Tennis Competition for employees and sponsored indoor and 11-a-side football teams and a basketball team by financing its members' registration and equipment costs. BME also participated in and sponsored the cycling club and the track and field group, which have participated in the 'Carrera de las Capacidades' organised by the Adecco Foundation and the annual Companies Race. BME also continues to organise an encounter with the Three Wise Men at the Palacio de la Bolsa for the employees' children.



Employees workshops organised by The Prado Museum

5.5. BME GROUP EMPLOYEE TRAINING

(103: Training and education, 404-1, 404-2)

BME sets out its commitment to employee training in article 26, section b), of the statutory Collective Agreement, whereby *"it shall foster plans to improve the training and advanced professional training of its workers, guaranteeing the possibility of training for all employees"*.

The Human Resources Department encourages and promotes the training of employees through the Training Plan, which is carried out both in a classroom setting and on-line, it also has specific training programmes and other complementary courses related directly to the business objectives which contribute directly to the professional and personal development of the employees. A Training Monitoring Committee and a Department of Training and Development at BME with the involvement of workers' union representatives, has been set up to improve the quality of the Training Plan and identify training needs.

■ NUMBER OF COURSES CARRIED OUT UNDER BME'S CONTINUOUS TRAINING PROGRAMME ^(*)

	2018	2019
The Continuous Training Programme is structured as follows:	85	107
User applications area	0	18
Skills development area	17	9
IT area	31	39
Financial markets and financial assets area	37	41

(*) These figures do not include language training or training through Master's programmes, nor personalised or specific training, which includes the course on "Preventing crime - BME Group".

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In addition to this training under the Continuous Training Programme, other courses are organised as necessary to meet specific business needs.

In 2019 the BME Group launched the Integral Personal Development Plan new Activate! programme aimed at the entire organisation and at detecting and personalising the training needs of employees and promoting the generation of ideas that drive the development of the 2019-2021 Strategic Plan. This programme included the following actions segmented by professional profiles and which require a high degree of personal involvement and commitment:

- Launch of the Training Needs Pre-Detection Questionnaire carried out in 2019, which will allow the Human Resources department to define a new Training Plan for 2020 and 2021 as it connects the individual needs and interests with the objectives of the different areas of the Company.
- Launch of the specific BME PRO training programme aimed at high potential professionals that was launched during the first few months of 2020 and which implies recognition of commitment to the company.
- Launch of the Idea Project, with which BME opens a permanent call to receive initiatives to undertake new projects and create new lines of work or improve current ones that contribute to the progress, evolution and growth of the company.

■ **EMPLOYEE TRAINING** ⁽¹⁾

	2018			2019		
	Men	Women	Total	Men	Women	Total
Number of employee training hours (by professional category)						
Senior management	0.00	0.00	0.00	0.00	0.00	0.00
Middle management	100.50	112.00	212.50	71.50	100.50	172.00
Specialist technicians	2,832.00	1,491.00	4,323.00	3,756.00	1,792.70	5,548.70
Administrative/Auxiliary/Support Staff	1,912.50	1,368.50	3,281.00	3,545.29	1,161.23	4,706.52
Average employee training hours (by professional category) ⁽²⁾						
hrs/employee - senior management	0.00	0.00	0.00	0.00	0.00	0.00
hrs/employee - middle management	5.29	8.00	6.44	17.88	14.36	15.64
hrs/employee - specialised technician	10.04	10.14	10.08	29.81	25.25	28.17
hrs/employee - administrative/auxiliary staff	9.38	9.12	9.27	32.23	25.81	30.36

(1) These figures do not include language training or training through Master's programmes, nor personalised or specific training, which includes the course on "Preventing crime - BME Group".

(2) The calculation of the average training hours is based on the number of hours of training given to each trained employee, by professional category.

As previously mentioned in section 2.4 of this report, 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 assistance for the training of its employees which is made effective by way of a Social Security contribution credits.

BME also has a library service allowing BME Group employees to take out books and periodicals. This keeps employees abreast of the latest publications, legislation and documents relating to stock market issues. The library also processes requests for information. BME employees have online access to the Library and Documentation Service catalogue through the company's intranet which provides specific and regular information on projects and actions in different Group companies and departments, as well as on events carried out by the Company.

5.6. OCCUPATIONAL HEALTH AND SAFETY

(103: Occupational health and safety)

BME has established the health, safety and risk prevention measures contemplated in the Law on Occupational Health and Safety at all its work centres and each year it carries out an analysis of the risks at its installations and its employees' workplaces. With the collaboration of its employees, through their legal representatives, and the internal bodies specifically entrusted with this issue, BME draws up a programme to address the risks detected and the needs identified proposing and implementing the corresponding preventive measures, such as training, information, personal protection equipment and routine checks.

Employees participate in the planning and control of the measures adopted concerning occupational health and safety through their legal representatives and the specific internal participation bodies, which is regulated in the statutory Collective Agreement. Thus, BME has established the following health and safety committees, which monitor and advise on occupational health and safety issues. These committees represent 100% of staff and are made up of both management staff and employees. *Health and Safety Committee, Evacuation Team, Emergencies Team and First Aid Team*. In particular, the Health and Safety Committee has a dedicated e-mail for the health and safety and prevention officers of BME Group as a mechanism so that complaints and/or suggestions relating to health, comfort and ergonomics in the workplace and other safety aspects may be communicated.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**Workplace safety

BME draws up its workplace safety policy on a yearly basis, carrying out the necessary studies and projects to define the most significant risks, either in terms of seriousness or frequency, and implements effective prevention and protection systems. In addition, the Online Human Resources tool lists the names of the members of the Evacuation, Emergency and First Aid teams, and includes the Health and Safety in Offices Manual.

Workplace risk prevention programmes are implemented at all BME centres, and regular testing, as well such as fire drills, is carried out in order to prevent workplace risk.

Employee health. (403-2, 403-3)

Despite the professions of BME employees, with the exception of maintenance, not having a high occurrence or risk of disease, BME provides its employees with a healthy working environment. To that end, BME has a Health Monitoring Programme in which, among other issues, information and training is provided through, among other issues, the "Choose Health Channel" mobile application for employees BME Conecta. There is also a physiotherapy and First Aid Kits located in the work centres with up-to-date instruments for providing immediate care in the case of a cardiac arrest (Automated External Defibrillators) and a Nurse Station, located in Las Rozas which is complemented by a telephone service which allows video-conference type calls to be made at all work centres.

In addition, BME provides workers with annual physical check-ups, and has contracted health insurance for all employees and their family members. These insurance plans cover medical care, surgery and hospital care in cases of illness or injury, in accordance with the terms and conditions and in respect of the insured risks. BME also organises yearly influenza vaccination campaigns.

■ FREQUENCY RATE, SEVERITY INDEX, OCCUPATIONAL DISEASE RATE, DAYS LOST AND ABSENTEEISM ⁽¹⁾

2018								
Breakdown by region					Breakdown by gender			
	Madrid	Barcelona	Bilbao	Valencia	Total	Man	Woman	Total
Accident index with injury (Frequency rate) ⁽²⁾	6.75	0.00	0.00	0.00	5.16	3.49	8.06	5.16
Severity index	0.39	0.00	0.00	0.00	0.30	0.24	0.39	0.30
Occupational disease rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Days lost rate ⁽³⁾	38.93	0.00	0.00	0.00	29.80	24.32	39.28	29.80
Absenteeism	No. hours	18,970.27	4,490.55	1,085.98	2,300.26	26,847.06	13,512.88	13,334.18
	Rate	1.83%	3.04%	2.14%	1.93%	1.98%	1.57%	2.69%
2019								
Breakdown by region					Breakdown by gender			
	Madrid	Barcelona	Bilbao	Valencia	Total	Hombre	Mujer	Total
Accident index with injury (Frequency rate) ⁽²⁾	1.91	0.00	0.00	7.00	2.18	0.00	5.91	2.18
Severity index	0.04	0.00	0.00	0.22	0.05	0.00	0.14	0.05
Occupational disease rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Days lost rate ⁽³⁾	3.64	0.00	0.00	21.69	5.02	0.00	13.58	5.02
Absenteeism	No. hours	20,092.91	4,605.10	2,808.88	2,268.18	29,775.08	15,620.69	14,154.39
	Rate	1.92%	3.30%	5.78%	1.59%	2.16%	1.80%	2.79%

(1) The calculation of absenteeism rates takes into account all those employees who, during the year, have belonged to the BME Group and Open Finance. The definitions considered in the calculation of the health and safety indices are established in accordance with GRI Standards:

- Accident: Fatal and non-fatal accidents in the workplace.

- Occupational disease: Disease deriving from an employment related situation or activity.

- Days lost: Sick leave of an employee due to an accident or occupational disease.

- Absenteeism (hours): Number of hours employee absent from work due to a disability of any type, not only due to an accident in the workplace or occupational disease.

The formulas used for the calculation of the health and safety indices are as follows:

- Accident index with injury (Frequency rate): $\text{No. accidents} \times 10^6 / \text{No. total work hours scheduled}$

- Severity index: $\text{Days lost} \times 10^3 / \text{No. total work hours scheduled}$.

- Occupational disease rate: $\text{No. occupational diseases} \times 10^6 / \text{No. total work hours scheduled}$.

- Days lost rate: $\text{Days lost} \times 10^5 / \text{No. total work hours scheduled}$.

- Absenteeism rate: $\text{No. absenteeism hours} \times 10^2 / \text{No. total hours work scheduled}$.

