

# Annual Report on Corporate Governance of Listed Corporations



## **AC** Annual Report on Corporate Governance of Listed Corporations

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## A. Structure of the property

### A.1 Complete the following table regarding the company's share capital:

Date of last modification	Share capital (euros)	Number of shares	No. of voting rights
06/07/2012	37,027,478.40	617,124,640	617,124,640

State if there are different categories of shares with different associated rights:

No

### A.2 Details of direct and indirect owners of significant shareholdings, of company at year end, excluding directors:

Name or business name of shareholder	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Gubel, S.L.	309,026,930	0	50.08%
Oppenheimer International Growth Fund	30,969,685	0	5.02%
Cantillon Capital Management LLC	0	18,821,350	3.05%
Oppenheimer Acquisition Corporation	0	34,957,437	5.66%
Ms Mirta Maria Giesso Cazenave	1,898,320	32,879,867	5.64%
Invesco Limited	0	6,223,180	1.01%
FMR LLC	0	18,515,726	3.00%

Name or business name of the indirect owner of the share	Via: Name or business name of the direct owner of the share	No. of voting rights
Gubel, S.L.	Gubel, S.L.	0
Oppenheimer International Growth Fund	Oppenheimer International Growth Fund	0
Cantillon Capital Management LLC	Miscellaneous Funds	18,821,350
Oppenheimer Acquisition Corporation	Miscellaneous Funds	34,957,437
Ms Mirta Maria Giesso Cazenave	As Inversiones, S.L.	32,879,867
Invesco Limited	Miscellaneous Funds	6,223,180
FMR LLC	Miscellaneous Funds	18,515,726

State the most significant changes to the share structure during the financial year:

Name or business name of shareholder	Date of the transaction	Description of the transaction
FMR LLC	07/01/2016	Share capital has increased 3%
FMR LLC	20/07/2016	Share capital has decreased 3%
FMR LLC	14/10/2016	Share capital has increased 3%
Invesco Limited	17/08/2016	Share capital has increased 1% (only tax havens)

**A.3 Complete the following tables regarding members of the company board of directors who have rights to vote from company shares:**

Name or business name of director	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Ms Helena Irene Revoredo Delvecchio	0	309,240,330	50.11%
Mr Pedro Guerrero Guerrero	1,000	0	0.00%
Mr Christian Gut Revoredo	885,430	0	0.14%

Name or business name of the indirect owner of the share	Via: Name or business name of the direct owner of the share	No. of voting rights
Ms Helena Irene Revoredo Delvecchio	Gubel, S.L.	309,026,930
Ms Helena Irene Revoredo Delvecchio	Prorevosa, S.L.	213,400
Mr Christian Gut Revoredo	Mr Christian Gut Revoredo	0

<b>% total voting rights in the hands of the board of directors</b>	<b>50.25%</b>
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Complete the following tables regarding members of the company board of directors who have rights over company shares:

Name or business name of director	No. of direct voting rights	No. of indirect voting rights	No. of equivalent shares	% of total voting rights
Ms Christian Gut Revoredo	956,856	0	956,856	0.16%

**A.4 State, where applicable, relationships of a familiar, commercial, contractual or business kind existing between owners of significant shareholdings, insofar as they are known to the company, except where they are scarcely relevant or derive from ordinary commercial traffic or business:**

**A.5 State, where applicable, relationships of a familiar, commercial, contractual or business kind existing between owners of significant shareholdings, and the company and/or its group, except where they are scarcely relevant or derive from ordinary commercial traffic or business:**

**Name or business name related parties**

Proactinmo, S.L.U.

Prosegur Compañía De Seguridad, S.A.

**Type of relationship:** Commercial

**Short description:**

Two property leases for EUR 1,859 thousand

**Name or business name related parties**

Euroforum Escorial, S.A.

Prosegur Compañía de Seguridad, S.A.

**Type of relationship:** Commercial

**Short description:**

Hotel services for EUR 87 thousand

**A.6 State whether the company has been notified of shareholder agreements that affect it as stipulated in articles 530 and 531 of the Spanish Companies Act. Where applicable, describe them briefly and list the shareholders related to the agreement:**

No

State whether the company knows of the existence of joint actions between its shareholders. Where applicable, describe them briefly:

No

Where there was any change to or termination of these agreements or joint actions during the financial year, expressly state it:

N/A

**A.7 State whether there is any natural person or legal entity that exercises or may exercise control over the company in accordance with article 4 of Securities Market Law. Where applicable, identify it:**

Yes

**Name or company name**

Ms Helena Irene Revoredo Delvecchio

**Observations**

Via the company GUBEL, S.L.

**A.8 Complete the following tables regarding the company's treasury stock:**

At year end:

No. of direct shares	No. of indirect shares (*)	total % of share capital
18,694,870	0	3.03%

(\*) Via:

List any significant changes occurring during the year, in accordance with the provisions of Royal Decree 1362/2007:

**Explain the significant variations**

There have been 2 variations in treasury stock:

- i) Delivery of shares to employees as part of their salary on April 6, 62,020 shares in total.
- ii) Transfer of treasury stock that was in Paraguay to Prosegur Compañía de Seguridad, S.A. (4,000,000 shares). As part of corporate restructuring that the Prosegur Group has undergone to organise the corporate structure into three distinct lines of business, the company decided that the parent company directly owned all treasury stock, including 4,000,000 shares that were held by a fully-owned Paraguayan company. With value date 27/09/2016 these securities became directly owned by Prosegur Compañía de Seguridad, S.A.

**A.9 State the conditions and term of the mandate issued by the shareholders' meeting to the board of directors for issuing, buying back or transferring treasury stock.**

The Ordinary General Meeting of Shareholders of Prosegur Compañía de Seguridad, S.A., held on 27 April 2016, resolved to renew the authorisation granted at the General Shareholders' Meeting (on 27 June 2011) for the derivative acquisition of treasury stock directly or via group companies, in the terms literally transcribed below:

1. To authorise the derivative acquisition of shares in Prosegur Compañía de Seguridad, S.A. by the Company and its subsidiaries pursuant to the provisions of the Spanish Companies Act, in compliance with the requirements stipulated in applicable legislation at all times and under the following conditions:



- a) The shares may be acquired directly by the Company or indirectly via its subsidiaries, in the form of sale and purchase, exchange or any other legally-valid transaction.
- b) The par value of the shares acquired, plus, where applicable, that of those already held, directly or indirectly, must not exceed the maximum legally allowed at any given time.
- c) The purchase price per share shall be, at least, the par value and, at most, the market value on the day of the purchase plus 10%.
- d) This authorisation is granted for a period of five years.

It is expressly stated that this authorisation may be used wholly or partially for the acquisition of treasury stock to be delivered or transmitted to directors or employees of the company or its affiliates, directly or as a consequence of these aforementioned parties exercising their stock options, all within the framework of the remuneration systems referenced to the market price of the shares of Prosegur Compañía de Seguridad, S.A.

- 2. It is authorised for the purposes of the provisions of the last paragraph of section a) of Article 146.1 of the Spanish Companies Act, that the shares acquired by the company or its subsidiaries under this authorisation to earmark all or partly to be delivered to employees or directors of the Company or its subsidiaries, either directly or as a result of exercising the option rights they hold.
- 3. To empower the Board of Directors, with express powers to sub-delegate and in the broadest possible terms, to exercise this authorisation and to perform the rest of the provisions contained herein.
- 4. Terminate, in the part unused, the authorisation granted in point seven of the agenda for the Ordinary General Shareholders' Meeting held on 27 June 2011.

#### A.9.2 Estimated floating capital:

	%
Estimated Floating Capital	31.53

**A.10 State whether there is any restriction on the transfer of shares and/or any restriction on voting rights. In particular, the existence of any type of restriction that may make a takeover of the company through acquisition of shares on the market difficult will be notified.**

No

**A.11 Indicate whether the General Meeting has agreed to adopt measures to neutralise a takeover bid under the provisions of Law 6/2007.**

No

Where appropriate, explain the measures approved and the terms under which the inefficiency of restrictions will be produced:

**A.12 Indicate whether the company has issued shares which are not traded on a regulated market at EU level.**

No

Where applicable, state the different types of shares and, for each category of share, the rights and obligations they entail.

## B. General shareholders' meeting

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**B.1 State whether there are any differences from the minimum requirements of the Spanish Companies Act (LSC) regarding the quorum for constituting the general shareholders' meeting and, where applicable, give details of the same.**

No

**B.2 State whether there are any differences from the requirements of the Spanish Companies Act (LSC) for adopting company agreements and, where applicable, give details of the same.**

No

Describe how it differs from the requirements of the LSC.

**B.3 State the rules that apply to changing company bylaws. In particular, the majorities required for changing bylaws and, where applicable, the rules for safeguarding the rights of partners when changing bylaws will be notified.**

The board of directors submits the proposals for changing or adding to the company bylaws to the general shareholders' meeting with the corresponding directors' report on those changes to the bylaws.

All the documentation relating to the changes to bylaws is made available to shareholders when the general shareholders' meeting is announced where the changes are approved.

The announcement of the general shareholders' meeting gives details of the shareholders' right to examine and obtain all the documentation in this regard at the company's registered address, and also to request it to be sent to them immediately and free of charge.

With regard to majorities, article 17.2 of the regulations of the General Shareholders' Meeting stipulates that, for the General Shareholders' Meeting to validly approve a change to the bylaws, shareholders holding at least fifty per cent (50%) of the subscribed capital with a right to vote must be present or represented at the first meeting announced. The attendance of shareholders holding twenty-five per cent (25%) of this capital will be sufficient at the second meeting.



When shareholders representing less than (50%) of subscribed capital with a right to vote attend, the agreements mentioned in the above paragraph may only be adopted validly with the vote in favour of two thirds (2/3) of the capital present or represented at the general shareholders' meeting.

**B.4 State the details of attendance at general shareholders' meetings held during the year that this report refers to and those held the previous year:**

Date of general shareholders' meeting	Details of attendance				
	% of physical presence	% represented	% remote voting		Total
			E-vote	Other	
27/04/2016	55.97%	32.29%	0.00%	0.00%	88.26%

**B.5 State whether there is any restriction in the bylaws that stipulates a minimum number of shares required for attending the general shareholders' meeting:**

Yes

Number of shares required for attending the general shareholders' meeting	1,000
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**B.6 Section revoked.**

**B.7 State the URL and way to access the company website for information on corporate governance and other information on general shareholders' meetings that should be available to shareholders on the company website.**

Address: [www.prosegur.com](http://www.prosegur.com)

Way to access corporate governance content: Home page/Investors & Shareholders/Corporate governance and Home page/Investors & Shareholders/General Ordinary Shareholders' Meeting

## C. Structure of the company administration

### C.1 Board of Directors

**C.1.1 Maximum and minimum number of directors provided for in the company bylaws:**

Maximum number of directors	15
Minimum number of directors	5

## C.1.2 Complete the following table with the members of the board:

Name or business name of director	Representative	Category of the director	Role on the board	Date first appointment	Date last appointment	Election procedure
Mr Eugenio Ruiz-Gálvez Priego		Independent	Director	27/06/2005	30/06/2014	General shareholders' meeting agreement
Ms Helena Irene Revoredo Delvecchio		Proprietary	Chair	30/06/1997	27/04/2016	General shareholders' meeting agreement
Mr Pedro Guerrero Guerrero		Independent	Director	29/03/2005	30/06/2014	General shareholders' meeting agreement
Mr Isidro Fernández Barreiro		Other External	Vice chairperson	19/06/2002	27/04/2016	General shareholders' meeting agreement
Mr Christian Gut Revoredo		Executive	Managing director	30/06/1997	27/04/2016	General shareholders' meeting agreement
Mr Fernando Vives Ruiz		Independent	Director	29/05/2012	28/04/2015	General shareholders' meeting agreement
Ms Chantal Gut Revoredo		Proprietary	Director	30/06/1997	27/04/2016	General shareholders' meeting agreement
Mr Fernando D'Ornellas Silva		Independent	Director	27/04/2016	27/04/2016	General shareholders' meeting agreement

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**Total number of directors**

8

State the resignations from the board of directors during the reporting period:

Name or business name of director	Category of the director at the time of termination	Leaving date
Mr Eduardo Paraja Quirós	Independent	27/04/2016
Ms Mirta Maria Giesso Cazenave	Proprietary	27/04/2016

## C.1.3 Complete the following tables regarding the members of the board and their different categories:

## Executive directors

Name or business name of director	Role in the company's organisational table
Mr Christian Gut Revoredo	Managing director
<b>Total number of executive directors</b>	1
<b>% of the total board</b>	12.50%

## External proprietary directors

Name or business name of director	Name of the significant shareholder he or she represents or how proposed his or her appointment
Ms Helena Irene Revoredo Delvecchio	Gubel, S.L.
Ms Chantal Gut Revoredo	Gubel, S.L.
<b>Total number of proprietary directors</b>	2
<b>% of the total board</b>	25.00 %

## External independent directors

**Name or business name of director:**

Mr Eugenio Ruiz-Gálvez Priego

**Profile:**

Civil Engineer. MBA from Stanford University.

CEO of the Uralita Group since 1993 and vice-chairperson from 1997 to 2002.

Director of Ebro Foods (formerly Azucarera Ebro Agrícolas and then Ebro Puleva) from 2000 until 2016.

Managing Director of Azucarera Ebro between 2000 and 2010.

Prosegur director since 2005.

**Name or business name of director:**

Mr Pedro Guerrero Guerrero

**Profile:**

Law degree from the Complutense University of Madrid.

Public prosecutor, foreign exchange dealer and Madrid notary (not practising).

He was Chair of the Sociedad Rectora de la Bolsa de Madrid and the Sociedad de Bolsas.

He was a founding partner and vice-chairman of A.B. Asesores Bursátiles and Chairman of A.B. Gestión

and A.B. Asesores Red. He is the non-executive chairman of Bankinter, S.A., of which he has been a director since the year 2000. Additionally, he is a member of the executive committee of the same.

Prosegur director since 2005.

**Name or business name of director:**

Mr Fernando Vives Ruiz

**Profile:**

Doctor of Law, Comillas Pontifical University (ICADE).

Degree in Economics and Business Science, Comillas Pontifical University (ICADE).

Chairperson and Managing Partner of the legal firm JA Garrigues, S.L.P. Professor of Business Law, Comillas Pontifical University (ICADE).

Member of the Consultative Committee of the National Securities Market Commission. Prosegur director since 2012.

**Name or business name of director:**

Mr Fernando D'Ornellas Silva

**Profile:**

Degree in Law and Economics from ICADE E3.

MBA from IESE.

Director of Prosegur Compañía de Seguridad S.A. since 2016.

Director of Meliá Hotels International since 2012.