2) During the 2018 financial year, the accidents with injuries that have materialized in the BME Group workforce have consisted of 6 accidents in itinere due to traffic accidents and 1 fall from stairs in the workplace. Of them 3 were men and 4 women.

(3) During the 2019 financial year, the accidents with injuries that have materialized in the BME Group workforce have consisted in 2 accidents in itinere due to traffic accidents and 1 fall in the workplace. All of them were women.

(4) During the 2018 financial year, the accidents that materialized in the BME Group have caused a loss of 404 business days, which has led to an increase in the rate of days lost in that year.

(5) During the 2019 financial year, the accidents materialised in the BME Group have caused a loss of 69 business days.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Human Capital**Health and safety training

The company provides its workforce with the appropriate training in health and safety matters. All new employees attend an on-line training course on workplace risk prevention measures and rules.

The First Aid Service, in partnership with the Human Resources and Corporate Communication Departments, informs regarding current blood donation campaigns and publishes informative Health Bulletins, in addition to offering employees theoretical/practical workshops on health and safety.

The personnel of the security companies hired by BME to manage the security of its buildings comply with all requirements under prevailing legislation governing the provision of security services and the protection of property, people and auxiliary services, and hold the quality certifications for their services issued by SGCS ICS Ibérica, S.A. and AENOR. In 2019, the security companies hired by BME continued running refresher courses for its employees.

6

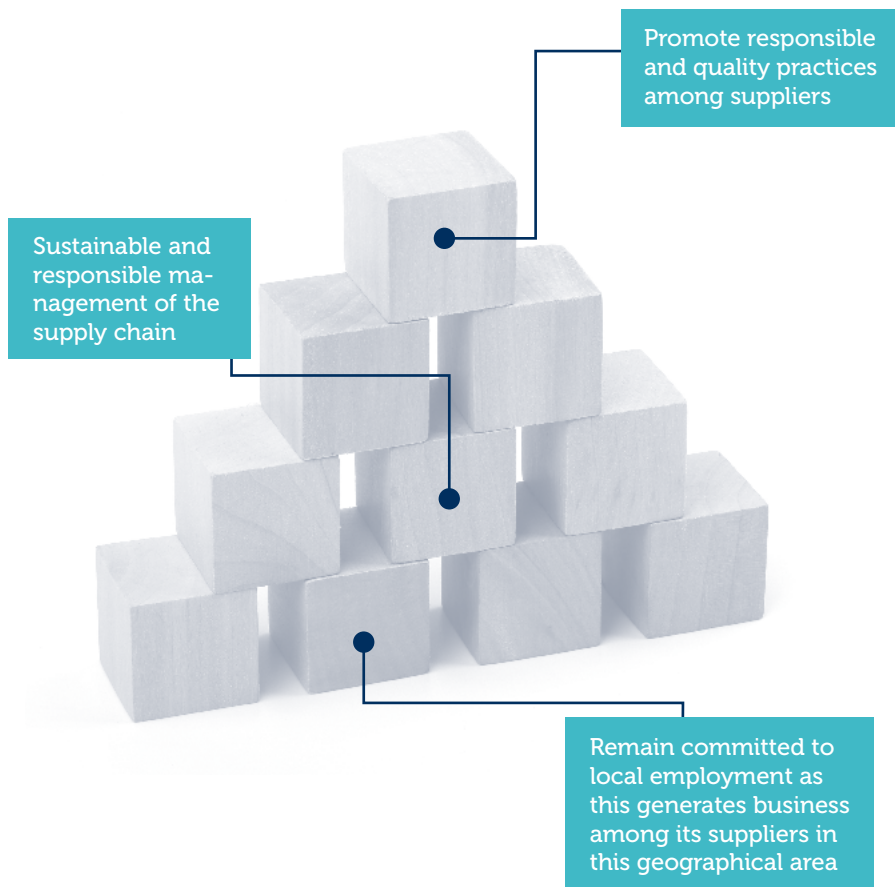


Suppliers

(103: Acquisition practices)

Suppliers are an essential aspect for BME as they provide the equipment, technical assistance and essential services for the efficient and sustainable performance of its activities.

BME has an objective of sustainable management in its supply chain through several processes with the aim of positively contributing to a respectful relationship with the natural environment and the elimination of forced or compulsory labour and to the abolition of child labour in the environment in which BME Group companies carry out their activities.



6.1. SUPPLIER PROFILE

(102-9)

BME is committed to supporting suppliers located in Spain (local suppliers) operating in the geographic location where the supplies and services are purchased and invoiced, maintaining a commitment to local employment and the procurement of locally sourced products and services. In 2019, the Company registered a total of 1,472 suppliers, of which 90.42% are local.

SUPPLIERS

	2018	2019
Local suppliers	1,306	1,331
Non-local suppliers	154	141
Total	1,460	1,472

Of the 1,472 suppliers managed by the BME Group during 2019, 56 have been registered as new suppliers which belong to different sectors and represent 4.62% of the total.

BME's suppliers can be classified into the following categories: technological services (supply of IT equipment and solutions), support (consultancy, auditing, travel agencies) and maintenance (improvement and management of properties and facilities).

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Suppliers**

A) Volume of procurements. (204-1)

BME's total volume of purchases of goods and services in 2019 amounted to 61,260 million euros, up 11.83% on the previous year.

Of the total volume of purchases of goods and services, those made with local suppliers represented 77.29%, with no significant change in 2019 on the previous year.

■ INVOICING FOR SERVICES PROVIDED BY EXTERNAL SUPPLIERS

	2018	2019
Volume invoiced by suppliers (thousands of euros)	54,778	61,260
Local suppliers (%)	78.36	77.92
Non-local suppliers (%)	21.64	22.08

B) Average supplier payment period.

As in previous years, BME settled the payment of its suppliers' invoices within the legally-established period. In 2019, the BME's average payment period was 43 days. In compliance with prevailing legislation to combat late payment in commercial transactions and corporate governance regulations, this information can be found on the Company's corporate website (www.bolsasymercados.es).

■ AVERAGE PAYMENT PERIOD TO SUPPLIERS, IN DAYS

	2018	2019
BME	43	43
Other group companies	37	35

6.2. SUPPLY CHAIN.

(103: Environmental evaluation of suppliers, 103: Social evaluation of suppliers, 102-9, 102-10, 308-1, 414-1)

BME's activity is governed by a series of corporate values and ethical and socially responsible commitments, which BME seeks to encourage all suppliers in its supply chain to adopt. In this regard, the BME Group, with the exception of Open Finance S.L., has implemented within its goods and services procurement process a series of mechanisms that aid the Company to continue developing a sustainable and responsible management of its own supply chain, defined as a series of activities through which products and services are supplied, which has not suffered any significant changes throughout 2019.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - Suppliers



SUPPLY CHAIN

The BME supply chain is implemented through the **"Order Authorisation System" (SI3)**, a centralised and organised system for the management and contracting of services out to external suppliers, which supports each of the phases of its products and services procurement process: requests, approval, budget control and payment management.



PROFIT

- Automated and more efficient procurement process
- Strengthening of the organisation's cost management, by having an effective mechanism to control expenditure when engaging external services.
- Know the origin and geographical location of the product acquisition. In local products this allows a reduction in CO₂ emissions.
- Identification and minimisation of potential supply chain risks due to the supplier's guarantee of regulatory compliance (economic, environmental, social and employment).
- Registered and unified information when exchanging continuous and direct information with those responsible for the product.

BME's suppliers must meet different quality standards depending on the type of products and services they offer, and must be responsible in their business practices and comply with all regulations governing their activity. BME develops concrete actions and measures that integrate environmental and sustainability aspects into the supply chain.



Supplier selection



Accreditation and evaluation



Supplier monitoring

BME has an internal process for the purchase of goods and services, and the selection and evaluation of suppliers that is applicable to all Group companies.

CRITERIA AND MEASURES IMPLEMENTED

Signed declaration by suppliers stating compliance with the economic and technical aspects necessary to be hired, as well as environmental, social and employment regulations, occupational health and safety and human rights.

RESULTS

No supplier has been rejected or any contract cancelled due to a breach of any of the technical, professional or financial criteria set down in the declaration.

In 2019, 68 new suppliers have signed the statement of compliance, of which 56 are suppliers managed by the Company in 2019.

Initial accreditation and evaluation process with the support of the SI3 system of the level of compliance of new suppliers with an initial order worth in excess of €10,000 or where the goods or services are deemed critical (higher risk given the size of the purchase and/or the direct impact they have on the activities or services rendered to its clients).

CRITERIA AND MEASURES IMPLEMENTED

- Economic and technical criteria. Ensure that suppliers comply with the commitments undertaken:
 - Economic and financial solvency
 - Technical and human infrastructure
 - Supply capacity
 - Quality, after-sales service and guarantees
 - Previous experience in BME Group companies
 - Recognition on the market
- Environmental and sustainability criteria in their supply chain. The suppliers of services with a greater environmental impact have environmental and energy-efficiency certification (such as those providing the maintenance services of the facilities or the suppliers of IT office equipment).
- Measures to avoid fraud and corruption between the Company and intermediaries, such as requesting alternative quotations from other suppliers.

Monitoring process of registered suppliers verifying through regular reviews to ensure that the initial commitments undertaken remain in effect throughout the contractual relationship, and that the expected quality of the products or services is maintained.

CRITERIA AND MEASURES IMPLEMENTED

- Supplier assessment questionnaire for each product or service delivered.
- Detection, recording and follow-up of any incidents, delays or claims.

RESULTS

In 2019, 1,935 orders were placed with 424 suppliers eligible for assessment via SI3. However, 1,048 suppliers have provided services that were already budgeted and therefore, pre-authorised (pre-evaluated).

As a result of the evaluations carried out 11 of the orders were negatively evaluated.



7



Society

(103: Indirect economic impact) (413-2)

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The actions carried out by BME aimed at strengthening its commitment with the society in which it provides its services, improving the social and institutional relations that it maintains with its environment and offering a true and fair image of the performance of the activities it carried out, are contemplated in its *Corporate social responsibility policy*. Of which the following are of particular note:

BME does not have negative impacts on the local communities in which it operates. However, in the development of its activities the Group companies carry out the necessary actions to ensure legal compliance and evaluate and mitigate all the negative impacts that their activity may cause on local communities.

Additionally, BME carries out other activities to support the community, such as the promotion of cultural institutions and events and of other social actions for the benefit of the local community. (103: Indirect economic impact)

CULTURE AND SOCIAL ACTION

Invest in training and culture and socio-economic development for the benefit of the local community (section 7.2).



Promote financial culture and cultural activities and social action (section 7.3 y 7.4).

TRAINING

Collaborate with universities, educational centres and other relevant sectors of society (section 7.2).

LEADERSHIP AND TRUST

Commit to playing a key role in the economies of Spanish and Latin American companies through the Latibex market.



Foster confidence in the Spanish financial system.



Ensure the good functioning in the markets.

FINANCING AND LIQUIDITY

Establish a channel of financing and liquidity for companies, in particular SMEs (section 7.3).

THE ENVIRONMENT

Take care of the environment: management of its activities in a sustainable manner and the monitoring of its greenhouse gas emissions (section 8).

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - Society

7.1. BME IN INSTITUTIONS

(102-13)

	BME Group (1)	BME Group (2)	BME Group (3)	BME Group (4)
SPANISH ASSOCIATIONS AND INSTITUTIONS				
Spanish Association of Accounting and Business Administration	-	-	YES	-
Spanish Association of Financial Managers and Company Treasurers	-	-	YES	-
Financial Markets Association	-	YES	YES	-
European Finance Centre, Barcelona	-	-	YES	-
Círculo de Economía	-	-	YES	-
Catalan Institute of Economists	-	-	YES	-
Institute of Internal Auditors (IAI)	-	-	YES	-
Spanish Venture Capital & Private Equity Association (ASCRI)	-	-	YES	-
ALASTRIA	YES	YES	YES	-
SUPRANATIONAL ASSOCIATIONS AND INSTITUTIONS				
World Federation of Exchanges (WFE)	-	YES	YES	YES
Federation of European Stock Exchanges (FESE)	YES	YES	YES	YES
Ibero-American Stock Exchange Federation (FIAB)	YES	YES	YES	YES
European Capital Markets Institute (ECMI)	YES	YES	YES	-
International Organisation of Securities Commissions (OICV-IOSCO)	-	YES	YES	-
Centre for European Policy Studies (CEPS)	-	YES	YES	-
Futures Industry Association (FIA)	-	YES	YES	-
Spanish SWIFT Users Group (SWIFT GNUSE)	-	YES	YES	-
International Securities Services Association (ISSA)	-	-	YES	-
European Central Securities Depositories Association (ECSDA)	YES	YES	YES	-
Extensible Business Reporting Language (XBRL) Association	-	-	YES	-
Financial Services in Europe (EUROFI)	-	YES	YES	-
AFME – Securitisation Division (previously: European Securitisation Forum)	-	-	YES	-
Financial Information Services Association of SIIA (FISD)	-	-	YES	-
European Association of CCP Clearing Houses (EACH)	YES	YES	YES	-

BME GROUP: Domestic and international associations and institutions in which BME, directly or indirectly:

(1) holds a position on the governance body.

(2) participates in its projects or committees.

(3) views membership thereof as a strategic decision.

(4) provides substantive funding beyond routine membership dues.

Besides, Open Finance, S.L. is an associate of the Spanish Association of Financial Advisory Companies (ASEAFI), of the Spanish Association Fintech and Insurtech and of the IT Technological Institute.

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7.2. DISSEMINATION OF FINANCIAL KNOWLEDGE.

(103: Indirect economic impact, 102-48, 203-2)

BME is committed to the dissemination of financial knowledge and the increase in the access to the financial culture of economic agents whatever their condition, aspects that will improve the protection of investor rights, given that a higher level of financial culture among the public favours decision-making, as being well informed and having an adequate identification of the risks also permits the sustainable growth of the business of the companies. In this sense, BME endorses the recommendations and good practices for Raising Awareness and the Financial Education of the Organisation for Economic Cooperation and Development (OECD).

BME's commitment to promoting a financial culture is evident with the existence in the BME Group of an educational centre, Instituto BME, whose activity is focused on the organisation of different educational services related to the financial markets, and which are aimed at all types of groups. Special mention should be made of BME's Shareholder's Training Plan mentioned in Chapter 3.4.

The main positive impact of this dissemination of financial knowledge is that it allows Spanish households and all the groups that form society to improve their understanding of the products, concepts and financial risks and, through information, instruction and assessment, they can develop the skills and confidence to become more aware of the financial risks and opportunities.



BME supports financial education. mFIA Annual Meeting

BME INVESTMENT IN ACTIONS THAT BENEFIT THE COMMUNITY

(THOUSANDS OF EUROS)

	2018	2019
Financial culture and training	1,095 (*)	1,243
Socio-economic development (Awards)	20	10

(*) The information on training and financial culture for 2018 has been modified to incorporate the economic investment not made by a BME Group company that was not taken into account in the previous year by mistake.



BME invested more than
1 million euros in
**training and financial
culture** in 2019

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Society**

Financial-stock market training

BME collaborates, directly or through the Instituto BME and the four Stock Exchanges, through training projects and teaches specific courses and seminars aimed at:



Universities (Málaga, Carlos III, País Vasco, Pontificia de Comillas, San Pablo CEU, Santiago de Compostela, Valencia, Oviedo, Cantabria, Castilla la Mancha, Sevilla, Zaragoza and Sergio Arboleda, in Colombia).



Training institutions (University College of Financial Studies, School of Finance, EAE Business School, Foundation of Financial Studies and FESE Capital Market School).



Groups outside the sector (General Council of the Judiciary, National Police, Civil Guard and National Office for Fraud Investigation (ONIF), reporting to the State Tax Administration Agency (AEAT).

Financial education day

BME regularly assists in the organisation and development of this initiative that forms part of the Financial Education Plan promoted by the Banco de España, the CNMV, the Directorate-General for Insurance and Pension Funds and the General Secretariat of the Treasury and International Finance.

Financial awards

In 2019 BME:



- > Co-sponsored the XI Economic Olympics of Madrid and Robotrader 2019.
- > Collaborated with the CFA Spain award.
- > Took part in the II Carlos Humanes Prize for Economic Journalism presented at the Madrid Stock Exchange.



Carlos Humanes Award for Financial Journalism Ceremony

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Society**

Sponsorship of financial publications (203-2)

BME contributes to the study and knowledge of the Spanish financial economy, encouraging the dissemination of finance and the stock markets through the direct publication of books and magazines and through the sponsorship of various publications.

The BME Studies Service has personnel at the four stock exchanges, which prepare, filter, select and distribute statistics on the markets and systems of the BME Group, reports and documentation on what is happening in the national and international financial markets through the BME's digital publications service (BME Ediciones Digitales).

BME also has libraries and documentation centres at all its offices with more than 30,000 titles on economics and finance available to employees and non-BME personnel.

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7.3. FINANCIAL INFORMATIVE ACTIVITY

(203-2) (103: Indirect economic impact)

BME has been helping Spanish businesses to make the most of market opportunities and assisting them with funding, growth, training, visibility and efficiency.

Financial informative activity. (203-1)

The dissemination activity carried out by BME to its users and society in general is through forums, conferences, trade fairs and other activities related to the stock market.

IN 2019 BME COLLABORATED...



With "el Nuevo Lunes", for the organisation of the "Sustainability leads the future of investment" Conference at the Madrid Stock Exchange, which addressed the role of the public sector in sustainable investments and the importance of incorporating environmental, social and good governance criteria in investment decisions.



With the Royal Academy of Jurisprudence and Legislation, in contributing to the development of financial culture promotion tasks carried out by this institution in matters of Law concerning the financial sector and the stock market.

...PARTICIPATED IN...



Spain Investors Day.



Forinvest Trade Fair and SIBOS.



Annual Convention of the European Stock Exchanges.



Annual meetings of "Geneva MidCap Event", "Spanish Small & MidCaps Conference" y "Spain All Caps Conference".

... AND ORGANISED.



MedCap Forum.



Latibex Forum.

Due to the interest in the historical and artistic heritage of Palacio de la Bolsa in Madrid, the Madrid Stock Exchange offers free guided tours, during which the importance of the activity carried out by BME is made apparent. To celebrate a new edition of "Madrid, Otra Mirada" (Madrid, Another Perspective) organised by the Madrid City Council, BME joined this informative event by opening the doors to the Palacio de la Bolsa in Madrid. The other stock exchanges in Barcelona, Bilbao and Valencia also offer guided tours, promoting education and information about stock markets.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Society**

Promotion of added value services to listed companies.

(103: Indirect economic impacts)

BME provides information on and promotes added value services to listed companies, intermediaries and other investment services companies, understanding as such the group of services that accompany the sale/purchase cycle of negotiable financial assets, which are performed through the Information and Value Added Services Unit.