Managing Director of Grupo Bergé between 2007 and 2012.

Director of Endesa S.A. between 2007 and 2009.

<b>Total number of independent directors</b>	4
<b>total % of the board</b>	50.00%

State whether any director qualified as independent receives any amount or benefit from the company, or from its group, for a concept other than director's remuneration, or maintains or has maintained, during the last financial year, a business relationship with the company or with any company in its group, whether on his or her own behalf or as a significant shareholder, director or senior management of an entity that maintains or has maintained that relationship.

**Name or business name of director:** Fernando Vives Ruiz.

Description of the relationship: Managing director of the law firm J&A Garrigues, S.L.P., which provides legal and tax advisory services to the Company of a recurrent and ordinary nature.

**Reasoned statement:** The firm J&A Garrigues, S.L.P. has been providing Prosegur Group, in a recurring manner and since long before the appointment of Fernando Vives as a director of the Company, legal and tax advisory services, within the ordinary course of business and in market conditions. The Prosegur Group does not work exclusively with the firm J&A Garrigues, S.L.P., receiving legal and tax advice from other firms. The fees received by J&A Garrigues, S.L.P. from the Prosegur Group are not significant for the firm in material terms, as they represent less than 1% of the total turnover, nor do they represent a significant amount in the Prosegur Group accounts. Moreover, the remuneration of Mr. Fernando Vives as a partner of J&A Garrigues, S.L.P. is completely independent and is not linked in any way to invoicing the firm to the Prosegur Group. Therefore, the Board of Directors considers that the business relationship between the firm J&A Garrigues, S.L.P. and the Prosegur Group, due to its recurring nature in the ordinary course of business, its non-exclusivity and its scant importance in the aforementioned terms, does not in any way affect the independent nature of Fernando Vives for performing the role of director of Prosegur and being classed as independent. In addition, Prosegur provides surveillance services at the Garrigues head office on Calle Hermosilla in Madrid. The amount is not significant for Prosegur.

**Name or business name of director:** Fernando D'Ornellas Silva

Description of the relationship: Senior Advisor of Lazard Asesores Financieros S.A. since 2013.

**Reasoned statement:** Reasoned statement: Prosegur Compañía de Seguridad, S.A. has contracted equity advisory services from Lazard Asesores Financieros, S.A. in the field of the process of preparing a possible IPO of the Cash business division of the Prosegur Group. Mr. D'Ornellas does not form part of the advisory team providing services to Prosegur in this project. The contracting of Lazard Asesores Financieros, S.A. was the result of an internal contest in which Mr. D'Ornellas did not participate or have any influence in the final decision. The relationship between Mr. D'Ornellas and Lazard Asesores Financieros, S.A. is a commercial relationship to pro-

vide advisory services in the area of Latin America and his remuneration does not involve a stake in the profits of Lazard Asesores Financieros, S.A. The billing of Lazard Asesores Financieros, S.A. to Prosegur Compañía de Seguridad, S.A. under the equity advisory services contracted could represent, if necessary, a maximum of 5% of the annual turnover of Lazard Asesores Financieros, S.A. In addition, the remuneration of Mr. D'Ornellas as senior advisor of Lazard Asesores Financieros, S.A. is completely independent and is not linked in any way to that company billing the Prosegur Group or the operation indicated above. Therefore, the Board of Directors considers that the business relationship between Lazard Asesores Financieros, S.A. and the Prosegur Group, due to its nature of being limited to a specific operation in which Mr. D'Ornellas does not participate in the advisory team of Lazard Asesores Financieros, S.A. or affect in any way its remuneration, in the ordinary course of business, its non-exclusivity and its scant importance in the aforementioned terms, does not in any way affect the independent nature of Fernando D'Ornellas to continue performing the role of director of Prosegur and being classed as independent.

Where applicable, a reasoned statement by the board will be included regarding the reasons it considers that the director may perform his or her duties as an independent director.

#### Other external directors

The other external directors will be identified and details will be given of the reasons why they may not be considered proprietary or independent and their connections, whether with the company, its directors or its shareholders:

State the variations, where applicable, that occurred during the period in the category of each director:

Name or business name of director	Date of change	Previous category	Current category
Mr Isidro Fernández Barreiro	27/04/2016	Independent	Other External

C.1.4 Complete the following table with information relating to the number of female directors over the past 4 years, and the nature of these directors:

	No. of female directors				% of the total directors of each type			
	Financial year 2016	Financial year 2015	Financial year 2014	Financial year 2013	Financial year 2016	Financial year 2015	Financial year 2014	Financial year 2013
<b>Executive</b>	0	0	1	2	0.00%	0.00%	50.00%	66.67%
<b>Proprietary</b>	2	3	2	1	100.00%	100.00%	100.00%	100.00%
<b>Independent</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Other External</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	2	3	3	3	25.00%	33.33%	33.33%	33.33%

**C.1.5 Explain the measures that, where applicable, have been adopted to try to include a number of women on the board of directors that ensures a balanced presence of men and women.**

**Explanation of the measures**

N/A

**C.1.6 Explain the measures that, where applicable, have been agreed by the appointments committee so that the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and so that the company deliberately searches for and includes women with the desired professional profile among potential candidates:**

**Explanation of the measures**

The Policy of selecting candidates for Directors approved by the Board of Directors of 24/02/2016 states that selecting candidates for director will start with an analysis of the needs of the Company and the group of companies whose company is dominant, which shall be carried out by the Board of Directors with the advice and report provided by the Appointments Committee. Among other conditions, people will be sought whose appointment favours diversity of knowledge, experiences, nationalities and gender within the Board of Directors. The Policy of selecting candidates for Directors will ensure that the number of female directors continues to represent thirty percent of the total members of the Board of Directors.

When, in spite of the measures that, where applicable, have been adopted, the number of female directors is low or null, give reasons to justify this:

**Explanation of reasons**

N/A

**C.1.6 B Explain the conclusions of the appointments committee regarding verification of compliance with the policy for selecting directors. And, in particular, regarding how that policy is promoting the objective of the number of female directors representing, at least, 30% of the total members of the board of directors by 2020.**

**Explanation of conclusions**

Prosegur has Directors representing 25% of the members of the Board of Directors; however, during the last four years the number of female directors has represented more than 30% of the total and continues its commitment to comply with such percentage as established in its Policy of selecting candidates for the Board of Directors.

**C.1.7 Explain how shareholders with significant shareholdings are represented on the board of directors.**

Gubel, S.L. has two proprietary directors. Mr Christian Gut Revoredo is an executive director proposed by Gubel S.L.

**C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose shareholdings are less than 3% of the capital:**

Name or business name of shareholder:

**Justification:**

N/A

State whether formal requests have not been answered for a presence on the board from shareholders whose shareholdings are equal to or more than those of others at whose request proprietary directors have been appointed. Where applicable, give the reasons why they were not answered:

No

**C.1.9 State whether any director has resigned before the end of his or her mandate, if he or she gave reasons and by which means, to the board and, if they were given in writing to the board as a whole, explain the reasons given, at least, below:****Name of director:**

Mr Eduardo Paraja Quiros

**Reason for leaving:**

Eduardo Paraja Quirós, who was last appointed on 28/04/2015, informed the Board of Directors of Prosegur Compañía de Seguridad S.A. through a letter that he was leaving office as Director for personal reasons.

**C.1.10 State what authority, if any, the managing director/s has/have:****Name or business name of director:**

Mr Christian Gut Revoredo

**Short description:**

The managing director has all the authority of the board of directors in his or her favour, except for those that may not be delegated by Law, by the bylaws or by the regulations of the board of directors.

**C.1.11 Identify, where applicable, the members of the board that assume administrative or management roles in other companies that form part of the listed company's group:****C.1.12 Give details, where applicable, of the company directors that are members of the board of directors of other companies listed on official stock markets other than those of its group, that have been notified to the company:**



Name or business name of director	Business name of the group company	Role
Ms Helena Irene Revoredo Delvecchio	Banco Popular Español. S.A.	Director
Ms Helena Irene Revoredo Delvecchio	Endesa, S.A.	Director
Ms Helena Irene Revoredo Delvecchio	Mediaset España Comunicación. S.A.	Director
Mr Pedro Guerrero Guerrero	Bankinter. S.A.	Chair
Mr Fernando D'Ornellas Silva	Melia Hotels International S.A.	Director

**C.1.13 State and, where applicable, explain whether the company has stipulated rules regarding the number of boards on which its directors may sit:**

No

**C.1.14 Section revoked.**

**C.1.15 State the global remuneration of the board of directors:**

<b>State the global remuneration of the board of directors</b> (thousands of eur)	2,624
<b>Amount of global remuneration that corresponds to the pension rights accumulated by directors</b> (thousands of eur)	0
<b>Amount of global remuneration that corresponds to the pension rights accumulated by former directors</b> (thousands of eur)	2,624

**C.1.16 Identify those senior officers that are not also executive directors, and state their total remuneration accrued in the year:**

Name or company name	Role
Mr Javier Tabernero da Veiga	General Manager of Sis
Mr Rafael Ros Montero	Regional Director Alarms Row
Mr Alejandro Adelardi	Regional Director Alarms Latam
Mr Fernando Abos Pueyo	Global Director of Security
Mr Jose Antonio Lasanta Luri	Global Director of Strategy and Business Development
Mr Antonio Rubio Merino	Chief Financial Officer
Mr Gonzaga Higuero Robles	Regional Director Row Cit
Mr Francisco Javier Poveda Gil	Internal Audit Director
Mr Rodrigo Zulueta Galilea	Chairman Prosegur Latam
Ms Sagrario Fernández Barbe	Head of Legal Advice
Mr Miguel Ángel Bandrés Gutiérrez	Global Director of Human Resources
Mr Juan Cocci	Regional Director Latam Cit

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**Total remuneration of senior management (thousands of EUR)**

4,472

**C.1.17 State, where applicable, the identities of the members of the Board of Directors who are, at the same time, members of the Board of Directors of companies that are significant shareholders and/or companies belonging to the same group:**

<b>Name or business name of director</b>	<b>Business name of significant shareholder</b>	<b>Role</b>
Ms Helena Irene Revoredo Delvecchio	Gubel, S.L.	Chair
Mr Christian Gut Revoredo	Gubel, S.L.	Director
Ms Chantal Gut Revoredo	Gubel, S.L.	Director

State, where applicable, the significant relationships other than those envisaged in the previous section, of members of the Board of Directors that relate them to significant shareholders and/or companies belonging to their group:

**Name or business name of related director**

Ms Helena Irene Revoredo Delvecchio

**Name or business name of related significant shareholder:**

Gubel, S.L.

**Description of the relationship:**

Shareholder individually having control

**Name or business name of related director:**

Mr Christian Gut Revoredo

**Name or business name of related significant shareholder:**

Gubel, S.L.

**Description of the relationship:**

Shareholder with non-controlling minority shareholding

**Name or business name of related director:**

Ms Chantal Gut Revoredo

**Name or business name of related significant shareholder:**

Gubel, S.L.

**Description of the relationship:**

Shareholder with non-controlling minority shareholding

**C.1.18 State whether there have been any changes in the regulations of the board of directors during the financial year:**

Yes

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**Description of the changes**


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Article 5 (General Supervisory Role): establishes that the Appointments and Remuneration Committee will report to the board on related-party transactions submitted for its approval.

Article 6.1 (Creation of shareholder value): expressly incorporates the principle of equal treatment in the description of the functions of the Board of directors.

Article 7 (Other Interests): replaces maximising value by pursuit of corporate interest.

Article 8 (Qualitative composition): The requirement that the number of independent directors accounts for at least one third of all directors is expressly introduced.

Article 10 (Chair of the Board of Directors): Introduces new duties for the Chair of the Board of Directors.

Article 14 (Delegated bodies of the Board of Directors and advisory committees) Removes the requirement to establish an Executive Committee.

Article 16 (Audit Committee): It is almost entirely changed to adapt the text to the new Audit Law and the New Code of Good Governance.

Article 17 (Appointments and Remuneration Committee): The wording is changed almost entirely to adapt it specifically to the Code of Good Governance.

Article 18 (Meetings of the Board of Directors): Modified to explicitly add the need to attach the agenda to the meeting notice.

Article 24 (Removal of directors): Modified to adapt it specifically to the Code of Good Governance regarding the obligation for removal of directors.

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**C.1.19 State the procedures for the selection, appointment, re-election, evaluation and removal of directors. List the competent bodies, the necessary steps and the criteria used in each of the procedures.**

(i) Selection.

In the policy selecting candidates for director of the Company, it is established that the selection shall be carried out by the Board of Directors with the advice and report provided by the Appointments and Remuneration Committee.

Candidates must be honourable, suitable individuals of acknowledged solvency, skill, experience, qualification, training, availability and commitment to their duties. Specifically, the candidates must be upstanding professionals whose conduct and professional career is in line with the principles in the Group's Code of Ethics as well as with the Group's mission, vision and values.

Candidates will also be sought whose appointment favours diversity of knowledge, experiences, nationalities and gender within the Board of Directors.

(ii) Appointment.

The Company bylaws provide that the Board of Directors shall comprise, at least, five and, at most, fifteen members to be appointed at the General Shareholders' Meeting.

The appointment of Directors at the company is subject to the decision of the General Shareholders' Meeting. Only on certain occasions, in accordance with the provisions of the Spanish Companies Act, may directors be appointed through co-option, and this decision is then ratified at the next General Shareholders' Meeting. The Board shall ensure that the composition of the body, external directors constitute a majority over executive directors, and reduce their number to a minimum.

In accordance with the provisions of article 20 of the Regulation of the Board of Directors, proposals for the appointment of directors which the Board of Directors decides to submit to the General Shareholders' Meeting and the decisions regarding appointments by co-option must be subject to the corresponding proposal (in the case of independent directors) or report (in the case of other directors) issued by the Appointments and Remuneration Committee.

The proposals must always be submitted with a justification report by the Board of Directors which assesses the skill, experience and merit of the candidate. Any proposal for appointing or re-electing a non-independent director must also be preceded by a report from the Appointments and Remuneration Committee. The foregoing also applies to natural persons that have been appointed representatives of directors that are legal entities.

(iii) Re-election.

Directors are appointed for a term of three years, and may be re-elected once or more times for equal periods.

Notwithstanding the above, independent directors may not remain in the post for a term of more than twelve consecutive years, unless they become proprietary, executive or other external directors.

Proposals for the re-election of directors which the Board of Directors decides to submit to the General Shareholders' Meeting for approval must entail a formal preparation process, necessarily involving a report by the Appointments and Remuneration Committee, evaluating the quality of the work and professional dedication of the directors proposed during the previous term.

(iv) Evaluation.