Within this context, BME, through the dissemination and provision of these services strengthens the transparency of the markets, investor protection and security, the non-discriminatory participation in the markets and the participation in the channelling of savings towards productive investment, as well as, ultimately, provide value to the whole national economy in terms of economic growth and the generation of employment.



BME collaborates with the CEPYME 500 Initiative, in support of SMEs

Support for small and medium-sized enterprises.

(103: Indirect economic impacts)

BME's prime objective is to provide the highest number of companies access to financing through the securities market, particularly small- and medium-sized companies. To do so, the Alternative Equity Market (MAB) and the Alternative Fixed Income Market (MARF) created by BME aim to cover the financing needs of the Spanish small- and medium-sized companies.

Companies also enjoy the comprehensive solutions offered by BME4Companies created by BME, which allows entrepreneurs to reap the benefits of the securities market through an extensive and competitive range of services, as well as the Pre-Market Environment, a joint initiative between BME and *Big Ban Angels*, to facilitate the access of *start-ups* and other growth companies to the capital markets and assist them in the search for new investors, for which BME together with Big Ban Angels received the 2019 award for the best public interest initiative. In 2019 BME participated in one of the largest technology entrepreneurship events in Europe called "Startup Olé" with this initiative.

As usual, this year BME once again participated alongside the Confederación Española de la Pequeña y Mediana Empresa [Spanish Confederation of Small and Medium-sized Enterprises] in the CEPYME 500 project, aimed at driving growth and promoting the resizing of the top 500 SMEs leading business growth in Spain.

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74. OTHER ACTIVITIES SUPPORTING THE COMMUNITY.

(102-13, 413-1, 103: Contribution to society)



CULTURAL ACTIVITIES

BME continues to maintain its commitment to supporting the local community, in particular with regard the world of culture:

- Member of the Friends of the Prado Foundation in Madrid.
- Sponsoring partner of the Reina Sofia Museum in Madrid.
- Trustee of the Naval Museum Foundation and the National Archaeological Museum.
- Patron of the Guggenheim museum in Bilbao, and other institutions.



SOCIAL ACTION

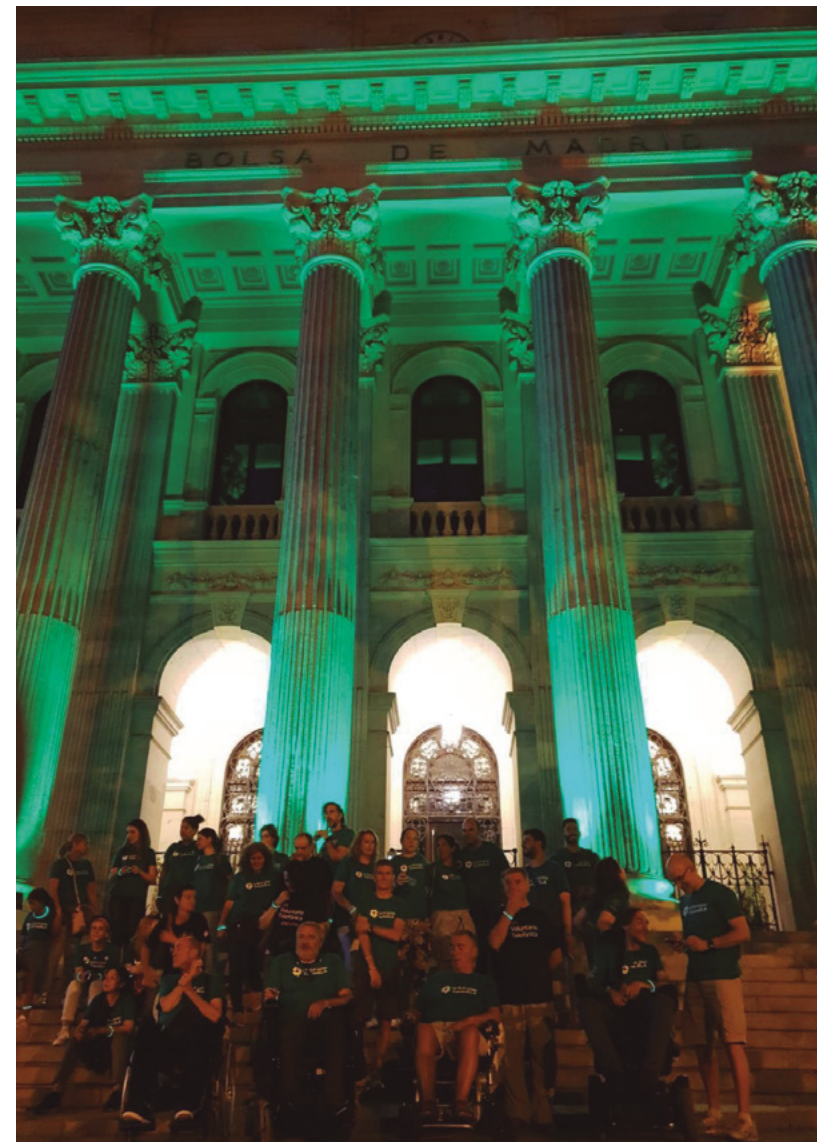
In 2019, BME made commitments with:

- Food Banks in Madrid and Barcelona.
- "Light for ALS" initiative, promoted by the Luzon Foundation, celebrating World Amyotrophic Lateral Sclerosis Day.
- Other initiatives of social value that benefit society and the local community.

BME INVESTMENT IN ACTIONS THAT BENEFIT THE COMMUNITY

(THOUSANDS OF EUROS)

	2018	2019
Financial sponsorship and promotion of cultural activities	235	138



BME supports the ALS Awareness Day



8



■ Environmental Performance

8.1. ENVIRONMENTAL MANAGEMENT

(102-11, 103: Environmental Compliance, 103: Economic Performance, 307-1)

After the performance of the materiality analysis referred to in this report, the Company concluded that the activity of the BME office and the urban areas in which it is performed do not generate a significant direct impact on the environment, therefore the Company does not consider the aspects associated with the management of its waste and materials, biodiversity and sources of water collection within the environment of its facilities, nor the acoustic and light contamination that its facilities may generate, nor the emission of substances that deplete the ozone layer (SAO), nitrogen oxides (NOx), sulphur oxides (SOx) and other emissions to be of material significance.

In spite of the above, BME contributes to protecting the environment and dedicates economic resources to the sustainable management of its activities with the goal of minimising any environmental impacts that might arise from its operating processes and facilities, and the services it contracts.

A) Environmental management

The Company informs on its commitment to the environment by following the precautionary approach defined in the GRI Standards and Principle 15 of the Rio Declaration on the Environment and the United Nations Development Programme in 1992, indicating how it carries out its activities as well as the intention to mitigate any possible environmental impacts deriving from such through the environmental management included in this report. (102-11)

Given the activities in which the Group Companies are engaged, BME has analysed the risk factors related to their environmental performance within the risk management framework and has found that at present the environmental risk deriving from its activities is not significant and therefore it has no expenses, assets, or provisions or contingencies of an environmental nature that could be significant in relation to the equity, financial situation and consolidated results.

Notwithstanding the foregoing, given its commitment to the environment BME has adopted a series of action measures to mitigate any potential environmental impacts:

- comply with prevailing national, regional and local legislation, as well as with BME's own commitments to minimise the environmental impact of its activities
- foster measures to reduce the use of the resources consumed directly and indirectly by BME
- encourage the recycling of waste in order to minimise the company's environmental impact. BME fosters compliance with the three "R" approach to environmental protection: *Reduce, Reuse y Recycle*.
- encourage an environmentally-responsible behaviour by BME employees through the implementation of best environmental practices
- contribute to the advancement of corporate social responsibility in Spain through projects that promote socially responsible business practices.

As in previous years, in 2019 BME did not receive any significant fines or sanctions relating to the environment. (307-1)

The environmental impacts deriving from transport are solely due to the transport of employees during corporate trips and travelling to their place of work, therefore there are no significant environmental impacts.

B) FTSE4Good IBEX index

In 2006, BME together with *FTSE Group* created the FTSE4Good IBEX comprising securities belonging to BME's IBEX 35® index and the *FTSE Spain All Cap* index, which comply with the best practices in corporate social responsibility. The FTSE4Good IBEX index is a tool which allows responsible investors to identify and invest in those companies that work towards environmental sustainability with the global standards of corporate responsibility, thereby providing asset managers with a socially responsible investment indicator and which encourages the idea of being socially responsible among companies.



FTSE4Good

8.2. ENERGY CONSUMPTION.

(103: Energy, 102-48, 302-1, 302-2, 302-3, 302-4)

As part of its drive to protect the environment and sustainability, the company implements internal measures to reduce energy consumption at its facilities and minimise the environmental impacts of the services managed at the Group's work centres, and externally through environmental support initiatives.



Internal energy consumption (302-1)

El consumo de energía interno es aquel que deriva de la contratación por BME (electricidad y gas) para el desempeño de actividades internas, siendo las principales fuentes de energía del proveedor de este servicio, la energía hidroeléctrica, nuclear, térmica, eólica y solar. Por otra parte, el consumo de gas natural se genera únicamente en el comedor para empleados de la sede de las Rozas (Madrid), cuyos servicios están externalizados.

Measures for reducing internal consumption (302-5)

BME promotes different measures with the aim of reducing its electricity consumption, deriving mainly from lighting, climate control and IT equipment and thus reduce the emissions deriving from its activity.

These include low-energy and smart lighting systems at low consumption, substitution of equipment in air conditioning systems or maintenance activities, and removal of office equipment for more efficient ones with energy efficiency guarantees such as the Energy Star certification or tools that allow to improve the energy efficiency of the equipment.