In accordance with the provisions of article 17 of the Regulations of the Board, the Appointments and Remuneration Committee will organise and coordinate the periodic evaluation of the Chairperson of the Board of Directors and, with this, the periodic evaluation of the Board of Directors, of its members and the CEO of the Company.

(v) Resignation.

In accordance with Article 24 of Regulations of the Board of Directors, Directors will cease to hold their post when their appointment's term elapses and when it is so decided by the Shareholders' Meeting or the Board of Directors pursuant to their legal or bylaw-based powers.

The Board may only propose that the appointment of an independent director be terminated before the end of their term when there is just cause as determined by the Board with the aid of a report from the Appointments and Remuneration Committee.

Directors must present their resignation to the Board of Directors and, if deemed advisable, formalise their resignation in the following cases:

- (i) When the directors no longer hold the executive positions which their appointment were linked to, or representing shareholders in the case of proprietary directors, or when the reasons for their appointment no longer exist.
- (ii) When they meet any of the legally-defined criteria for incompatibility or prohibition.
- (iii) When they are taken to court for a suspected crime or are the object of disciplinary proceedings due to a serious or very serious incident.

- (iv) When they are seriously disciplined by the Audit Commission as a result of having breached their obligations as directors.
- (v) When their presence in the Board of Directors may affect the Company's credit or reputation or jeopardise its interests.

Directors who terminate their position before the end of their term (be it because they resign or for any other reason) must state their reasons in a letter sent to all directors. Without prejudice to reporting this termination as a relevant fact, the reason therefor must be described in the annual corporate governance report.

**C.1.20 Explain to what extent the annual evaluation of the board has given rise to significant changes in its internal organisation and the procedures applicable to its activities:**

<b>Description of the changes</b>	The annual assessment has not given rise to changes as they were not considered necessary.
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**C.1.20.2 Describe the evaluation process and the areas evaluated by the board of directors, assisted—where applicable— by an external consultant, with regard to the diversity of its composition and duties, operations and the composition of its committees, the performance of the chairperson of the board of directors and the Company's chief executive and the performance and contribution of each director.**

In accordance with Article 5 of the Regulations of the Board of Directors, one of the main missions of the Board of Directors is the general supervisory function highlighting among others overseeing its own organisation and operation.

Article 17 of the Regulations of the Board highlights that the Appointments and Remuneration Committee will organise and coordinate the periodic evaluation of the Chairperson of the Board of Directors and, with this, the periodic evaluation of the Board of Directors, of its members and the CEO of the Company.

The Company does not have an external consultant so the Appointments and Remuneration Committee will directly perform the duty of assessment.

**C.1.20.3 List, where applicable, the business relationships that the consultant or any company in its group maintains with the Company or any company in its group.**

N/A

**C.1.21 State the scenarios in which directors are obliged to resign.**

In accordance with Article 24.3, directors must offer their resignation to the Board of Directors and, if deemed necessary by the latter, present their resignation formally in the following cases:

- (i) When the directors no longer hold the executive positions which their appointment as directors were linked to or when the reasons for their appointment no longer exist. Specifically, in the case of proprietary directors, when the shareholder(s) that proposed, required or determined their appointment sell(s) or transfer(s) their participation partially or in full and, as a consequence, the shareholder(s) no longer hold a significant or sufficient equity participation to justify the appointment.
- (ii) When they meet any of the legally-defined criteria for incompatibility or prohibition.
- (iii) When they are taken to court for a suspected crime or are the object of disciplinary proceedings initiated by the supervisory authorities due to a serious or very serious incident.
- (iv) When they are seriously disciplined by the Audit Commission as a result of having breached their obligations as directors.
- (v) When their presence in the Board of Directors may affect the Company's credit or reputation or in any way jeopardise its interests.

#### C.1.22 Section revoked.

#### C.1.23 Are strengthened majorities, different from legal majorities, required for any kind of decision?

No

Where appropriate, describe the differences.

#### C.1.24 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairperson of the board of directors.

No

#### C.1.25 Indicate whether the chairperson has a casting vote:

Yes

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#### **Matters where there is a quality vote**

In accordance with article 23.6 of the Company Bylaws. Notwithstanding legal provisions relating to majorities, resolutions are adopted by an outright majority of the Directors attending the meeting. In the event of deadlock, the chairperson has the casting vote.

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#### C.1.26 State whether the bylaws or regulations of the board of directors stipulates any limit on the age of directors:

No

**C.1.27 State whether the bylaws or the regulations of the board of directors stipulate a term limit for independent directors, other than the one stipulated in regulations:**

Yes

<b>Maximum number of years in term</b>	12
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**C.1.28 State whether the bylaws or the regulations of the board of directors stipulate specific rules for delegating votes to the Board of Directors, how this is done and, in particular, the maximum number of proxies that can be held by one director, as well as whether there is any limit to the number of categories that can be made proxy, other than the limitations imposed by law. In the event, give a brief outline of these rules.**

Article 23.5 of the Company's Bylaws stipulates that, when absent, directors may arrange to be represented at meetings of the Board of Directors by other directors via written proxy, which, to the extent possible, should contain voting instructions. In any event, non-executive directors may only delegate their representation to another non-executive director.

Furthermore, in accordance with the provisions of Article 19 of the Regulations of the Board, directors shall make every effort to attend meetings of the Board of Directors and, when they cannot attend personally, they shall try to ensure that their representation is conferred upon another member of the same group and includes the relevant instructions. In any event, non-executive directors may only delegate their representation to another non-executive director.

**C.1.29 State the number of meetings held by the Board of Directors during the financial year. Where applicable, state the number of times the Board has met without the Chair in attendance. Include attendance with representation involving specific instructions.**

<b>Number of Board meetings</b>	10
<b>Number of Board meetings without the chairperson in attendance</b>	0

If the chairperson is an executive director, state the number of meetings held without the attendance or representation of any executive director and chaired by the coordinating director

<b>Number of meetings</b>	0
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State the number of meetings held in the year by the various committees of the board:

<b>Committee</b>	<b>No. of meetings</b>
Auditing committee	4
Appointments and remuneration committee	3



**C.1.30 State the number of meetings held by the Board of Directors with all members in attendance during the financial year. Include attendance with representation involving specific instructions:**

<b>Number of meetings with all members in attendance</b>	8
<b>% of attendance out of total votes during the year</b>	80.00%

**C.1.31 State whether the individual and consolidated annual financial statements presented to the board for approval are previously certified:**

Yes

Identify, where applicable, the person/persons who has/have certified the company's individual and consolidated annual financial statements, for their formulation by the board:

Name	Role
Mr Antonio Rubio Merino	Chief financial officer

**C.1.32 Explain, if applicable, the mechanisms stipulated by the Board of Directors to prevent the individual and consolidated accounts it prepares from being presented at the general shareholders' meeting with a qualified auditor's report.**

The Company's Finance Department operates stringent controls over the individual and consolidated accounts to ensure that they are in line with generally accepted accounting principles in Spain and IFRS, and all Prosegur companies are audited by the same auditor: KPMG Auditores, S.L.

Among other duties, the Audit Committee monitors relations with external auditors and, as part of these duties, must supervise the opinion in the audit report on the annual accounts to ensure that it is not qualified, holding any necessary talks with the auditors while the accounts are being prepared.

Lastly, Article 44 of the Regulations of the Board stipulates that the Board of Directors shall seek to provide a final version of the accounts with no scope for qualification in the auditor's opinion. However, when the Board of Directors considers that its own criterion should prevail, it shall publicly explain the content and scope of the discrepancy.

**C.1.33 Is the Secretary to the Board of Directors a director?**

No

If the Secretary is not a director, complete the following table:

Name or business name of secretary:	Representative
Ms Sagrario Fernández Barbe	

**C.1.34 Section revoked.****C.1.35 State whether the company has stipulated mechanisms to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.**

The Audit Committee monitors the independence of external auditors, and when it considers it advisable, it requests their presence at its meetings.

In this regard, Article 44 of the Regulations of the Board stipulates that the Board of Directors shall refrain from hiring the services of audit firms whose fees, for all items, are higher than five percent of its total revenues during the last financial year, and it must publicly disclose the global fees which Prosegur has paid to the audit firm for any services other than auditing.

Regarding financial analysts and investment banks as well as with regard to the rating agencies, at present no procedure is established in order to ensure the independence of the same, although Prosegur has always acted transparently with them and their criteria have always been based on the principles of professionalism, solvency and independence in their views.

**C.1.36 State whether, during the year, the Company has changed its external auditor. If so, identify the incoming and outgoing auditor:**

No

If there was a disagreement with the outgoing auditor, describe it:

**C.1.37 State whether the audit firm performs work for the company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the company and/or its group:**

Yes

	Company	Group	Total
<b>Fees for work other than auditing (thousands of EUR)</b>	983	883	1,866
<b>Fees for work other than auditing/Total fees billed by the audit firm (%)</b>	21.00%	18.00%	39.00%

**C.1.38 State whether the audit report on the annual financial statements for the previous year contained reservations or qualifications. Where applicable, state the reasons given by the chairperson of the Audit Committee to explain the content and scope of said reservations or qualifications.**

No

**C.1.39** State the number of consecutive financial years that the current auditing firm has been auditing the annual accounts for the company and/or its group Likewise, state the percentage represented by the number of financial years audited by the current auditing firm out of the total number of financial years that the annual accounts have been audited:

	Sociedad	Grupo
Number of consecutive years	7	7
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	23.33%	23.33%

**C.1.40** State whether there is a procedure to provide directors with external advice and, if so, give details:

Yes

**Provide details of the procedures**

The procedures are described in detail in Article 27 of the Regulations of the Board.

External directors may request that legal, accounting, financial advisers or other experts be hired, payable by the Company The experts must be commissioned to work on specific problems that are relatively important and complex.

The decision to engage the services of experts must be notified to the Chairperson and may be vetoed by the Board of Directors if it is proven that

- a) It is not necessary for the proper performance by external directors of their assigned duties;
- b) Its cost is not reasonable in light of the importance of the problem and the assets and revenues of the Company; or
- c) The technical assistance required may be adequately provided by the Company's own experts.

**C.1.41** State whether there is a procedure for directors to obtain the necessary information to prepare meetings with management bodies sufficiently in advance, and, if so, give details:

Yes

**Provide details of the procedures**

In accordance with Article 18 of the Regulations of the Board of Directors, convening of meetings will be sent at least three days in advance and shall always include the meeting agenda and be accompanied, where appropriate, with the relevant information deemed necessary.

Also the Regulations of the Board establishes in its Articles 26 and 27 information powers of directors and the right to request the assistance of experts.

**C.1.42 State whether the company has stipulated rules to oblige directors to report and, in the event, resign, in scenarios that might damage the credit and reputation of the company, and, if so, give details:**

Yes

**Explain the rules**

In accordance with Article 24.2, sections 3 and 4 of the Rules and Regulations of the Board, directors must offer their resignation to the Board of Directors and, if deemed necessary by the latter, present their resignation formally in the following cases:

- (i) When the directors no longer hold the executive positions which their appointment as directors were linked to or when the reasons for their appointment no longer exist. Specifically, in the case of proprietary directors, when the shareholder(s) that proposed, required or determined their appointment sell(s) or transfer(s) their participation partially or in full and, as a consequence, the shareholder(s) no longer hold a significant or sufficient equity participation to justify the appointment.
- (ii) When they meet any of the legally-defined criteria for incompatibility or prohibition.
- (iii) When they are taken to court for a suspected crime or are the object of disciplinary proceedings initiated by the supervisory authorities due to a serious or very serious incident.
- (iv) When they are seriously disciplined by the Audit Commission as a result of having breached their obligations as directors.
- (v) When their presence in the Board of Directors may affect the Company's credit or reputation or in any way jeopardise its interests.

Directors must inform the Board of Directors of any court proceedings they are defendants in and any disciplinary proceedings initiated by the supervisory authorities due to a serious or very serious incident. In both events, the directors must inform of any subsequent actions. If a legal action were initiated against a director or an order to proceed to a public hearing were issued due to any of the crimes listed in the legislation on companies, the Board of Directors must analyse the case as soon as possible and, based on the specific circumstances, decide whether or not the director must retain his/her position. All details shall be carefully described in the annual corporate governance report.

**C.1.43 State whether any member of the Board has notified the Company that he/she is involved in legal proceedings or has been indicted in respect of any of the offences listed in Article 213 of the Spanish Companies Act:**

No

State whether or not the Board of Directors has analysed the case. If so, explain the reasoning behind the decision on whether or not the director should remain in his/her post and, where applicable, explain the Board of Directors' actions to date or planned actions.

**C.1.44 List any significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.**

Credit agreement for EUR 400 million, between Prosegur Compañía de Seguridad, S.A. and a syndicate of credit institutions, with last novation dated 18 March 2015. At 31 December 2016, the capital drawn down amounted to EUR 50 million. In the event of a change of control, creditors would no longer be obliged to make the arranged amounts available to the Company and they would be entitled to request early repayment.

Syndicated loan contract worth EUR 600 million, between Prosegur Cash, S.A. and a syndicate of accrediting entities, dated December 20, 2016. In the event of a change of control, creditors would no longer be obliged to make the arranged amounts available to the Company and they would be entitled to request early repayment.

Issuance of bonds by Prosegur Compañía de Seguridad, S.A. on 2 April 2013, in the amount of EUR 500 million, maturing on 2 April 2018. In the event of a change of control, bondholders would be entitled to request the retrospective sale of the bonds if the change of control is accompanied by the loss of investment grade rating (BBB-).

**C.1.45 List and provide details of any agreements between the company and its management or employees that envisage severance payments, guarantee or golden parachute clauses, when they resign or are dismissed improperly, or when the contractual relationship ends because of a takeover bid or other kind of transaction.**

Number of beneficiaries: 0

Type of beneficiary:

N/A

Description of the agreement:

N/A

State whether these contracts must be notified to and/or approved by the governing bodies of the company or its group:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	Yes	No
Is the General Shareholders' Meeting informed about the clauses?		No

**C.2 Board of Directors' committees**

**C.2.1 Provide details of all the committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors they comprise:**

## Auditing committee

Name	Role	Category
Mr Eugenio Ruiz-Gálvez Priego	Chair	Independent
Mr Pedro Guerrero Guerrero	Member	Independent
Mr Isidro Fernández Barreiro	Member	Other External
<b>% of proprietary directors</b>		0.00%
<b>% of independent directors</b>		66.67%
<b>% of other external directors</b>		33.33%

Explain the duties assigned to this committee, describe the organisational and operational procedures and rules for the same and summarise its most important actions during the financial year.