External energy consumption (302-2)

With regard to external energy consumption -energy consumption outside BME not directly contracted by the Company- primarily derives from employees' commutes to and from work, (corporate shuttle service and private vehicle) and business trips (air and rail). In the absence of data on external energy consumption, indicators for this item are not included.

Measures for reducing external consumption

Although BME does not monitor its external energy consumption, but it does implement savings measures to reduce the emissions generated in the performance of its activity, such as encouraging sustainable travel by using public transport instead of private transport (extension of the shuttle service) and financial assistance to use urban and interurban transport), prioritising the use of trains over aeroplanes for short distance business trips, promotion of technological tools as a means to holding meetings and the development of homeworking.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - Environmental Performance

■ ELECTRICITY CONSUMPTION INDICATORS BY GEOGRAPHIC AREA ⁽¹⁾

Madrid	2017	2018	2019
Change in total consumption (GJ)	26,653.71	25,371.06	26,502.39
Number of employees	611	642	618
Consumption per employee (GJ/employee)	43.62	39.52	42.88
Barcelona	2017	2018	2019
Change in total consumption (GJ)	4,680.24	4,457.94 ⁽³⁾	4,276.44 ⁽⁴⁾
Number of employees	94	87	83
Consumption per employee (GJ/employee)	49.79	51.24 ⁽³⁾	51.52 ⁽⁴⁾
Bilbao	2017	2018	2019
Change in total consumption (GJ)	2,676.48	1,580.76	1,446.63
Number of employees	31	30	29
Consumption per employee (GJ/employee)	86.33	52.69	49.88
Valencia	2017	2018	2019
Change in total consumption (GJ)	1,356	1,274.44	1,165.26
Number of employees	69	66	66
Consumption per employee (GJ/employee)	19.65	19.31	17.66

(1) Electricity consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh = 0.0036 GJ.

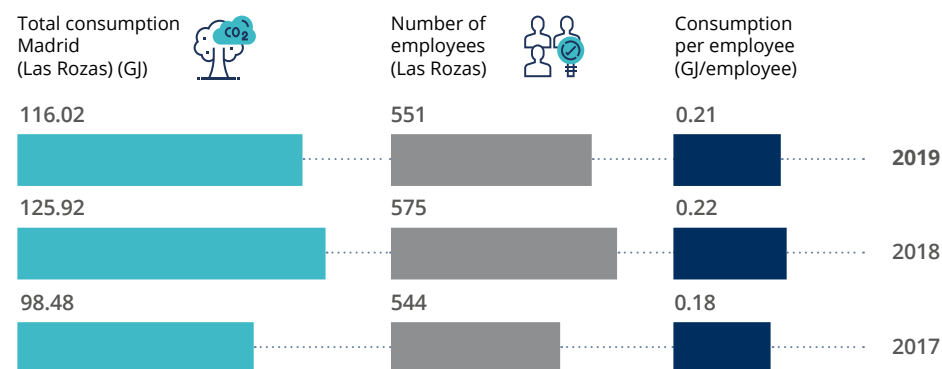
(2) The number of employees includes data from the BME Group and Open Finance, S.L. as of December 31 of each year.

(3) The energy consumption for the Barcelona office for 2018 and the consumption per employee for this period has been amended to include the data on estimated electricity consumption of the second half of 2018 in the Corporate Social Responsibility Report for 2018.

(4) Includes electricity consumption figures for the first six months of 2019 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2019.

■ GAS CONSUMPTION INDICATORS ⁽¹⁾⁽²⁾⁽³⁾

(302-1, 302-3)



(1) In Madrid, only the Las Rozas building uses this type of energy.

(2) Gas consumption figures in gigajoules (GJ), as per GRI4 criteria. 1 kWh=0.0036 GJ.

(3) The gas consumption data for the exercises are included in Gigajoules (GJ) according to the criteria defined by GRI4. 1 kWh = 0.0036 GJ.

■ GENERAL ENERGY INDICATORS FOR BME ⁽¹⁾⁽²⁾

(302-1, 302-3)

	2017	2018	2019
Total internal energy consumption (GJ)	35,465.08	32,810.12 ⁽³⁾	33,506.54 ⁽⁴⁾
Total number of employees (total workforce)	805	825	796
Total internal energy intensity (GJ/employee)	44.06	39.77	42.09

(1) Total electricity and gas consumption figures in gigajoules (GJ) as per GRI4 criteria. 1 kWh = 0.0036 GJ.

(2) The company's total internal energy intensity per annum is calculated by dividing total internal energy consumption (electricity and gas) by the number of employees in the Group.

(3) Includes total electricity consumption figures for the Madrid, Barcelona, Bilbao and Valencia offices. The consumption data for Barcelona has been amended as this included estimated data on the electricity consumption for the second half of 2018 in the Corporate Social Responsibility Report for 2018.

(4) Includes total electricity consumption figures for the Madrid, Bilbao and Valencia offices. This includes electricity consumption figures for the first six months of 2019 for the Barcelona Stock Exchange operational site and an estimate of the electricity consumption data for the second six months of 2019 based on consumption for the last 5 years.

8.3. GREENHOUSE GAS EMISSIONS

(103: Emissions)

The Company invests time and effort in minimising the greenhouse gas emissions it generates through the monitoring of its emissions and the adoption of energy saving measures with the final objective of maintaining its greenhouse gas emissions at a stable level.



Indirect greenhouse gas emissions were **reduced** by **-12.1%** compared to 2018

DIRECT GREENHOUSE GAS EMISSIONS

As a consequence of the consumption of:



Natural gas



Corporate shuttle bus

INDIRECT GREENHOUSE GAS EMISSIONS

As a consequence of the consumption of:

Electricity



Business trips by air and rail



Staff commutes in private vehicles



>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Environmental Performance**

Greenhouse Gas Emissions Indicators (102-48, 305-1, 305-2, 305-3, 305-4, 305-5)

■ GREENHOUSE GAS EMISSIONS

TONNES OF CO₂ EQUIVALENT ⁽¹⁾

	2017	2018	2019
TOTAL CO2 EMISSIONS	3,948.56	3,191.35	2,858.72
Total direct emissions	81.14	106.41	106.22
Fuel consumption (natural gas)	5.60	6.79	6.60
Staff transport (corporate shuttle bus) ⁽²⁾	75.54	99.62	99.62
Total indirect emissions	3,867.42	3,084.94	2,752.50
Electricity consumption	2,534.61 ⁽³⁾	1,988.29 ⁽⁴⁾	1,762.28 ⁽⁵⁾
Business trips (by air)	735.27	511.28	413.29
Business trips (by rail) ⁽⁶⁾	67.54	37.37	36.93
Staff commutes to and from work (own vehicle) ⁽⁷⁾	530	548	540
TOTAL NUMBER OF EMPLOYEES (8)	805	825	796
TOTAL CO2 EMISSIONS PER EMPLOYEE ⁽⁹⁾	4.91	3.87	3.59

(1) In 2019, the CO2 equivalent emission factors provided by DEFRA were used as the method for calculating CO2, CH4 and N2O emissions.

(2) Includes, in accordance with the methodology described in note 1 above, direct emissions of CO2 deriving from the use of the company shuttle bus.

(3) The CO2 emissions for electrical energy have been calculated by applying the estimated value of the gross electricity production mix for 2017 (0.258 Kgs CO2/KWh).

(4) The CO2 emissions for electrical energy have been calculated by applying the estimated value of the gross electricity production mix for 2018 (0.219 Kgs CO2/KWh).

(5) The CO2 emissions of electrical energy have been calculated applying the estimated value of the mix of gross production of electrical energy for the 2019 financial year (0.190 Kgs CO2 per KWh).

(6) Includes, in accordance with the methodology described in footnote 1 above, indirect emissions relating to business trips made by employees by train (does not include trips made by employees by train to the Majadahonda railway station to take the company shuttle service to the Las Rozas headquarters).

(7) Includes, in accordance with the methodology described in footnote 1 above, indirect CO2 emissions relating to trips made by employees to their place of work using their own vehicles.

(8) The number of employees includes data from the BME Group and Open Finance, S.L. as of December 31 of each year.

(9) Annual CO2 emissions per employee were calculated by dividing total CO2 emissions by the total number of employees in the Group each year.