In with Article 16 of the Regulations of the Board:

1. The Audit Committee will comprise, at least, three and, at most, five non-executive directors. The members, and especially its Chair, shall be appointed based on their knowledge and experience in accounting, auditing or risk management. Most of its members must be independent directors.
2. The Board shall appoint the Chairperson of the Audit Committee from among the independent directors. The term of office shall be for a term of up to four years. At the end of this period, the Chair may not be re-elected until at least one year has elapsed since his/her term without prejudice to the possibility of holding his/her position as a Committee member or being re-elected as one.
3. The Audit Committee shall perform the following basic duties:
  - a) To report to the General Shareholders' Meeting on questions raised regarding areas of their competence.
  - b) Ensure that the Board of Directors shall present the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report.
  - c) Bring proposals for the selection, appointment, re-election and replacement of the external auditor before the Board of Directors and the conditions of their employment.
  - d) As for the external auditor: (I) consider, where appropriate, the reasons for his resignation; (ii) ensure that their remuneration does not compromise their quality and independence; (iii) monitor that the Company reports any change of auditor as a significant event to the CNMV (iv) ensure that the external auditor holds an annual meeting with the Board to communicate their work and the evolution of the accounting situation and risks of the Company; (V) monitor compliance with the audit contract; and (vi) Ensure that regulations concerning the provision of various services respecting the audit.
  - e) Establish and maintain appropriate relations with the external auditor on the terms contemplated in the law.
  - f) Issue an annual report, before the account audit report, stating whether or not the auditor's independence is compromised.
  - g) Supervise the internal audit work.
  - h) Supervise the process for drawing up and submitting mandatory financial information.
  - i) Supervise the efficiency of the Company's internal control and risk management systems, including tax risk, presented, where appropriate, recommendations to the Board of Directors.
  - j) Oversee the operation of the risk control and management unit.

- k) Analyse and report on the economic conditions, accounting impact and, when appropriate, proposed exchange ratio for operations that involve structural and corporate changes and have been planned by the Company, before they are submitted to the Board of Directors.
  - l) Inform the Board of Directors beforehand of any matters required by law and the corporate by-laws.
  - m) To review offering prospectuses and any other relevant information that the Board of Directors must supply to the markets and its supervisory bodies.
  - n) Establish and oversee a mechanism whereby staff can report, confidentially and if appropriate anonymous, any irregularity with potentially serious implications.
  - o) Assess the adequacy of the corporate governance system of the company and oversee the compliance with the company's internal codes of conduct and corporate governance rules.
  - p) Oversee the strategy for communicating and maintaining relationships with shareholders and investors, including small- and medium-sized shareholders.
  - q) Review the company's corporate social responsibility policy.
  - r) Evaluate all matters relating to the company's non-financial risks.
  - s) Coordinate the process for reporting non-financial information and information about diversity according to the applicable regulations and the leading international standards.
4. The Audit Committee shall meet periodically and at least four times a year.
  5. Any member of the Company's or Group's management team or staff, including the auditor, required to do so must attend the Audit Committee meetings and collaborate and provide access to the information they have access to.
  6. To better perform its duties, the Audit Committee may request advice from external professionals. In this event, Article 27 herein shall apply.
  7. The Chair of the Audit Committee must inform the Board of Directors of the topics discussed and the decisions made by the Committee during the first Board meeting after the Committee's session. Additionally, the Audit Committee's minutes must be available to the directors.

Identify the director on the audit committee who was appointed taking into account his or her knowledge and experience in the area of accountancy, audit or in both and report on the number of years that the Chairperson of this committee has been in the role.

<b>Name of the director with experience</b>	Mr Eugenio Ruiz-Gálvez Priego
<b>No. of years the Chairperson in role</b>	1

#### Appointments and remuneration committee

Name	Role	Category
Mr Pedro Guerrero Guerrero	Chair	Independent
Ms Helena Irene Revoredo Delvecchio	Member	Proprietary
Mr Isidro Fernández Barreiro	Member	Other external
Mr Eugenio Ruiz-Gálvez Priego	Member	Independent
Mr Fernando Vives Ruiz	Member	Independent
<b>% of proprietary directors</b>		20.00%
<b>% of independent directors</b>		60.00%
<b>% of other external directors</b>		20.00%



Explain the duties assigned to this committee, describe the organisational and operational procedures and rules for the same and summarise its most important actions during the financial year.

In accordance with Article 17 of the Regulations of the Board:

1. The Appointments and Remuneration Committee consists of between three and five non-executive directors appointed by the Board of Directors. They must have the knowledge, skills and experience necessary for performing their duties in the Committee. Most of the members of the Appointments and Remuneration Committee must be independent directors.
2. The Board of Directors shall appoint the Chair of the Appointments and Remuneration Committee from among the independent directors that are part of the Committee.
3. Without prejudice to the duties assigned by the Board of Directors, the Appointments and Remuneration Committee shall perform the following basic duties:
  - a) Assess the skills, knowledge and experience of the Directors.
  - b) Inform the Board of Directors about matters in connection with gender diversity and set a representation objective for the least represented gender in the Board of Directors.
  - c) Submit proposals for appointments to the Board of Directors (independent directors for appointment by co-option or submission to the General Shareholders' Meeting), and submit proposals for re-electing or terminating the appointment of these directors to be decided by the General Shareholders' Meeting.
  - d) Report on the proposed appointments, re-election and removal the remaining directors of the Company.
  - e) On an annual basis, verify compliance with the policy on the selection of directors and report thereon in the annual corporate governance report.
  - f) Submit proposals for appointments and removal of positions in the Board of Directors and submit proposals for the members of each of the Board's committees to the Board of Directors.
  - g) Examine and organise the succession of the Chairperson of the Board of Directors and Chief Executive of the Company.
  - h) Organise and coordinate the periodic assessment of the Board's Chair and, in conjunction, the periodic assessment of the Board of Directors, its members and the Company's top executive.
  - i) Submit proposals to the Board of Directors for appointments and termination of appointment of senior executives and the basic terms and conditions of their contracts.
  - j) Submit a proposal to the Board of Directors for the remuneration policy for directors and general managers or senior managers that are directly subordinate to the Board, to executive committees or managing directors; and submit a proposal for individual remuneration and other contractual terms and conditions for executive directors and ensure compliance therewith.
  - k) Check that the Company's remuneration policy is complied with.
  - l) Periodically review the remuneration policy for directors and senior executives, including remuneration schemes with or referenced to Company shares and the application thereof; analyse their suitability and pay and ensure that their individual remuneration is proportional to the remuneration of other Company directors and senior executives.
  - m) Check the information about remuneration for directors and senior executives in corporate documents, including the annual report on remuneration for directors.
  - n) Report on transactions that involve or may involve conflicts of interest.
  - o) Ensure that possible conflicts of interest do not compromise the independence of external advisory services provided, when appropriate, to the Committee.
4. The Appointments and Remuneration Committee must consider the suggestions from the Chair, the members of the Board of Directors, executives or shareholders.

5. The Appointments and Remuneration Committee shall consult with the Chair of the Board of Directors and the Company's top executive, especially in matters relating to the executive directors and senior executives.
6. The Appointments and Remuneration Committee shall meet every time the Board of Directors or its Chair request a report or that proposals be adopted and, in any event, whenever it is advisable for correct performance of its duties. In any case, it will meet once a year.
7. The Chair of the Appointments and Remuneration Committee shall inform the Board of Directors about any issues discussed and decisions made by the Committee. Additionally, the Committee's minutes must be available to the directors.

**C.2.2 Complete the following table with information on the number of women directors sitting on the Board of Directors' committees over the past four years:**

	No. of female directors							
	Financial year 2016		Financial year 2015		Financial year 2014		Financial year 2013	
	Number	%	Number	%	Number	%	Number	%
Auditing committee	0	0.00%	0	0.00%	0	0.00%	1	25.00%
Appointments and remuneration committee	1	20.00%	1	20.00%	1	20.00%	1	20.00%

**C.2.3 Section revoked.**

**C.2.4 Section revoked.**

**C.2.5 State, where applicable, the existence of regulations of the Board of Directors' Committees, the location where they may be consulted, and any changes made during the year. State whether an annual report on the activities of each committee has been drafted voluntarily.**

**Appointments and remuneration committee.**

The organisation and operation of the Board of Directors' committees are regulated by the Bylaws and specifically by the Regulations of the Board of Directors (Article 17); both these documents are available for consultation on the Company's website, and on the website of the Spanish Securities Market.

Commission (CNMV). The Board of Directors of February 24, 2016 approved the amendment of Article 17 of the Regulations of the Board of Directors.

**Executive committee.**

The organisation and operation of the Board of Directors' committees are regulated by the Bylaws and specifically by the Regulations of the Board of Directors (Article 15); both these documents are available for consultation on the Company's website, and on the website of the Spanish Securities Market Commission (CNMV).

**Auditing committee**

The organisation and operation of the Board of Directors' committees are regulated by the Bylaws and specifically by the Regulations of the Board of Directors; both these documents are available for consultation on the

Company's website, and on the website of the Spanish Securities Market Commission (CNMV). The Board of Directors of February 24, 2016 approved the amendment of Article 17 of the Regulations of the Board of Directors.

C.2.6 Section revoked.

## D. Related-party and intra-group transactions

**D.1 Explain, where applicable, the procedure for approving related-party and intra-group transactions.**

**Procedure for approving related-party transactions**

In accordance with Article 5 and 39 of the Regulations of the Board of Directors, after a report has been submitted by the Appointments and Remuneration Committee, the Board is empowered to approve the transactions completed between the Company or the group's companies and its directors (in compliance with Articles 229 and 230 of the Spanish Companies Act), or shareholders that hold a significant equity participation (either individually or as a group), including shareholders that are represented in the Company's Board of Directors or the Board of Directors of other companies in the same group, or transactions with people related to these ("related-party transactions"), in accordance with the terms and conditions herein.

Nevertheless, the Board's authorisation shall not be necessary if the transactions fulfil the following three conditions: (i) they are conducted in connection with contracts whose conditions are standardised and apply to a high number of customers; (ii) they are conducted at general prices or rates set by the good or service providers; and (iii) their value does not exceed one percent of the Company's annual revenue in accordance with the audited financial statement regarding the last closed financial year as of the date of the transaction.

**D.2 Provide details of transactions that are significant either because of their amount or their content, between the company or group companies and significant shareholders in the company:**

Name or business name of significant shareholder	Name or business name of company or member of its group	Nature of the relationship	Type of transaction	Amount (thousands of EUR)
Gubel, S.L.	Proactinmo, S.L.	Commercial	Operating leases	1,859
Gubel, S.L.	Euroforum Escorial, S.A.	Commercial	Provision of services	87

**D.3 Provide details of transactions that are significant either because of their amount or their content, between the company or group companies and the directors or executives of the company:**

Name or business name of the directors or executives of the company	Name or business name of related party	Relationship	Nature of the transaction	Amount (thousands of EUR)
Ms Helena Irene Revoredo Delvecchio	Proactinmo, S.L.U.	Controla Proactinmo, S.L.U.	Operating leases	1,859
Mr Christian Gut Revoredo	Proactinmo, S.L.U.	Its parent controls Proactinmo, S.L.U.	Operating leases	1,859
Ms Chantal Gut Revoredo	Proactinmo, S.L.U.	Its parent controls Proactinmo, S.L.U.	Operating leases	1,859
Ms Helena Irene Revoredo Delvecchio	Euroforum Escorial, S.A.	It controls Euroforum Escorial, S.A.	Provision of services	87
Mr Christian Gut Revoredo	Euroforum Escorial, S.A.	Its parent controls Euroforum Escorial, S.A.	Provision of services	87
Ms Chantal Gut Revoredo	Euroforum Escorial, S.A.	Its parent controls Euroforum Escorial, S.A.	Provision of services	87

**D.4 Provide details of transactions that are significant executed by and between the company and other companies of the same group, provided they are not removed during the process of preparing the consolidated financial statements and are not part of the company's normal business in respect of their purpose and terms.**

In any event, any intra-group transaction performed with companies located in countries considered to be tax havens shall be notified:

**D.5 State the amount of transactions conducted with other related parties.**

0 (in thousands of euros).

**D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group and its directors, executives or significant shareholders.**

In accordance with the provisions of article 33 of the Regulations of the Board of Directors, the director must notify the Board of Directors, through the Chair or Secretary to the Board, of any situation of conflict of interest, direct or indirect, he/she finds himself/herself in.

To detect, determine and resolve possible conflicts of interest with directors, the Regulations of the Board of Directors of Prosegur Compañía de Seguridad, S.A. establish certain mechanisms:

- Disclosure obligations: in accordance with Article 38 of the aforementioned Rules and Regulations, the directors must notify the Company of all the posts they hold and all the activities they perform at other companies or entities and, in general, of any other fact or situation that may prove relevant for their actions as administrator of the Company.
- Obligations to abstain: in accordance with article 33 of the Regulations of the Board of Directors: unless they have obtained the waiver stipulated in Article 230 of the Spanish Companies Act, directors must refrain from:

- a) performing transactions with the Company except for ordinary operations under standard conditions for the customers that are not very relevant; this means transactions whose information is not necessary to present fairly the company's assets, financial situation and P&L;
- b) obtaining advantages or remuneration from third parties outside of the Company and its group in connection with their duties, except for simple gestures of courtesy; and
- c) in general, attending and participating in decision-making and voting that affect matters which place them in a position of conflict of interest.

With regard to significant shareholders, Article 39 of the Rules and Regulations of the Board stipulates that it is up to said body to be informed of any transaction by the Company with a significant shareholder and/or with any other related party in accordance with applicable regulations, and no transactions may be authorised unless a report has previously been issued by the Appointments and Remuneration Committee, assessing the transaction from the standpoints of equality of treatment of shareholders and market conditions.

#### D.7 Is more than one of the Group's companies listed in Spain?

No

Identify subsidiaries that are listed in Spain:

##### Listed subsidiary

State whether the respective areas of activity and possible business relations between them have been publicly and accurately defined, as well as those of the listed dependent company with the other companies in the group;

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**Define the potential business relations between the parent company and the listed subsidiary, and between the latter and the rest of the companies in the group**

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#### D.8 Identify the mechanisms in place to solve possible conflicts of interest between the listed subsidiary and the other companies in the group:

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**Mechanisms to solve potential conflicts of interest**

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## E. Risk management and control systems

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### E.1 Outline the scope of the Company's Risk Management System, including tax risk.

Prosegur considers that the efficient management of risks is key to ensure the creation of value and to guarantee the Company's success. For this purpose, it has a robust risk management and control system implemented in its various areas of activity. The Company analyses, controls and assesses the relevant factors that might affect

its daily management to meet its business objectives. Accordingly, it safeguards the assets and interests of customers, employees and shareholders.

Prosegur's Risk Management System works comprehensively and continuously, consolidating management by area, business unit, activity, subsidiaries, geographical areas and areas of support at corporate level.