>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Environmental Performance**

■ GREENHOUSE GAS EMISSIONS BY SCOPE

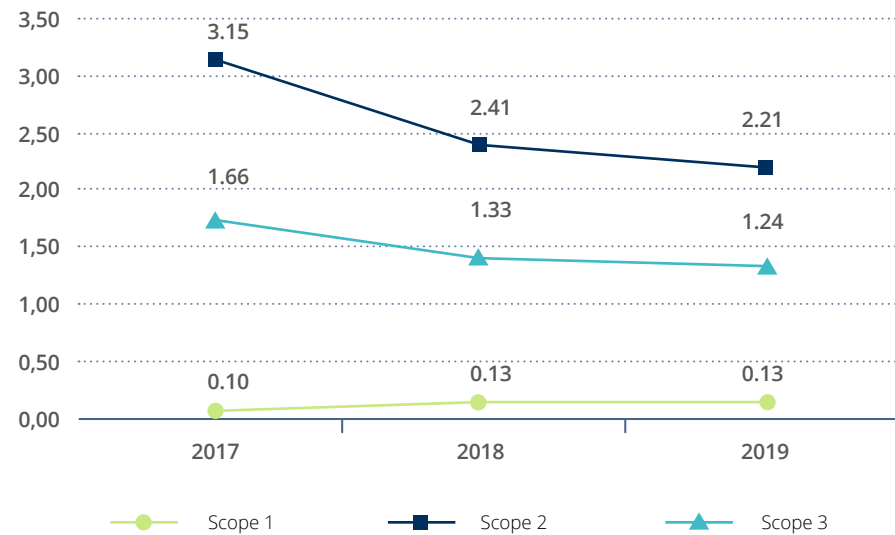
TONNES CO₂ (305-1, 305-2, 305-3)

Scope Tonnes CO ₂	ITEM	2017	2018	2019
Scope 1	Fuel consumption (natural gas)	5.60	7.16	6.60
	Staff transport (corporate shuttle bus)	75.54	99.62	99.62
Scope 2	Electricity consumption	2,534.61	1,988.29 ⁽¹⁾	1,762.28
Scope 3	Business trips (by air and rail)	802.80	548.65	450.22
	Staff commutes to and from work (own vehicle)	530	548	540

(1) The emissions deriving from energy consumption for 2018 have been amended to update the estimated emissions data on electricity consumption for the second half of 2018 for the Barcelona office stated in the Corporate Social Responsibility Report for 2018

■ INTENSITY OF GREENHOUSE GAS EMISSIONS ⁽¹⁾

TONNES OF CO₂ / EMPLOYEE (305-4)



(1) The intensity of emissions can be used to determine the organisation's environmental efficiency and performance. The annual data is the result of dividing the total CO₂ emissions between the total number of Group employees.

National Registry for Greenhouse Gas Emission Allowances. (201-2)

BME considers the management through IBERCLEAR of the National Registry for Greenhouse Gas Emission Allowances (RENADE) an opportunity as it provides support to the National Administrator of Emissions Allowances, in accordance with all the requirements set forth by the European Commission and the United Nations through the Spanish Office of Climate Change (OECC).

RENADE is the instrument which ensures the publicity and constant updating of the ownership and control of the greenhouse gas emission allowances of companies in Spain.

In this sense, RENADE provides industrial facilities with the technical and human resources necessary to facilitate compliance with their annual obligation to deliver rights to the State.

In 2019, Iberclear obtained the RENADE licence for the provision of management services for the national administration tasks of the Spanish Section of the Union Registry in relation to the European emission trading system, the Kyoto protocol and the Paris agreement, during the period 2020-2022, extendable until 2024.



Materiality of the report

Scope of the information and standards used in the report.

This non-financial information report includes information relating to 2019 for all the activities and services provided by the Company. Where deemed appropriate, it also includes information from previous years for comparison.

It is noted that the quantitative information relating to human capital and the environment from previous years contained in this report has been re-expressed as a result of the incorporation of data on the staff of Open Finance SL and the consumption and emissions of greenhouse gases derived from this staff. Likewise, the data on the average remuneration of senior management, economic and financial training, and the data on electricity consumption and greenhouse gas emissions for the geographical area of Barcelona for the 2018 financial year (102-48) have been modified.

It has been prepared in accordance with the content established for the preparation of the Sustainability Reports by the GRI Standards and Law 11/2018 of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act and the Law on the Auditing of Accounts, regarding non-financial information and diversity.

GRI principles for gathering content.

The structure and content of this report is based on the principles established by GRI for the preparation of sustainability reports, as indicated below:

- **Stakeholder engagement.** The preparation of this report has been carried out attending to the interests and expectations of the stakeholders in relation to the functioning of BME, which has been received, via the managers of the Company that interact with them.
- **Context of Sustainability.** An evaluation has been carried out of the relationship between the activities and services provided by BME with the social, economic and environmental context in which the Company operates.

- **Materiality.** A materiality analysis has been performed to define and identify the most significant aspects for BME with regard to sustainability, the methodology of which is detailed below and which was revised in 2019.
- **Thoroughness.** After the identification of the material aspects for BME, information regarding these has been included with a view to facilitating the stakeholders' evaluation of the economic, social and environmental performance of the Company in recent years.

GRI Principles for the processing and quality of the information (102-46)

The principles established by GRI to guarantee the quality of the information have also been taken into account in the preparation of the report:

- **Balance.** According to this principle, the sustainability reports must reflect both the positive and negative aspects of the Company's performance. Through its application, an objective and complete view is obtained of the general performance of BME.
- **Comparability.** The Company has gathered information on a regular basis and it has been included in the contents with the aim of its stakeholders being able to analyse the progress of its performance in recent years, and compare it to that of other organisations.
- **Accuracy.** The information provided is stated in sufficient detail to cover the expectations indicated by the stakeholders.
- **Punctuality.** Following the same pattern as in recent years, BME will continue updating the content of its consolidated non-financial information report annually with the aim of facilitating regular information to its stakeholders.
- **Clarity.** The Company wishes to present information on its performance in a manner that is accessible and clear for all stakeholders.
- **Reliability.** This report details the process followed for its preparation. With this, BME guarantees that the content of the report may be subjected to external evaluation to judge the quality and materiality of the information.

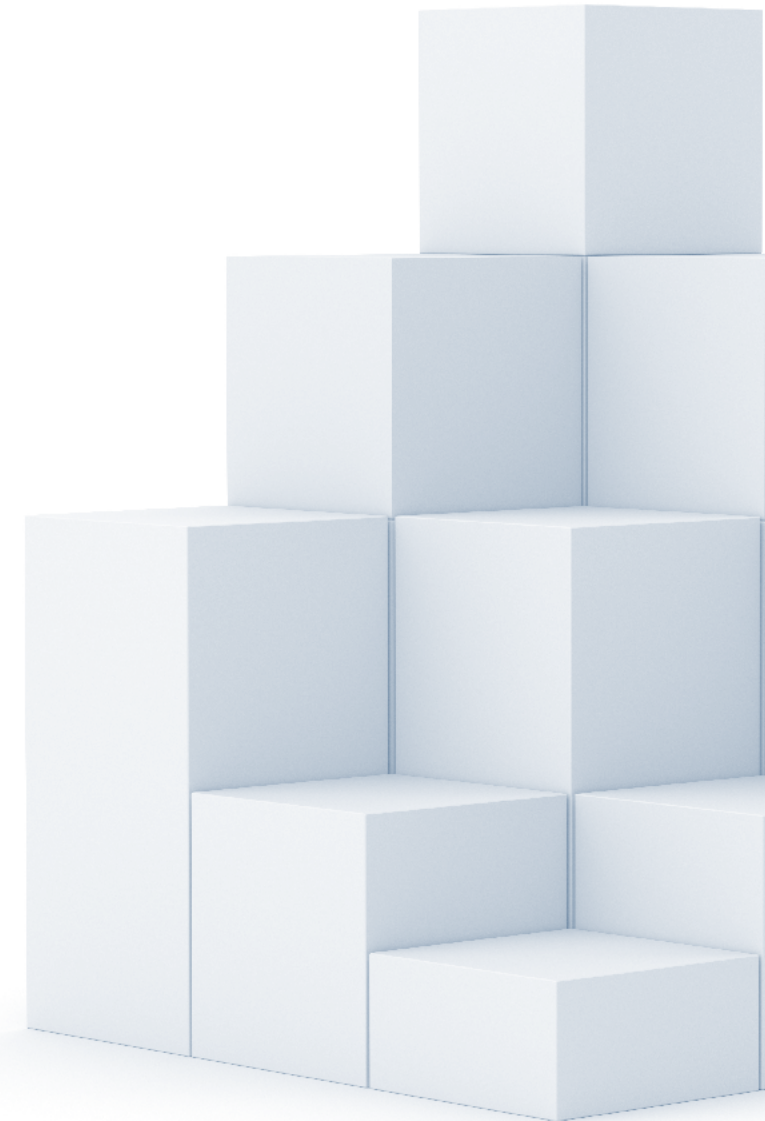
>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Materiality of the Report**

Materiality analysis (102-46)

Pursuant to that established in the GRI Standards, this document contains information on the indicators corresponding to those aspects of sustainability deemed as material. To this end, a review of the performance of the Company in terms of sustainability was carried out in 2019 and a specific analysis was carried out whereby BME evaluated which issues are key one, either because they affect the decisions that its stakeholders could make, or because they are critical to the long-term success of the Company's strategy.

In particular, the activities carried out for this materiality analysis and review consist of:

- **Meetings** with managers and directors in key areas of the Company.
- **Benchmarking** of other international companies in the stock exchange sector.
- **Analysis of investor requirements with regard to corporate social responsibility** based on the analysis of contents/indicators requested through initiatives such as the *Dow Jones Sustainability Index (DJSI)*, *Carbon Disclosure Project – Climate Change (CDP)*, *FTSE4Good*.
- **Analysis of key aspects with regard to corporate social responsibility in other initiatives in which BME participates**, such as *Sustainability Stock Exchange (SSE)* and the United Nations Global Compact.
- **Analysis of the recommendations for the Company's reporting made by the Corporate Social Responsibility Observatory.**
- **Analysis of press dossiers** compiled by the Company over the last year.
- **Analysis of BME's Corporate Policies**, including, the Corporate Social Responsibility Policy, the Code of Conduct, Crime Prevention Guidelines, Tax policies and principles, and Policies for the processing and transmission of insider information.



>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Materiality of the Report**

The result of these actions allowed the following materiality matrix (102-47) to be created for the Company in 2019:



>> Consolidated Directors' Report / Consolidated Non-Financial Information Statement 2019 - **Materiality of the Report**

The following table specifies the specific coverage of each one of these material aspects.