## **E.2 Identify which corporate bodies are responsible for preparing and executing the Risk Management System, including tax risk.**

Board of Directors, Audit Committee, Corporate Risk Committee and the unit for the internal risk management and control function.

## **E.3 State the main risks, including tax risk, that might affect the achievement of the business objectives.**

1. Transactions in markets with a temporary reduction in the demand for security services. Target volumes not met for organic business.
2. Transactions in highly competitive markets. Pressure on prices and margins.
3. Difficulty obtaining expected results for alarms business.
4. Inadequate management of indirect costs.
5. Adverse regulatory changes. Increase in the intervention of governments or regulators.
6. Transactions in highly regulated markets. Risk of non-compliance with regulations, including applicable tax regulations in each market and/or as a group.
7. Failures or incidents in the IT infrastructure.
8. Incidents involving assets held or loss of cash.
9. Loss or theft of own or customers' confidential information. Cyberattacks and computer and security faults.
10. Decline in liquidity generation or in cash management.
11. Reputational risks. Negative publicity regarding name. Loss of brand value.

## **E.4 Identify whether the company has a risk tolerance level, including tax risk.**

Prosegur has defined a model for the identification of critical risk and a procedure for the evaluation and supervision of its management through key risk indicators. The identification of critical risks and their prioritisation is updated annually according to a model that, basically, considers the risks related to Prosegur's main business and corporate objectives. The indicators-based evaluation model identifies significant parameters (indicators) that provide a useful measure of how each risk is managed. The indicators are chosen considering that (i) they may be applied consistently in all countries, (ii) they allow measurable comparisons to be made over time and between countries, and (iii) they allow the persons responsible to evaluate risk management and anticipate situations of non-compliance with objectives that are relevant for Prosegur.

According to the above criteria, the indicators are usually:

- Values that may be easily obtained from accountancy or other similarly reliable records.
- Budgeted figures, which allows limits to be defined for the indicator.

As a general rule, the tolerance levels (acceptable risk level) are defined considering a percentage of the limit of the indicator in each country. These tolerance levels are consistent with economic indicators used in the application of local and corporate incentive programmes.

In the case of risks that do not allow for indicators to be identified with the general criteria that has been defined, the party responsible for managing them proposes alternative methods for the assessment and supervision of their management that are validated by the Corporate Risk Committee.

#### **E.5 State what risks, including tax risk, have materialised during the year.**

Risks that have materialised during the year are circumstantial to the business model, Prosegur's activity and the markets in which it operates, mainly due to incidents involving assets held, so that they tend to recur in each financial year. The risk control and mitigation systems planned for these risks have worked adequately, and consequently none of them has had a significant impact either on Prosegur's activity or on its results.

#### **E.6 Explain the response and supervision plans for the company's main risks, including tax risk.**

Prosegur periodically and repeatedly identifies, evaluates and prioritises the risks it considers to be critical, considering their impact on relevant objectives, in particular:

Depending on the type of risk and its relevance, Prosegur management and the parties directly responsible for its management have established appropriate procedures to allow the effects of any risk that may materialise to be prevented, detected, avoided, mitigated, compensated or shared.

The results of risk management and control are periodically reviewed and analysed by the Corporate Risk Committee. The whole risk management system and its results are supervised by the Audit Committee.

## **F. Internal risk management and control systems in relation to the process of financial reporting (ICFR)**

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Describe the mechanisms that make up the risk management and control systems in relation to the process of financial reporting (ICFR) of the company.

### **F.1 The company's framework of control**

State the main characteristics of, at least:

**F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of proper and effective ICFR; (ii) its implementation; and (iii) its supervision.**



Article 5 of the Regulations of the Board of Directors stipulates that said body has a general supervisory function. Except for the matters which are reserved for the General Shareholders' Meeting, the Board of Directors is the Company's top decision-making body.

For this purpose, Article 5 of the Regulations of the Board of Directors stipulates that the Board of Directors undertakes to carry out the following duties directly: determining "the Company's general policies and strategies and, in particular, the risk management and control policy, including tax risk, as well as the periodic monitoring of internal information and control systems."

Article 16 of the Regulations stipulates that the Audit Committee shall have, among others, the responsibility to "oversee the preparation and presentation of mandatory financial information and submit recommendations or proposals to the administration body aimed at safeguarding integrity. In connection to this, the Committee is responsible for overseeing preparation and integrity of the financial information about the Company and the Group; reviewing compliance with regulations, and ensuring correct delimitation of the consolidation perimeter and the correct application of accounting criteria, with the Board of Directors being duly informed thereof; "overseeing the efficacy of the Company's internal control and the risk management systems (including tax risks) and discussing any significant weaknesses of the internal control system with the account auditor which have been detected during auditing. Independence must never be compromised. Following from this, and when appropriate, the Committee must submit recommendations or proposals to the Board of Directors and indicate the follow-up time frame. In this context, it must propose the risk control and management policy to the Board of Directors. This policy must at least identify: (i) the type of risk (operational, technological, financial, legal and reputational) which the Company faces; (ii) set the risk level which the Company deems to be acceptable; (iii) the measures for mitigating the impact of identified risks were they to materialise; and (iv) the control and information systems used to control and manage risks"; "oversee the operation of the risk control and management unit which must: (i) guarantee that the risk control and management systems work properly, specifically guaranteeing that all major risks affecting the Company are identified, managed and quantified; (ii) actively participate in drawing up the risk strategy and making important decisions about risk management; and (iii) ensure that the risk control and management systems mitigate risks appropriately and in accordance with the policy defined by the Board of Directors."

#### **F.1.2. Whether, most notably in relation to the process of financial reporting, the following elements are in place:**

- Departments and/or mechanisms involved: (i) design and review of organisational structure; (ii) clear definition of lines of responsibility and authority, with adequate distribution of tasks and duties; and (iii) sufficient procedures for their proper dissemination inside the company.

Pursuant to its regulations, the Board of Directors of Prosegur undertakes, in particular, to directly appoint and terminate the appointment of the Company's managing directors and define the terms and conditions of their contracts. Appoint and terminate the appointment of executives that report directly to the Board of Directors or any of the directors, and define the basic contractual terms and conditions, including remuneration.

The design and review of the organisational structure and definition of the lines of responsibility and authority are proposed by the Managing Director and validated by the Appointments and Remuneration Committee.

The responsibilities or duties, as well as the profile and skills necessary for each post are defined by each direct superior and approved by the area managers with the help of experts from the Human Resources Department and approved by the corresponding Human Resources Division.

The description and evaluation of the post (and therefore the review of the organisational structure, job map and job descriptions) are performed and updated when those in charge of the post notify the Human Resources Division.

This organisational structure is represented in a chart showing the relationships between the various departments, businesses and support activities belonging to Prosegur. An organisation chart of the Company is located on the corporate Intranet and accessible by the personnel it affects.

- Code of Conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the record of operations and preparation of financial information), body in charge of analysing non-compliances and proposing corrective actions and penalties.

Prosegur's Board of Directors approved a Code of Ethics and Conduct applicable to all companies belonging to the Prosegur group in all businesses and activities performed by Prosegur in all the countries where it operates. It is binding upon all members of the governing bodies, executives and personnel of Prosegur.

The Code of Ethics and Conduct provides a guideline on how all Prosegur professionals should conduct themselves. It evidences the company's commitment to conduct itself, at all times, in line with common principles and standards in its relations with stakeholders affected by its activities: employees, shareholders, customers and users, suppliers and associates, authorities, public administrations and regulatory bodies, competitors and the civilian society in which it operates. At the proposal of the Audit Committee, on 28 October 2013, a revised version of the Code of Ethics and Conduct was approved by the Board of Directors of Prosegur.

All Prosegur's professionals are obliged to know, subscribe to and comply with the Code of Ethics and Conduct, and to collaborate in facilitating its implementation, as well as to notify possible non-compliances of which they are aware.

The Code stipulates that, whomsoever, by action or omission, breaches the Code of Ethics and Conduct, shall be subject to the disciplinary measures that, in accordance with current labour regulations and internal policies and procedures, are applicable in each case. All reported non-compliances shall be analysed through an enquiry process conducted by a team of impartial experts led by the compliance official, who will present his/her findings and, in the event, propose any corrective measures to be implemented, notifying the persons who have identified or reported the non-compliance.

Within the legal compliance section of the Code of Ethics and Conduct, express reference is made to the preparation of financial information in a thorough, clear and accurate manner, using the appropriate accounting records, and its dissemination through transparent communication channels that enable the market and, in particular, Prosegur's shareholders and investors to permanently access it.

Likewise, the section concerning the use and protection of resources refers to the need to ensure that all economically significant transactions performed on Prosegur's behalf are listed clearly and accurately in the appropriate accounting records representing a true and fair view of the transactions performed, and that they are available to the internal and external auditors.

The Code of Ethics and Conduct is available on Prosegur's corporate website and has been disseminated to all Prosegur workers through numerous actions aimed at spreading awareness of it and having employees sign it.

In 2014, a plan to implement and disseminate the Code of Ethics and Conduct was developed, including the following actions:

- Approval of a new, revised version of the Code of Ethics and Conduct by the governing bodies of all the group companies in countries where Prosegur operates.
- Announcement to disseminate the new version of the Code of Ethics and of Conduct to all Prosegur employees through various media: Intranet, website, corporate magazines, noticeboards, e-mail, etc.
- Signing of the Code of Ethics and Conduct by all employees through various means.
- Continuing in-person training on the courses imparted by the Regulatory Compliance and Human Resources Departments and online through courses run by Prosegur Corporate University.

In 2016, dissemination and training actions in relation to the Code of Ethics and of Conduct continued in all the countries where Prosegur operates.

- Complaints channel, allowing the audit committee to be notified of financial and accounting irregularities, in addition to potential breaches of the Code of Conduct and irregular activities within the organisation, stating, where applicable, whether this is confidential in nature.

Prosegur has a Complaints Channel in place to enable any person to safely and confidentially report any acts that are irregular, unlawful or which contravene the ethics and conduct code of Prosegur of which they may become aware, including any of a financial and accounting nature which take place in the performance of the activities of the Company.

The Complaints Channel consists in a form that is available on the website [www.prosegur.com](http://www.prosegur.com), which is permanently open, allowing the confidentiality required for each situation and the necessary anonymity to protect persons using it.

The Internal Audit Department confidentially manages communications received and conveys its findings to the Audit Committee.

- Training and periodic continuing learning programmes for personnel involved in preparing and revising financial information, and evaluation of ICFR, covering at least accounting standards, auditing, internal control and risk management.

Prosegur pays particular attention to continuing training and the development of its professionals for the proper performance of their functions.

Specifically, personnel belonging to the Finance Department (mainly the tax and financial reporting section), and the Audit Department continually attend training sessions to keep abreast of regulatory and legal changes.

The Company has cooperation agreements with other organisations that allow it to constantly refresh the knowledge of employees involved in preparing and revising the financial information.

Prosegur's management of training processes is centralised through the Prosegur Corporate University. The University hosts the Financial Community, aimed at professionals who form part of the financial and economic areas in the countries where the Company has a presence. The main objectives of the Financial Community are to standardise financial processes and to update the criteria for accounting, tax, financial and control and risk management, and international standards.

In 2016, persons involved in the preparation, review and reporting of financial information received various updates and attended courses on new regulatory developments that took place throughout the year.

## F.2 Evaluation of financial reporting risks, at a minimum, of:

### F.2.1. What the main characteristics of the risk identification process are, including the risk of error or fraud, with regard to:

- Whether such a process exists and is documented.

Every year, the Finance Department identifies, using the ICFR scope matrix, the risks affecting financial reporting from the standpoint of accounting records and potential non-compliance with accounting standards and, after analysis of these risks, it documents the design of controls to mitigate the same along with the corresponding evidence.

- Whether the process covers all the financial reporting objectives (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), and whether and how often it is updated.

The ICFR scope matrix is aimed at identifying the accounts and entries that have significant risk associated with them, whose potential impact on financial reporting is material and, which therefore require special attention. In this regard, in the process of identifying the significant accounts and breakdowns a series of quantitative variables (balance of the account) and qualitative variables (complexity of transactions; changes and complexity of regulations; need to use estimates or projections; application of judgement and qualitative importance of the information) are considered.

This ICFR scope matrix is based on the balance sheet and consolidated income statement included in the latest audited Consolidated Financial Statements that are available. Said matrix is updated every year, after the Consolidated Financial Statements are prepared. In 2016, the scope matrix was last updated based on the figures contained in the Financial Statements on 31 December 2015.

For each of these significant accounts and breakdowns included in the scope matrix, the associated critical processes and sub-processes have been defined, and the risks that might generate errors and/or fraud in financial reporting have been identified, covering all the financial reporting objectives (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations).

- The existence of a process of identification of the consolidation scope, considering, among other aspects, the possible existence of complex corporate structures, or instrumental or special purpose vehicles.

The identification of the consolidation perimeter is carried out each month. The changes in the consolidation perimeter are recorded in the Group consolidation software system, where the map of the structure of ownership of the companies within the perimeter is permanently updated. The Business Development Management along with the Legal Department Management are responsible for reporting to the Economic and Financial Management the transactions carried out within this scope and which affect the structure of the group and the consolidation perimeter.

The Finance Department, through the Tax Department, keeps a record of all the entities included in the consolidation perimeter, the means of control or influence, the legal format and the type of direct or indirect participation of all the companies. It is continuously updated and allows historical changes in the perimeter to be tracked.

- Whether the process takes into account the effects of other risk types (operating, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

Prosegur has a Corporate Risk Committee that reports to the Audit Committee the results of the regular assessment of critical risk management. Prosegur identifies and prioritises all kinds of critical risks every year (operational, financial, strategic, regulatory compliance, technological and others) that, were they to materialise, might have an adverse effect on the achievement of relevant objectives for the Company.

- Which of the company's governing bodies supervises the process?

Supervision of ICFR is the responsibility of the Audit Committee. The Internal Audit Management Department uses specific programs to verify the internal control of financial information under the supervision of the Audit Committee.

### F.3 Control activities

State, indicating their main characteristics, whether there are at least:

**F.3.1. Review and authorisation procedures for financial reporting and the description of ICFR, to be published in securities markets, indicating those responsible for them, and documentation describing the flows of activities and controls (including those relating to the risk of fraud) of the various group of transactions that might have a material impact on the financial statements, including the procedure for account closure and the specific review of relevant judgements, estimates, valuations and projections.**

The parent company's annual financial statements, Prosegur's consolidated annual financial statements and the half-yearly financial reports are all reviewed by the Audit Committee prior to being prepared by the Board of Directors, in accordance with Article 16 of their Regulations.

The Audit Committee reviews any other relevant information prior to publication through the regulatory bodies.

The Board of Directors approves and, where applicable, formulates the financial information presented, which is later published via the Spanish Securities Markets Commission and presented to third parties.

Prosegur conducts periodic reviews of the financial information it prepares, as well as the description of ICFR, in accordance with various levels of responsibility in order to ensure information quality. The Finance Department is in charge of preparing the description of ICFR in coordination with the departments involved. This process culminates in the review by the Audit Committee and it is, therefore, also approved in the Annual Corporate Governance Report, validated by the full Board of Directors.

The Finance Department has described the flow of activities and controls on significant transactions which affect the financial statements. The documentation of these flows defines the applicable rules of action and the information

systems used for the process of closing accounts. Personnel involved in the process of preparing financial information are continuously trained and informed with regard to the procedures for the accounting closure of Individual and Consolidated Financial Statements and Accounts. The documents detail the basic areas for preparing, reviewing and approving consolidated accounting closures and accounting closures for companies belonging to the Group.

Prosegur discloses financial information to the securities markets on a quarterly basis. The Finance Department is ultimately responsible for financial reporting. In the description of the flow of activities in the accounting closure process, the control activities that ensure the reliability of the information are defined. The corporate areas within the Finance Department analyse and supervise the information prepared. The Finance Department has documented the risk of error or fraud in financial reporting and the controls that affect all critical processes/sub-processes. These processes cover the various kinds of transaction that may have a material impact on the financial statements (acquisitions, sales, personnel expenses, etc.), and the specific consolidation and reporting process.

In this regard, Prosegur has identified all the processes necessary to prepare the financial information, in which it has used relevant judgements, estimates, valuations and projections, considering all of them to be critical.

The documentation of each of these critical processes comprises:

- A description of each of the sub-processes linked to each process.
- Details of the information systems affecting sub-processes.
- Details of the internal procedures and rules approved by the Department, and regulating said sub-processes.
- Description of the key and non-key controls mitigating each of the risks identified.

For each control, the following have been identified:

- Organisational structures and/or functions of persons in charge of each of the key and non-key controls identified.
- Frequency of the controls.
- Level of automation of the controls.
- Type of control: preventive or detective.

The specific review of the relevant judgements, estimates and valuations for quantifying goods, rights and obligations, revenues and expenses and any other commitments listed in the Individual and Consolidated Annual Financial Statements is performed by the Financial Department with the collaboration of the rest of Prosegur's Support Departments. Assumptions based on business performance are analysed jointly with the Business Departments.

The Chief Financial Officer and the Managing Director analyse the reports issued and approve financial information before it is presented to the Audit Committee and the Board of Directors.

### **F.3.2. Internal control policies and procedures concerning information systems (including access security, tracking of changes, operation thereof, operating continuity and segregation of functions) that underpin the company's significant processes in relation to the preparation and publication of financial information.**

One of the specific functions of the Risk Management Department is the continuous evaluation of the part of the internal control system linked to information systems, which include support to the issuance of financial information.

There is an Information Security Committee which is a management body comprising representatives from all the substantive areas of Prosegur.

This Committee is responsible for:

- Aligning the information security objectives with the main strategic business lines.
- Approaching Prosegur's information security as a global activity integrated within the business.
- Coordinating and approving the proposals received for projects linked to information security.
- Providing the necessary resources for developing information security initiatives.
- Identifying and evaluating security risks in respect of business needs.

The Information Security Committee monitors all these functions through a Master Plan. The 2015–2017 Information Security Master Plan is currently being implemented.

Control of access to information systems is managed by assigning a personalised user name and password. Internal audits are conducted on the process for controlling access to the systems at least once a year. A procedure is in place to control access to the Prosegur data processing centre; access is restricted to authorised personnel and all access is recorded.

There is a process in place for managing changes to software applications before the systems are put into production.

Prosegur systems and information are backed up and in a redundant infrastructure that allows business continuity.

As part of its continuous improvement, Prosegur will continue to strengthen the information security management process in all countries and systems with financial impact.

### **F.3.3. Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, and those aspects of evaluation, calculation or valuation commissioned to independent experts that might have a material impact on the financial statements.**

The recurring activities in the process of preparation of financial information are not outsourced by Prosegur. Occasionally Prosegur requests advice from independent experts in situations of the following kind:

- a) Evaluation of the tax impact of corporate restructuring transactions.
- b) Tax advice for subsidiaries in preparing tax returns subject to specific regulations.
- c) Estimates of the fair value of certain assets, branches of activity or business.
- d) Verification of the efficacy of the money laundering prevention system.
- e) Valuation of the allocation of the purchase price of the new companies.

When hiring external advisers, depending on the amounts involved, decision-making processes involve the consideration of at least three proposals from the cost and professional qualification standpoints. Prosegur only uses the services of experts for work that underpins valuations, judgements or accounting calculations when they are registered with the relevant collegiate or similar bodies, and when they are from companies of recognised prestige in the market.

The corporate Finance and Legal Departments supervise the results of evaluations, calculations or valuations

performed by third parties in the accounting, legal and tax areas. In addition, the relevant departments of Prosegur have adequate personnel to validate the conclusions of the reports issued.

#### **F.4 Information and communication**

State, indicating their main characteristics, whether there are at least:

**F.4.1. A specific function for defining and refreshing accounting policies (accounting policy department or area) and resolving doubts or conflicts deriving from their interpretation, maintaining a fluid communication with the persons responsible for the operations within the organisation, and an up-to-date accounting policies manual, communicated to the business units through which the company operates.**

The Corporate Financial Reporting Department, which is an integral part of the Finance Department, is responsible for preparing, issuing, publishing and later implementing the Accounting Standards applicable to Prosegur under the internal certification of the 3P process management system (Prosegur's Policies and Processes). It also analyses and resolves the queries, doubts or conflicts regarding the interpretation and appropriate application of each of the policies.

Among the functions of the Corporate Financial Reporting Department is the analysis of International Accounting Standards, in order to comply with:

- The establishment of Support Standards or procedures to help personnel in relation to the process of preparing financial information.
- The analysis of transactions requiring specific accounting treatment.
- The resolution of queries regarding the application of specific accounting standards.
- The evaluation of possible future impacts on the financial statements, as a result of new developments or changes to international accounting standards.
- The list of external auditors in relation to the criteria applied, and the accounting estimates and judgements.
- The resolution of any doubt arising from the various interpretations of the standards.

Prosegur's accounting manual is updated annually. There is good communication with all of the managers involved in preparing financial information and updates made after the latest changes to regulations are also distributed and made available to employees with accounting duties.

**F.4.2. Mechanisms to compile and prepare financial information with standardised formats, for application and use by all units of the company or group which support the main financial statements and the notes thereto, as well as detailed information on ICFR.**

The process of compiling and preparing consolidated financial information is centralised. The first phase of this process begins at the subsidiaries of the Prosegur Group, based on enterprise resource planning (ERP) platforms under the supervision of the Financial Department, which ensures that the financial information of the companies is reliable, complete and consistent. Based on the subsidiaries' financial statements, and through IT systems programmed to extract and aggregate data, the individual and consolidated financial statements are compiled and analysed.



There is a half-yearly reporting process for obtaining the necessary information for the line items of the consolidated annual accounts and half-yearly report. Prosegur's Accounting Plan is applied at all Prosegur's subsidiaries for the purposes of compiling information for the consolidation of financial statements.

## F.5 Supervision of the system's operation

State the main characteristics of, at least:

**F.5.1. The ICFR supervisory activities performed by the audit committee and whether the company has an internal audit function that supports the committee in its oversight of the internal control system, including ICFR. There is also information on the scope of the evaluation of ICFR in the year and the procedure for the person in charge of the evaluation to convey the findings, whether the company has a plan of action detailing the possible corrective measures, and whether the impact on financial reporting has been considered.**

In accordance with the provisions of Article 16.3 of the Regulations of the Board of Directors, among the basic responsibilities of the Audit Committee are the following:

- Inform the General Shareholders' Meeting about matters that relate to the Committee's scope of action particularly the outcome of audits. The Committee shall explain how the audit contributed to the integrity of financial information and the Committee's role in the process.
- Ensure that the Board of Directors seeks to present a financial statement to the General Shareholders' Meeting based on an audit report with no limitations or reservations. In the exceptional event of reservations, the Chair of the Audit Committee must explain the situation and ensure that the auditors clearly explain the content and scope of these limitations and reservations to the shareholders.
- Submit proposals for selecting, appointing, re-electing and replacing external auditors to the Board of Directors; assume responsibility for applying the selection process in accordance with the legal requirements, and assume responsibility for the contractual terms and conditions and for regularly collecting information from the auditor about the audit plan and its execution; and ensure the independent performance of its duties.
- As for the external auditor: (i) if the external auditor resigns, analyse the circumstances behind this decision; (ii) ensure that the external auditor's remuneration does not compromise the quality or independence of his/her work; (iii) oversee that the Company informs the Spanish National Securities Market Commission of the change of auditor as a relevant fact and adds a statement about any potential disagreements with the auditor and, if applicable, explains the nature of these disagreements; (iv) ensure that the external auditor meets with the full session of the Board of Directors on an yearly basis to report about his/her work and the progress of the Company's accounting situation and risks; (v) oversee compliance with the auditing contract and ensure that the opinion about the financial statement and the main content of the audit report is written clearly and accurately; and (vi) ensure that the Company and the external auditor comply with applicable rules on audit service provision, limits on concentration of auditing business and, in general, all other rules about the independence of auditors.
- Establish and maintain adequate relationships with the external auditor so as to receive information about any issues that may pose a threat to the auditor's independence, which will then be assessed by the Committee; and any other information in relation to account auditing; when appropriate, authorise services that are not prohibited pursuant to the law; and any other communications stipulated in the account auditing legislation and auditing rules. In any case, the Audit Committee must receive an annual declaration from the account auditor

regarding his/her independence from the company or companies that are directly or indirectly linked to the Audit Committee. The auditor must also provide detailed and individual information about any additional services that have been provided by the auditor and paid for by these companies, or any additional services provided by individuals or companies linked to the auditor pursuant to the legislation in force.

- Issue an annual report, before the account audit report, in which it declares whether or not the auditor's independence is compromised. This report must contain an opinion about the substantiated assessment of the provision of each and every additional service mentioned above (individually and as a group), which is different from legal auditing and in connection with the independence system or the regulations on account auditing.
- Supervise internal auditing and particularly (i) guarantee that internal auditing is independent and efficient; (ii) propose the selection, appointment and termination of appointment of the manager of the internal audit service; (iii) propose the budget for the service; (iv) review the annual work plan for internal auditing and the annual activity report; (v) receive periodic information about its activities; and (vi) verify that senior management takes the conclusions and recommendations in its reports into account.
- Overseeing the efficacy of the Company's internal control and the risk management systems (including tax risks) and discussing any significant weaknesses of the internal control system with the account auditor which have been detected during auditing. Independence must never be compromised. Following from this, and when appropriate, the Committee must submit recommendations or proposals to the Board of Directors and indicate the follow-up time frame. In this context, it must propose the risk control and management policy to the Board of Directors. This policy must at least identify: (i) the type of risk (operational, technological, financial, legal and reputational) which the Company faces; (ii) set the risk level which the Company deems to be acceptable; (iii) the measures for mitigating the impact of identified risks were they to materialise; and (iv) the control and information systems used to control and manage risks.
- Oversee the operation of the risk control and management unit which must: (i) guarantee that the risk control and management systems work properly, specifically guaranteeing that all major risks affecting the Company are identified, managed and quantified; (ii) actively participate in drawing up the risk strategy and making important decisions about risk management; and (iii) ensure that the risk control and management systems mitigate risks appropriately and in accordance with the policy defined by the Board of Directors.
- Inform the Board of Directors beforehand of any matters required by law and the corporate by-laws, specifically: (i) the financial information which the Company must disclose periodically; and (ii) creation or acquisition of equity participation in special purpose vehicles or companies headquartered in countries or territories that are considered to be tax havens.
- Establish and oversee a system that allows employees to report potentially relevant irregularities, particularly financial and accounting irregularities, within the Company. This system must be confidential and, if possible and appropriate, anonymous. Prosegur has an internal audit department that is functionally dependent upon the Audit Committee. Its objectives and functions include (i) assisting the Audit Committee in the objective compliance with its responsibilities, (ii) verifying the adequate management of risks, and (iii) ensuring the completeness and reliability of accounting information.

The internal audit department has prepared a programme for revision of ICFR which is executed regularly in two-year periods and integrated in the annual work schedules submitted for approval to the Audit Committee.

The internal audit department continuously updates its verification programs to adapt them to the changes that the Financial Reporting Department makes to ICFR.

In 2016, significant processes were reviewed in relation to financial information in Spain and other European and Latin American subsidiaries. The verification carried out in 2016 was the end of the plan for supervising the operation of ICFR, which was started in 2015.

The internal audit department verifies the state of execution of the recommendations included in its audit reports, including those concerning ICFR verification. In 2016, two half-yearly reports were issued on the state of execution of the guidelines issued to the members of the Audit Committee.

Additionally, the internal audit department conducts quarterly evaluations of critical risk management, which may include financial reporting risk, based on key risk indicators, their comparison with the established limits and their performance over time. The results are presented to the Corporate Risk Committee for analysis and to the Audit Committee for supervision of their management. During 2016, the evaluation model was updated.

**F.5.2. Whether there is a discussion procedure in which the auditor (in accordance with technical auditing standards), the internal auditing role and other experts may convey to senior management and the audit committee or directors of the company any significant weaknesses in the internal control they have discovered during the review process of the annual accounts or other reviews they have been commissioned to perform. State also if there is an action plan to correct or mitigate the weaknesses observed.**

In 2016, the external auditors attended two Audit Committee meetings for the review of conclusions on the auditing of annual accounts and of the agreed procedures performed regarding the interim half-yearly financial statements. At the same time, external auditors report on possible weaknesses in internal control and opportunities for improvement identified during the course of their work.

In addition, the Chief Financial Officer, responsible for preparing the annual accounts and the intermediate financial information that Prosegur provides to the markets and its supervisory bodies, attends the meetings of the Audit Committee, in order to review and discuss any relevant issue that might arise during the process of preparation and presentation of the regulated financial information.

At each Audit Committee meeting, the Internal Audit Director regularly presents the conclusions of his or her work verifying the operation and efficacy of the procedures in ICFR, the control weaknesses identified, the recommendations made and the status of execution of the action plans agreed for mitigation thereof. The Chief Financial Officer and the Internal Audit Director attended all four meetings of the Audit Committee in 2016.