Material aspect (102-47, 103-1)	Coverage ⁽¹⁾	
	Organisation	Outside of the organisation
Economic performance	✓	✓
Indirect economic impact		✓
Energy and emissions	✓	✓
Employment	✓	
Occupational health and safety	✓	
Training and education	✓	
Equal opportunities	✓	
Contribution to society		✓
Dissemination of financial knowledge		✓
Regulatory compliance	✓	
Supplier assessment	✓	✓
Ethics and integrity	✓	
Transparency and independence in operations	✓	✓
Client management		✓
Good governance	✓	
Relationship with shareholders		✓
Fiscal policy	✓	
Cybersecurity, security and accuracy of information	✓	✓
Sustainable finance		✓
Value services for listed companies	✓	✓
Support for SMEs and start-ups in accessing the stock market	✓	✓

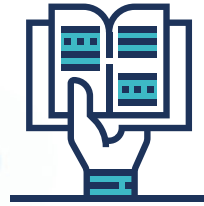
Once these material aspects were identified and their coverage determined, the collection of information to prepare the report was performed based on interviews and sending information gathering sheets to managers within the Company. Having received this data and the contextual information obtained through the activities carried out in the materiality analysis, BME has prepared the final version of this report. The sections where the information relating to each one of the indicators required by the said international standard are identified on the GRI table of contents included in the following section.

In those cases in which it has not been possible to cover all the requirements of the guidelines when reporting on a specific indicator, this has been detailed on the aforementioned table. The Company also undertakes to improve its information systems with the aim of having all the data required for future reports.

More information (102-53)

If you would like additional clarification regarding the information included in this document, or on the Company's activities concerning sustainability, you may contact BME at the following address: sconsejo@grupobme.es

(1) BME's activities generate positive and negative impacts on sustainability. The coverage of each aspect refers to the place where these impacts occur (within the organisation and/or outside), with a description of their nature throughout the report.



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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Buisness model				
Description of the business model	102-2	Activities, brands, products and services	2	309
Business environment	102-3	Location of headquarters	2	309
	102-4	Place of operations	2	309
Active markets	102-6	Markets served	2	309
Organisation and structure	102-7	Scale of the organization	Annual financial statements	311
			2	
Objetivos y estrategias	102-14	Statement from senior decision-maker	Letter from the Chief Executive Officer	
Main factors and trends that might affect future performance	102-15	Key impacts, risks and opportunities	2.1	311-314
Group policies and results				
Description of the policies applied by the Group and their results	102-15	Key impacts, risks and opportunities	2.1	311-314
Short-, medium- and long-term risks				
Short-, medium- and long-term risks	102-15	Key impacts, risks and opportunities	Annual financial statements	311-314
			Annual Corporate Governance Report	
			2.1	
Key performance indicators for non-financial results (KPIs)				
Key performance indicators for non-financial results that are relevant to the specific business activity and meet the comparability, materiality, relevance and reliability criteria.	102-54	Claims of reporting in accordance with the GRI Standards	1	306

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
I. Information on environmental issues				
Global environment				
	103	Management approach: Economic performance	8.1	378
Resources dedicated to prevention of environmental risks	308-1	New suppliers that were screened using environmental criteria	6.2	365-366
	307-1	Non-compliance with environmental legislation and regulations	8.1	378
Precautionary principle	102-11	Precautionary Principle or approach	8.1.A)	378
Effects of the company's activities on the environment	103	Management approach: Economic performance	8.1	378
	201-2	Financial implications and other risks and opportunities due to climate change	8.3 Annual financial statements	385
Pollution				
Air pollution	103	Management approach: Emissions	8.3	383-385
Light and noise pollution		Non-material indicator for the Group, as shown by the materiality analysis		
Measures to prevent, reduce or offset carbon emissions	305-5	Reduction of GHG emissions	8.3	383
Circular economy and waste prevention and management				
Circular economy, waste and action to combat food waste		Non-material indicator for the Group, as shown by the materiality analysis		

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Sustainable resource use				
Water consumption		Non-material indicator for the Group, as shown by the materiality analysis		
Consumption of raw materials		Non-material indicator for the Group, as shown by the materiality analysis		
Energy consumption and measures to improve efficiency and use of renewable energies	103	Management approach: Energy	8.2	380
	302-1	Energy consumption within the organisation	8.2	380-382
	302-2	Energy consumption outside the organisation	8.2	380-382
	302-3	Energy intensity	8.2	380-382
	302-4	Reduction of energy consumption	8.2	380-382
	302-5	Reduction in energy requirements of products and services	8.2	380
Climate change				
Greenhouse Gas Emissions	103	Management approach: Emissions	8.2	383
	305-1	Direct GHG emissions (scope 1)	8.3	383-384
	305-2	Energy indirect GHG emissions (Scope 2)	8.3	383-384
	305-3	Other indirect GHG emissions (scope 3)	8.3	383
	305-4	GHG emissions intensity	8.3	383
	305-5	Reduction of GHG emissions	8.3	383-384
Measures to adapt to the consequences of climate change	103	Management approach: Economic performance	8.3	379-380/385
	201-2	Financial implications and other risks and opportunities due to climate change	Annual financial statements 8.3	385
Reduction goals	103	Management approach: Emissions	8.3	383
	305-5	Reduction of GHG emissions	8.3	383

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
II. Information on personnel and social welfare issues				
Employment				
Total number of employees and distribution	103	Management approach: Employment	5	345
	102-8	Information on employees and other workers	5.1	345-349
	405-1	Diversity in governing bodies and employees	Annual Corporate Governance Report	
			2.5.A)	323-329
Total number and distribution of contract types	102-8	Information on employees and other workers	5.1	346
			5.1	345-346
Annual average permanent, temporary and part-time contracts	102-8	Information on employees and other workers	5	345
			5.1	346-350
	405-1	Diversity in governing bodies and employees	Annual Corporate Governance Report	
			5.1	346-348
Employees with disabilities	405-1	Diversity in governing bodies and employees	Annual Corporate Governance Report	
Number of dismissals	102-35	Remuneration policies	5.1	346
			5.1	346
			Annual Corporate Governance Report	
			Director Remuneration Report	
	102-36	Processes for determining remuneration	Directors' remuneration policy	
			2.5.A)	327-328
			Director Remuneration Report	
			Directors' remuneration policy	
	102-37	Stakeholders' involvement in remuneration	2.5.A)	327-328
			5.3	354-355
			Director Remuneration Report	
			2.5.A)	
	102-38	Annual total compensation ratio	5.3	327-328
			5.3	352-354
			2.5.A)	
			5.3	
	102-39	Percentage increase ratio of the total annual compensation	2.5.A)	327-328
			5.3	352-354

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Average remuneration and changes Salary gap	405-2	Ratio of basic salary and remunerations of women to men	5.3	352-354
Employment separation policies	103	Management approach: Employment	5.4	356
Organisation of work				
Organisation of working time and measures to facilitate work-life balance	103	Management approach: Employment	5.4	356-357
Number of hours of absenteeism	403-2	Hazard identification, risk assessment and incident investigation	5.6	360-361
Health and safety				
Occupational health and safety conditions	103	Management approach: Occupational health and safety	5.6	359-360
Work accidents	403-2	Hazard identification, risk assessment and incident investigation	5.6	360-361
Occupational diseases	403-3	Occupational health services	The professions of BME workers does not have high incidence or high risk of diseases associated with their occupation 5.6	360-361

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Workforce relations				
Dialogue with workers	103	Management approach: Freedom of association and collective bargaining	BME guarantees all of its employees the right to form trade unions for the defence and promotion of their economic and social interests. Trade union workers' representation bodies and the technical committees deriving from the Collective Agreement in which the employees participate provide a constant channel of dialogue between the company and its employees, not only for collective bargaining but also to resolve any potential conflicts. There are no risks of violations of, or threats to, the freedom of association and collective bargaining at any of the Company's locations or suppliers	
	407-1	Operations and suppliers whose right to freedom of association and collective bargaining may be at risk		
Employees covered by collective bargaining agreement	102-41	Collective bargaining agreements	5.2	351
Balance de los convenios colectivos, en particular, en el campo de la salud y la seguridad en el trabajo	403-4	Worker participation, consultation and communication on occupational health and safety	BME addresses all these concerns that it considers relevant in the Health and Safety Committees listed in section 5.6 of this report. For example, social security, workplace risk prevention, security measures and fire drills	
Training				
Policies implemented	103	Management approach: Training and education	5.5	357-358
	404-2	Programs for upgrading employee skills and transition assistance programs	5.5	357-358
Total training hours	404-1	Average hours of training per year per employee	5.5	357
Universal accessibility for people with disabilities				
Universal accessibility for people with disabilities	103	Management approach: Diversity and equal opportunities	5.3	352
Equality				
Equality policy and plans and measures adopted	103	Management approach: Diversity and equal opportunities	5.3	352

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
III. Information on respect for human rights				
Elimination of forced and compulsory labour		Non-material indicator for the Group, as shown by the materiality analysis		
Effective abolition of child labour		Non-material indicator for the Group, as shown by the materiality analysis		
			5	345
Elimination of discrimination in employment	103	Management approach concerning Employment and Diversity and Equal Opportunities	5.2	352-353
			5.3	353-354
	406-1	Incidents of discrimination and corrective actions taken	5.3	354
Complaints filed regarding human rights violations				
Promotion and compliance with the provisions of the fundamental Conventions of the International Labour Organisation	407-1	Operations and suppliers whose right to freedom of association and collective bargaining may be at risk	There are no risks of violations of, or threats to, the freedom of association and collective bargaining at any of the Company's locations or suppliers	
	412-3	Significant investment agreements and contracts that include human rights clauses or that are subject to human rights screening.	5.3	353
Due diligence procedures			2.2	314
	102-16	Values, principles, standards and code of conduct	2.3.B)	319-320
	102-17	Mechanisms for advice and concerns about ethics	2.3.B)	319-320