#### **F.6 Other significant information**

N/A

#### **F.7 External auditor's report**

State:

**F.7.1. Whether the ICFR information sent to the markets has been reviewed by the external auditor, in which case the company must include the relevant report as an appendix. Otherwise, it should explain why.**

Prosegur has submitted the ICFR information sent to the markets for the financial year 2016 for review by the external auditor, whose report is attached to this document as appendix I. The scope of the auditor's review procedures was in accordance with the Guidelines for Action and the model auditor's report referring to information concerning the internal control system on financial reporting of listed companies in July 2013 (updated in December 2015), issued by the Spanish Auditors' Institute (Instituto de Censores Jurados de Cuentas de España).

## G. Degree of implementation of corporate governance guidelines

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State the degree to which the company has adhered to the recommendations of the Good Governance Code of Listed Companies.

If any guideline is not followed or only partially followed, a detailed explanation must be included so that shareholders, investors and the market in general have enough information to assess the company's action. General explanations are not acceptable.

1. The Bylaws of listed companies should not limit the maximum number of votes that a single shareholder may cast, or contain other restrictions that hamper taking control of the company through the acquisition of its shares in the market.

Compliant

2. When the parent company and a subsidiary of it are both listed, they should both publicly and accurately define:
  - a) The respective areas of activity and possible business relations between them, and those of the listed subsidiary with other companies in the group.
  - b) The mechanisms in place to resolve potential conflicts of interest.

Not applicable

3. At the general shareholders' meeting, in addition to the written dissemination of the annual corporate governance report, the Chairperson of the board of directors verbally informs the shareholders, in sufficient detail, of the most relevant aspects of the company's corporate governance and, in particular:
  - a) Any changes that have taken place since the previous general shareholders' meeting.
  - b) The specific reasons why the Company is not following any of the Corporate Code of Governance guidelines and, if applicable, any alternative rules it applies in this area.

Compliant

4. The Company should define and promote a policy of communication and contact with shareholders,

institutional investors and advisors on voting that fully respects rules against market abuse and applies equal treatment to shareholders in the same position.

The Company should publish this policy on its website, including information in relation to the way in which it has been put into practice and identifying the contact persons or parties responsible for carrying it out.

#### Compliant

5. The board of directors should not submit to the general shareholders' meeting a proposal for delegation of powers for issuing shares or convertible bonds excluding the right to preferential subscription, for an amount greater than 20% of the capital at the time of delegation.

When the board of directors approves any issuing of shares or convertible bonds excluding the right to preferential subscription, the Company should immediately publish the reports on its website regarding this exclusion, which are referred to by commercial legislation.

#### Partially compliant

The General Shareholders' Meeting of 27/04/2016 approved delegating to the Board of Directors powers for issuing shares or convertible bonds excluding the right to preferential subscription, for a maximum amount corresponding to 20% of capital at the time of delegation.

Since such delegation the Board has not approved any issuing of shares or convertible bonds excluding the right to preferential subscription.

6. Listed companies that prepare the reports listed below should, whether in a mandatory or voluntary manner, publish them on their website sufficiently in advance of the general shareholders' meeting, although it is not compulsory to disseminate them:
- a) Report on the auditor's independence.
  - b) Reports on the operation of the audit and appointments and remuneration committees.
  - c) Report by the audit committee on related-party transactions.
  - d) Report on the corporate social responsibility policy.

#### Compliant

7. The Company should broadcast the general shareholders' meeting on its website in real time.

#### Explain

The Company considers that, to date, the dissemination systems and channels of information to shareholders regarding the holding of the General Meetings has been sufficient and there has been no need to rebroadcast the meeting.

8. The audit committee should ensure that the board of directors seek to present a financial statement to the general shareholders' meeting based on an audit report with no qualifications or reservations. In the exceptional event of reservations, both the chairperson of the audit committee and the auditors must explain the content and scope of these limitations and reservations to the shareholders.

Compliant

9. The Company must permanently publish, on its website, the requirements and procedures that it will accept for certifying ownership of shares, the right to attend the general shareholders' meeting and for using or delegating voting rights.

And these requirements and procedures should favour shareholders attending and using their rights and be applied in a non-discriminatory manner.

Compliant

10. When any legitimate shareholder has exercised the right to complete the agenda or submit new proposals for agreement, before the general shareholders' meeting, the Company:
- Immediately disseminates these additional points and new proposals for agreement.
  - Publishes the attendance card model or proxy voting or remote voting form with the required changes so that the new points on the agenda and alternative proposals may be voted on under the same conditions as those proposed by the board of directors.
  - Submits all of these points and alternative proposals to the vote and applies the same voting rules as for those proposed by the board of directors, including, in particular, assumptions or deductions regarding the voting.
  - After the general shareholders' meeting, give the breakdown of the voting on these additional points or alternative proposals.

Not applicable

11. If the Company plans to pay bonuses for attendance at the general shareholders' meeting, it should establish a general policy regarding these bonuses in advance and this policy should be stable.

Not applicable

12. The board of directors should perform its duties with the same aim in mind and using independent judgement and should apply equal treatment to shareholders in the same position. The board of directors should be guided by the corporate interest, i.e. a business that is profitable and sustainable in the long term which promotes business continuity and maximisation of the Company's economic value.

And, while striving for the corporate interest, besides observing applicable regulations and acting in good faith, ethically and in compliance with the commonly accepted customs and good practices,

it should try to balance the corporate interest with, as appropriate, the legitimate interests of its employees, providers, customers and other affected stakeholders, and also the impact of Company activities on the community as a whole as well as the environment.

Compliant

13. The board of directors should be the right size to manage to operate in an efficient and participative manner, which makes it advisable for it to have between five and fifteen members.

Compliant

14. The board of directors should approve a policy for selecting directors that:

- a) Is specific and attestable.
- b) Ensures that the proposed appointments or re-elections are based on prior analysis of the needs of the board of directors.
- c) Favours diversity of knowledge, experience and gender.

The result of the prior analysis of the needs of the board of directors should be contained in the appointment committee's justification report, which should be published along with the announcement for the general shareholders' meeting to which the ratification, appointment or re-election of each director will be submitted.

And the policy for selecting directors should promote the objective of the number of female directors representing, at least, 30% of the total members of the board of directors by 2020.

On an annual basis, the appointments committee will verify compliance with the policy for selecting directors and report thereon in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should constitute a large majority of the board and the number of executive directors must be the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of executive directors in the company's capital.

Compliant

16. Among the total non-executive directors, the percentage of proprietary directors should not be greater than the proportion of company capital represented by those directors in comparison with the remainder of the capital.

This criteria may be minimised:

- a) In companies with high capitalisation where there are few shareholdings that are legally considered significant.

- b) In companies with high capitalisation where there are few shareholdings that are legally considered significant.

Compliant

17. The number of independent directors should account for at least half of all directors.

However, when the company does not have high capitalisation or, even when it does, it has one or several shareholders acting together, who control more than 30% of the business capital, the number of independent directors should represent, at least, a third of the total directors.

Compliant

18. Companies should publish the following information on directors on their websites, and keep it updated:

- a) Professional profile and biography.
- b) Other boards of directors that he or she sits on, whether or not they are listed companies, and also any other paid activities he or she performs, whatever their nature.
- c) State the category of director he or she is, indicating the shareholder, in the case of proprietary directors, that he or she represents or with whom he or she is connected.
- d) Date of first appointment as director of the company, and those of subsequent re-elections.
- e) Company shares, and options regarding the same, that they own.

Compliant

19. In the annual corporate governance report, after verification by the appointments committee, the reasons should be explained why proprietary directors have been appointed at the request of shareholders whose shareholdings are less than 3% of capital; and the reasons should be given why formal requests have not been answered for a presence on the board from shareholders whose shareholdings are equal to or more than those of others at whose request proprietary directors have been appointed.

Not applicable

20. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding. And they should also resign when the shareholder whose interests they represent reduces its stake to such a level that its number of proprietary directors should be reduced.

Compliant

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board, based on a proposal from the appointments committee. In particular, just cause shall be said to exist if the director assumes new posts or obligations that prevent him/her from dedicating the necessary



time to his/her duties as director, fails to fulfil duties inherent to his/her post or incurs in any of the circumstances that cause him/her to cease to be independent, in accordance with the provisions of applicable legislation.

It shall also be possible to propose the removal of independent directors as a result of takeover bids, mergers or other similar corporate operations, which imply a change in the company's capital structure, when such changes in the board of directors are triggered by the criterion of proportionality set forth in Recommendation 16.

Compliant

22. Companies should establish rules to oblige directors to report and, in the event, resign, in scenarios that might damage the credit and reputation of the company, and, in particular, to oblige them to report to the Board any criminal proceedings for which they are indicted, as well as the subsequent developments of these proceedings.

And, if a director is investigated or indicted for any of the offences listed in the Spanish Companies Act, the board of directors should examine the case as soon as possible and, in light of the specific circumstances, decide whether or not the director should continue in his/her post. The Board should disclose all such determinations in the Annual Corporate Governance Report.

Compliant

23. All directors should clearly express their opposition when they consider a proposal submitted to the board of directors to be contrary to the interests of the company. The same applies, in particular to independent and other directors not affected by the potential conflict of interest, when the decision could jeopardise the interests of shareholders not represented on the board of directors.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she should draw the pertinent conclusions and, if he or she chooses to resign, he or she should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary to the board of directors, whether a director or not.

Not applicable

24. When, due to resignation or any other reason, a director leaves his/her post before the end of his/her term, he/she should explain why in a letter to all members of the board of directors. And, without prejudice to its being notified as a relevant fact, the reason for the termination should be explained in the annual corporate governance report.

Compliant

25. The appointments committee should ensure that non-executive directors have enough time to correctly perform their duties.

The regulations of the board should establish the maximum number of company boards of directors that its directors may sit on.

Partially compliant

In accordance with Article 17.3.a) of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must also determine the time and dedication necessary for the directors to effectively perform their duties and confirm that non-executive directors have enough free time to perform their duties correctly.

The Company believes that it is not necessary to establish the maximum number of company boards of directors that its directors may sit on.

26. The board of directors should meet as frequently as necessary to perform their duties effectively and, at least, eight times a year, following the calendar and topics established at the start of the financial year, and each director may, individually, propose other points for the agenda that were not initially planned.

Compliant

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. When directors have no choice but to delegate their vote, they should do so with instructions.

Compliant

28. When the directors or the secretary is concerned regarding a proposal or, in the case of directors, regarding the company's progress, and these concerns are not resolved by the board of directors, they will be recorded in the minutes at the request of the party who stated them.

Not applicable

29. The Company should provide adequate channels for directors to comply with their duties, which in special circumstances may include external advisory services paid for by the Company.

Compliant

30. Regardless of the knowledge required of directors for performing their duties, the companies should also offer refresher programmes when circumstances so advise.

Compliant

31. The meeting agenda should clearly state the points on which the board of directors must adopt a decision or agreement so that the directors can study or gather the information they need, in advance, for adopting it.

When, exceptionally, for reasons of urgency, the chairperson wishes to submit decisions or agreements for approval by the board of directors that are not on the agenda, most of the directors present must first expressly agree therewith. Their consent shall be noted down in the minutes.

Compliant

32. The directors should be regularly informed of movements in the shareholding and of the opinion that the significant shareholders, the investors and the rating agencies have of the Company and its group.

Compliant

33. The chairperson, as the party responsible for the efficient operation of the board of directors, besides performing the duties attributed to him by law and the bylaws, should prepare and submit to the board of directors a calendar and topics to be dealt with; should organise and coordinate the regular evaluation of the board and also, where applicable, of the Company's chief executive; should be responsible for managing the board and for the effectiveness of its operation; should ensure that sufficient time is spent discussing matters of strategy, and should agree on and review the programmes for updating knowledge for each director, when required by circumstances.

Compliant

34. When there is a coordinating director, besides the powers legally bestowed on him or her, the bylaws or the regulations of the board of directors should attribute the following to him or her: to chair the board of directors when the chairperson and the vice chairperson, if there are any, are absent; to voice the concerns of the non-executive directors; to maintain contact with investors and shareholders and discover their points of view for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate governance of the Company; and to coordinate the succession plan for the chairperson.

Not applicable

35. The secretary of the board of directors should ensure, in particular, that the board of directors take any good governance guidelines contained in this Code of Good Governance that are applicable to the Company into account in their actions and decisions.

Compliant

36. The plenary of the board of directors should evaluate and adopt, where applicable, an action plan once a year, to correct any deficiencies detected with regard to:
- The quality and efficiency of the operation of the board of directors.
  - The operation and composition of its committees.
  - Diversity in the composition and duties of the board of directors.
  - The performance of the chairperson of the board of directors and the Company's chief executive.
  - The performance and contribution of each director, paying special attention to the parties responsible for the different board committees.

The different committees shall be evaluated based on the report that they submit to the board of directors and the latter shall be evaluated based on the report submitted to it by the appointments committee.

Every three years, the board of directors shall be helped to perform the evaluation by an external consultant, whose independence shall be verified by the appointments committee.

The business relationships that the consultant or any company in its group maintains with the Company or any company in its group must be listed in the annual corporate governance report.

The process and areas evaluated shall be described in the annual corporate governance report.

Compliant

37. When there is an executive committee, the share structure of the different categories of director shall be similar to that of the board of directors and its secretary should be the secretary to the board of directors.

Not applicable

38. The board is always aware of the matters discussed and the decisions taken by the executive committee and all members of the board receive copies of the minutes of the meetings of the executive committee.

Not applicable

39. The members of the audit committee, and especially its Chair, must be appointed based on their knowledge and experience in accounting, auditing or risk management, and most of these members must be independent directors.

Compliant

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function that ensures the appropriate operation of internal control and information systems and that reports to the non-executive chairperson of the board or of the audit committee.

Compliant

41. The manager of the unit that assumes the function of internal audit should submit his or her annual work plan to the audit committee, should directly report any incidents that occur while carrying it out and should submit an activity report at year end.

Compliant

42. Besides those stipulated by law, the following functions correspond to the audit committee:

1. In relation to the internal control and information systems:
  - a) Oversee the preparation and integrity of the financial information about the company and, where applicable, the group, review compliance with regulations, and ensure correct delimitation of the consolidation perimeter and the correct application of accounting criteria.
  - b) Guarantee that the unit that assumes the function of internal auditing is independent; propose the selection, appointment, re-election and termination of appointment of the manager of the internal audit service; propose the budget for the service; approve the focus and its work plans, ensuring that its activity is focussed mainly on relevant risks for the company; receive periodic information about its activities; and verify that senior management takes the conclusions and recommendations in its reports into account.
  - c) Establish and oversee a mechanism that allows employees to report potentially relevant irregularities, particularly financial and accounting irregularities, within the company. This mechanism must be confidential and, if possible and appropriate, anonymous.
  