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
IV. Information relating to the fight against corruption and bribery				
Measures adopted in the fight against corruption and bribery	103	Management approach: Anti-corruption	2.3.B)	319-320
	205-1	Operations evaluated for risks relating to corruption	2.3.B)	320
	205-2	Communication and training on anti-corruption pro- cedures and policies	2.3.B)	319-320
	205-3	Confirmed incidents of corruption and actions taken	2.3.B)	319-320
Measures to combat money laundering	205-2	Communication and training on anti-corruption pro- cedures and policies	2.3.B)	319-320
Contributions to foundations and not-for- profit entities	413-1	Operations with the participation of the local com- munity, impact assessments and development pro- grammes	7.4	376
V. Information on the company				
Commitment of the company to sustainable development				
Impact on local development and employment	103	Management approach: Indirect economic impacts	7	367
	203-1	Investments in infrastructures and support services	7.3	373
	203-2	Significant indirect economic impacts	7.2	370-372
			7.3	373
	204-1	Proportion of spending on local suppliers	6.1	365
	413-1	Operations with the participation of the local com- munity, impact assessments and development pro- grammes	7.4	376

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Impact on the local population and area	413-1	Operations with the participation of the local community, impact assessments and development programmes	7.4	376
	413-2	Operations with significant actual or potential negative impacts on society	7	367
Relations with actors from society	102-43	Approach to stakeholder engagement	BME establishes the frequency in the relationship with its main stakeholders, depending on business needs. BME has taken into account the main expectations mentioned by these stakeholders in the preparation of the report. To do so, it has requested information and opinions from the managers of the Company with whom it has worked to define the report contents	
			1	307
Association and sponsorship actions	102-12	External initiatives	Annual Corporate Governance Report	
			2.2	315
	102-13	Membership of associations	7.1	369
			7.4	376
Subcontracting and suppliers				
Purchasing policy	103	Management approach: Social and environmental assessment of suppliers		
Supervision and audits	103	Management approach: Social and environmental assessment of suppliers		
	308-1	New suppliers that were screened using environmental criteria	6.2	365-366
Purchasing policy and relations with suppliers and subcontractors	102-9	Supply chain		
	414-1	New suppliers that were screened using social criteria		

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Consumers				
Measures for the health and safety of consumers	103	Management approach: Client health and safety		
Claims systems, complaints received and their resolution	103	Management approach: Client health and safety	4.2	342
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
Tax information				
	103	Management approach: Economic performance	2.2	316
Profit obtained country by country and tax on profits			Annual financial statements	
	201-1	Direct economic value generated and distributed	2.2	316
			3.3	338
Public subsidies received	201-4	Financial assistance received from government	2.4.B)	323

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Other significant information				
Other information about the company's profile				
Other information about the company's profile	103	Management approach: Unfair competition, public policy, and social and economic compliance	2.2	314
			2.2	314
	102-1	Name of the organisation	Cover	1
	102-5	Ownership and legal form	Annual Corporate Governance Report	
			1	304
	102-10	Significant changes in the organisation and its supply chain	2	311
			6.2	365-366
	206-1	Legal actions related to anti-competitive behaviour, anti-trust, and monopoly practices	There were no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	
			2.2	314
	415-1	Political contributions	2.4.B)	323
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no complaints regarding breaches of client privacy and losses of client data	
			Annual financial statements	
	419-1	Non-compliance with laws and regulations in social and economic areas	4.1	341
			5	345

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Corporate Governance				
Corporate Governance	102-18	Governance structure	Annual Corporate Governance Report 2.5.A)	323-325
	102-19	Delegation of authority	Annual Corporate Governance Report 2.5.A)	325-326
	102-20	Executive-level responsibility for economic, environmental and social topics	Annual Corporate Governance Report 2.5.A)	325-326
	102-22	Composition of the highest governance body and its committees	Annual Corporate Governance Report 2.5.A)	323
	102-23	Chair of the highest governance body	Annual Corporate Governance Report 2.5.A)	325
	102-24	Nominating and selecting the highest governance body	Annual Corporate Governance Report	
	102-25	Conflicts of interest		
	102-26	Role of the highest governance body in setting purpose, values and strategy	Report on the Activities of the Board of Directors	
	102-27	Collective knowledge of highest governance body	This company Report includes the most recent materiality analysis in which the most relevant aspects for the company and its stakeholders have been identified, covering, inter alia, economic, social and environmental issues	
	102-28	Evaluating the highest governance body's performance	Annual Corporate Governance Report	
			Report on the Activities of the Board of Directors Report on the Activities of the Appointments and Remuneration Committee	

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Corporate Governance	102-29	Identification and management of economic, environmental and social impacts	Annual Corporate Governance Report	
			2.1	313-314
			2.3.B)	321
			2.5.B)	329-330
	102-30	Efficiency of the risk management processes	Annual Corporate Governance Report	
			2.1	313-314
			2.3.B)	321
			2.5.B)	329-330
	102-31	Review of economic, environmental and social matters	Annual Corporate Governance Report Report on the Activities of the Board of Directors	
	102-32	Highest governance body's role in sustainability reporting	The Board of Directors is the body that approves the Non-Financial Information Statement	
	102-33	Communicating critical concerns	Annual Corporate Governance Report	
	102-34	Nature and total number of ethical concerns	2.3.B)	319-321
	102-45	Entities included in the consolidated financial statements	Annual financial statements	
			2	309

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Stakeholder engagement				
	102-40	List of stakeholders	1	307
	102-21	Consultation with stakeholders on economic, environmental and social matters	The Board of Directors is informed on all relevant economic, environmental and social matters that arise in the dialogue between the Company with its stakeholders and the areas, units and departments involved in relation to the former	
Stakeholder engagement	102-42	Identification and selection of stakeholders	The stakeholders have been selected according to the criteria of relevance to the Company and its activities	
			1	307
	102-44	Focal areas for the participation of stakeholders Key topics and concerns mentioned	The report only includes information concerning the satisfaction questionnaires relating to the educational activities	
		Key topics and concerns mentioned	The contents of the report respond to the main expectations detailed by BME stakeholders. Result of the interaction with the interest groups, no problems detected that the company considers as key	

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Law 11/2018, of December 28, on non-financial information	GRI Standards	Description	Headings of this report / Other reports	Page(s)
Other useful information on the preparation of the document				
Other useful information on the preparation of the document	103	Management approach: Explanation of the material topic and its Coverage	Materiality of the report	389-390
	102-46	Defining report content and topic Boundaries		
	102-47	List of material topics		389
	102-48	Restatement of information	2.5	327
			7.2	370
			8.2	380
			8.3	383
			Materiality of the report	387
	102-49	Changes in reporting	There are no significant changes in relation to the scope and coverage of the material aspects identified in this report with respect to the Sustainability Reports published in previous years.	
	102-50	Reporting period	Año 2019	
	102-51	Date of most recent report	2018	
	102-52	Reporting cycle	Annual	
	102-53	Contact point for questions regarding the report	Materiality of the report	390
	102-55	Index of GRI contents	Index of non-financial information contents	
	102-56	External assurance	The Company has requested an independent review of the consolidated non-financial information statement	
Further information				
Sustainable finance		4.1	34	

Bolsas y Mercados Españoles Sociedad Holding de Mercados y Sistemas Financieros, S.A.

Auditor's report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. for the 2019 financial year

>> Auditor's Report ICSFR



INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (SCIIF)" DE BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE MERCADOS Y SISTEMAS FINANCIEROS, S.A. CORRESPONDIENTE AL EJERCICIO 2018

A los Administradores:

De acuerdo con la solicitud del Consejo de Administración de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (en adelante, "BME" o la "Entidad") y con nuestra carta propuesta de fecha 15 de octubre de 2018, hemos aplicado determinados procedimientos sobre la "Información relativa al SCIIF" contenida en el Informe Anual de Gobierno Corporativo (en adelante, "IAGC") de Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. adjunta correspondiente al ejercicio 2018, en el que se resumen los procedimientos de control interno de BME en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno, así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de BME correspondiente al ejercicio 2018 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido a la Ley de Auditoría de Cuentas, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

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R. M. Madrid, hoja 67.250-1, folio 75, tomo 9.267, libro B.054, sección 3ª
Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031290



Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la Entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 7/2015 de la CNMV de fecha 22 de diciembre de 2015.
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la Entidad.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al comité de auditoría.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la Entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del Consejo de Administración, Comité de Auditoría y otras Comisiones de la Entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por la Circular nº 5/2013 de fecha 12 de junio de 2013 de la CNMV, modificada por la Circular nº 7/2015 de la CNMV de fecha 22 de diciembre de 2015, a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

PricewaterhouseCoopers Auditores, S.L.

Ignacio Martínez Ortiz

28 de febrero de 2019

INSTITUTO DE CENSORES
JURADOS DE CUENTAS
DE ESPAÑA

PRICEWATERHOUSECOOPERS
AUDITORES, S.L.

2019 Núm. 01/19/01113

30,00 EUR

SELLO CORPORATIVO:
Informe sobre trabajos distintos
a la auditoría de cuentas



6

■ Addresses
and Contacts

>> Addresses and Contacts

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