2. As for the external auditor:
  - a) If the external auditor resigns, examine the circumstances behind this resignation.
  - b) Ensure that the external auditor's remuneration for his or her work does not compromise its quality or independence.
  - c) Ensure that the company notifies the CNMV of the change of auditor as a relevant fact and accompanies the notification with a statement on the possible existence of disagreements with the outgoing auditor and, if this is the case, of the content of the same.
  - d) Ensure that the external auditor meets with the plenary board of directors to report to it on the work done and on the progress of the company's risk and accountancy situation.
  - e) Ensure that the company and the external auditor respect current regulations on providing services other than those of auditing, the limits on the auditor's concentration of business and, in general, other regulations regarding the independence of auditors.

Compliant

43. The audit committee should be able to invite any of the company's employees or executives to its meetings and it may even determine that no other executive shall be present.

Compliant

44. The audit committee should be informed of operations that involve structural and corporate changes that have been planned by the company for analysis and a preliminary report to the board of directors regarding their economic conditions and their accounting impact and, in particular, where applicable, regarding the proposed exchange ratio.

Compliant

45. The risk management and control policy should, at least, identify:

- a) The various types of risk (operating, technological, financial, legal, reputational, etc.) to which the company is exposed, including among the financial risks, contingent liabilities and other off-balance-sheet risks.
- b) The establishment of the risk level the company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant

- 46 Under the direct supervision of the audit committee or, where applicable, of a specialist committee of the board of directors, there should be an internal risk management and control function performed by one of the company's internal departments or units, to which the following functions are expressly attributed:

- a) Ensure the correct operation of the risk management and control systems and, in particular, that they appropriately identify, manage and qualify all the important risks affecting the company.
- b) Participate actively in the preparation of the risk strategy and in important decisions on risk management.
- c) Ensure that the risk management and control systems appropriately mitigate risk as part of the policy defined by the board of directors.

Compliant

47. The members of the appointment and remuneration committee —or the appointment committee and the remuneration committee, if they are separate— should be appointed with the appropriate knowledge, skills and experience for the functions that they are to perform and the majority of these members should be independent directors.

Compliant

48. Companies with high capitalisation should have a separate appointments committee and remuneration committee.

Not applicable

49. The appointments committee should consult with the chairperson of the board of directors and the company's chief executive, especially in matters relating to the executive directors and senior executives.

Any director should be able to request that the appointments committee consider potential candidates for director positions in case they find them suitable, in their judgement.

Compliant

50. The remuneration committee should perform its duties independently and, besides the duties it is attributed by law, should also be responsible for the following:

- a) Make proposals to the board of directors regarding the standard conditions for senior officer employment contracts.
- b) Check that the company's remuneration policy is complied with.
- c) Periodically review the remuneration policy for directors and senior executives, including remuneration schemes with company shares and the application thereof; and ensure that their individual remuneration is proportional to the remuneration of other company directors and senior executives.
- d) Ensure that possible conflicts of interest do not compromise the independence of external advisory services provided, when appropriate, to the committee.
- e) Check the information about remuneration for directors and senior executives in corporate documents, including the annual report on remuneration for directors.

Compliant

51. The remuneration committee should consult with the chairperson and the company's chief executive, especially in matters relating to the executive directors and senior executives.

Compliant

52. The rules for the composition and operation of the supervision and control committees figure in the regulations of the board of directors and should be consistent with those applicable to the committees that are mandatory in accordance with the above recommendations, including:

- a) They should be exclusively comprised of non-executive directors, with a majority of independent directors.
- b) Their chairpersons should be independent directors.
- c) The board of directors should appoint the members of these committees taking the knowledge, skills and experience of the directors and duties of each committee into account, deliberate on their proposals and reports, and account for their activity and answer for the work done at the first plenary of the board of directors after their meetings.
- d) The committees should be able to receive external advice, when deemed necessary for the performance of their duties.
- e) Minutes should be kept of their meetings, which shall be available to all directors.

Not applicable

53. The job of overseeing compliance with corporate governance rules, internal codes of conduct and corporate social responsibility should be entrusted to the various committees of the board of directors, such as the audit committee, the appointments committee, the corporate social responsibility committee, if there is one, or a specialist committee that the board of directors, exercising its powers of self-organisation, decides to create for the purpose, to which the following minimum functions are entrusted:

- a) Overseeing compliance with the company's internal codes of conduct and corporate governance rules.
- b) Overseeing the strategy for communicating and maintaining relationships with shareholders and investors, including small- and medium-sized shareholders.

- c) Regular evaluation of the suitability of the company's corporate governance system, in order for it to comply with its mission of promoting company interests and take into account, as applicable, the legitimate interests of the remaining stakeholders.
- d) The review of the company's corporate responsibility policy, ensuring that it is focussed on the creation of value.
- e) Monitoring corporate social responsibility practices and strategy and evaluating the degree to which it is complied with.
- f) Supervision and evaluation of relationship processes with the different stakeholders.
- g) Evaluation of all matters in relation to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process for reporting non-financial information and information about diversity according to the applicable regulations and the leading international standards.

Compliant

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily assumes in its relationship with the different stakeholders and identify at least:
- a) The objectives of the corporate social responsibility policy and the development of support instruments.
  - b) Corporate strategy in relation to sustainability, the environment and social issues.
  - c) Specific practices in matters relating to: shareholders, employees, customers, providers, social issues, the environment, diversity, tax liability, respect for human rights and prevention of illegal conduct.
  - d) Methods and systems for monitoring the results of applying the specific practices stated in the letter above, the associated risk and management of the same.
  - e) Mechanisms for supervision of non-financial risk, ethics and business conduct.
  - f) Channels of communication, participation and dialogue with the stakeholders.
  - g) Responsible communication practices that prevent the manipulation of information and protect integrity and honour.

Compliant

55. The company should report, in a separate document or in the management report, on matters relating to corporate social responsibility, using any of the internationally accepted methods to do so.

Compliant

56. Directors' remuneration should be sufficient to attract and retain directors with the desired profile and to compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise the independence of criteria of non-executive directors.

Compliant



57. Remuneration for executive directors should be limited to variable remuneration linked to the company's results and personal performance, and also to remuneration through shares, options on or rights over shares or instruments indexed to the share price, and long-term savings plans, such as pension plans, retirement plans or other welfare systems.

Shares may be contemplated as remuneration for non-executive directors when it is conditional upon the directors holding them until they leave their post. The above will not apply to shares that the director needs to sell, where applicable, to pay for costs relating to their purchase.

Compliant

58. In the case of variable remuneration, remuneration policies should incorporate the precise necessary technical ceilings and precautions to ensure that it is in line with the professional performance of its beneficiaries and does not simply derive from the general performance of the markets or the company's business sector or other similar circumstances.

In particular, the variable components of the remuneration should:

- a) Be linked to predetermined and measurable performance criteria and those criteria should be considered the risk assumed for obtaining a result.
- b) Promote the sustainability of the company and include non-financial criteria that is appropriate for the creation of value in the long term, such as compliance with the company's internal rules and procedures and with its risk management and control policies.
- c) Be based on a balance between meeting objectives in the short, medium and long term that allow for remuneration of performance through continuous effort over a sufficient period for its contribution to the sustainable creation of value to be appreciated, so the elements for measuring this performance are not based only on specific, occasional or special events.

Compliant

59. Payment of a significant portion of the variable components of remuneration should be deferred for a period sufficient to ensure that the previously-established minimum performance conditions have been met.

Compliant

60. That remuneration linked to company earnings should take into account any qualifications stated in the external auditor's report that reduce such earnings.

Compliant

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Compliant

62. Once the shares or options on or rights over shares corresponding to the remuneration systems are attributed, directors may not transfer ownership of a number of shares equal to twice their annual set remuneration, or exercise options or rights until, at least, three years after they are attributed.

The above will not apply to shares that the director needs to sell, where applicable, to pay for costs relating to their purchase.

#### Explain

The Company believes that the remuneration policy for the Managing Director (sole Executive Board Member) is adequate without there being a need to include this limitation thus far.

63. Contracts and agreements should include a clause that allows the company to claim a refund of the variable components of the remuneration when the payment was not been adapted to performance conditions or when it was paid taking into account data that later proved to be erroneous.

#### Compliant

64. Payment for termination of contract should not exceed a set amount equal to two years of total annual payment and it should not be paid until the company has been able to check that the director complied with previously established performance criteria.

#### Compliant

## H. Other information of interest

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1. If there are any relevant aspects of corporate governance in the company or group companies that have not been discussed in other sections of this report, but which it is necessary to include in order offering more thorough and reasoned information on the structure and practices of governance in the company or its group, briefly outline them.
2. In this section, any other information, clarification or nuance relating to the previous sections of the report may be included, provided they are relevant and not repetitive.

Specifically, state whether the company is subject to corporate governance legislation other than Spanish legislation and, if so, include such information as is obligatory and different from the information presented herein.

3. The company may also state whether it has voluntarily subscribed to other international, sector-specific codes of ethics or good practices, or codes pertaining to other spheres. If applicable, the code in question must be identified and the date of subscription stated.

GENERAL CLARIFICATION: It is hereby certified that the data contained in this Report refer to the financial year ended 31 December 2016, except in those matters specifically and expressly referring to another date.

EXPLANATORY NOTE TO SECTION A.3: The number of shares in the table under the heading 'equivalent number of shares', refers to the maximum number of shares which there is an option to receive, although the number of shares actually received will depend on compliance with the terms and conditions provided in the Long-Term Incentives Plan approved at the General Shareholders' Meeting held on 28 April 2015.

EXPLANATORY NOTE TO SECTION A.8: Treasury stock may only change ownership during restructuring of the company.

This annual corporate governance report was approved by the Board of Directors of the company, at its meeting on 30/01/2017.

State whether there were directors who voted against or who abstained from approving this Report.

No



KPMG Auditores, S.L.  
Pº. de la Castellana, 259 C  
28046 Madrid

Auditors' Report on the "Information concerning the System of Internal Control over Financial Reporting (ICFR)" of Prosegur Compañía de Seguridad, S.A. for 2016

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Directors  
Prosegur Compañía de Seguridad, S.A.

As requested by the Board of Directors of Prosegur Compañía de Seguridad, S.A. (the "Company") and in accordance with our proposal letter dated 10 January 2017, we have applied certain procedures to the "Information concerning the ICFR" attached in section F of the Annual Corporate Governance Report of Prosegur Compañía de Seguridad, S.A. for 2016, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the information concerning the ICFR attached.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures. Consequently, the scope of our evaluation of the internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficiency of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Action Guide referring to the Auditors' Report on Information on Internal Control over Financial Reporting for listed entities*, published on the website of the Spanish Securities Market Commission (CNMV), which defines the work to be performed, the minimum scope of the work and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operational efficiency, with respect to the Company's annual financial reporting for 2016 described in the attached Information concerning the ICFR. Consequently, had additional procedures been applied to those defined in the Action Guide, or an audit or review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

Moreover, as this special engagement does not constitute an audit of accounts nor is it subject to the current Audit Law in Spain, we do not express an audit opinion in the terms envisaged in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the attached information prepared by the Company in relation to the ICFR – disclosures included in the directors' report – and evaluation of whether it covers all the information required, taking into account the minimum content described in Section F, concerning the ICFR description, of the standard Annual Corporate Governance Report pursuant to CNMV Circular 7/2015 of 22 December 2015.
2. Inquiries of personnel responsible for preparing the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.
3. Review of explanatory documentation supporting the information detailed in point 1 above, and which will mainly include that made directly available to those responsible for preparing the descriptive information on the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.
4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of the meetings of the Board of Directors, audit committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to the ICFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the Information concerning the ICFR, no inconsistencies or incidents have come to light that could affect it.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Spanish Companies Act and CNMV Circular 7/2015 of 22 December for the purposes of describing ICFR in the Annual Corporate Governance Reports.

KPMG Auditores, S.L.  
(Signed on original in Spanish)

Bernardo Rücker-Embden

31 January 2017

# Audit Committee Activity Report for Fiscal Year 2016

## I. Introduction

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### Regulation

The Audit Committee of the Prosegur Security Company was created in 2003.

Its regulations are contained in article 27 of the Company Bylaws and article 16 of the Regulations of the Board of Directors.

### Duties

The duties of the Audit Committee include the following:

- Inform the General Shareholders' Meeting about matters relating to the Committee's scope of action, particularly the results of audits, and explain how audits contribute to the integrity of financial information and the Committee's role in the process.
- Ensure that the Board of Directors seeks to present a financial statement to the General Shareholders' Meeting based on an audit report with no limitations or reservations. In the exceptional event of reservations, the Chair of the Audit Committee must explain the situation and ensure that the auditors clearly explain the content and scope of these limitations and reservations to the shareholders.
- Submit proposals for selecting, appointing, re-electing and replacing the external auditor to the Board of Directors; assume responsibility for conducting the selection process in accordance with the legal requirements, for the contractual terms and conditions, and for regularly collecting information from the auditor about the audit plan and its execution; and ensure the independent exercise of their duties.
- In relation to the external auditor: (i) if the external auditor resigns, analyse the circumstances behind this decision; (ii) ensure that the external auditor's remuneration does not compromise the quality or independence of their work; (iii) ensure that the Company informs the Spanish National Securities Market Commission (CNMV) of the change of auditor as a relevant fact and adds a statement about any potential disagreements with the auditor and, if applicable, explains the nature of these disagreements; (iv) ensure that the external auditor meets with the full session of the Board of Directors on an annual basis to report about their work and the progress of the Company's accounting situation and risks; (v) oversee compliance with the auditing contract and ensure that the opinion about the financial statement and the main contents of the audit report are written clearly and accurately; and (vi) ensure that the Company and the external auditor comply with the current policy on audit service provision, limits on concentration of auditing business and the general policy governing the independence of auditors.

- Establish and maintain adequate relationships with the external auditor so as to receive information about any issues that may pose a threat to the auditor's independence, which will then be assessed by the Committee; receive any other information in relation to account auditing; when appropriate, authorise services that are not prohibited pursuant to the law; and any other communications stipulated in the account auditing legislation and auditing policy. In any case, the Audit Committee must receive an annual declaration from the account auditor regarding their independence from the company or companies that are directly or indirectly linked to the Audit Committee. The auditor must also provide detailed and individual information about any additional services that have been provided by the auditor and paid for by these companies, or any additional services provided by individuals or companies linked to the auditor pursuant to the legislation in force.
- Issue an annual report, before the account audit report, declaring whether or not the auditor's independence is compromised. In all events, this report must contain an opinion about the substantiated assessment of the provision of each and every additional service mentioned above (individually and as a group), which is different from legal auditing and in connection with the independence system or the regulations on account auditing.
- Supervise internal auditing and in particular (i) guarantee that internal auditing is independent and efficient; (ii) propose the selection, appointment and termination of appointment of the manager of the internal audit service; (iii) propose the budget for the service; (iv) review the annual work schedule for internal auditing and the annual activity report; (v) receive periodic information about its activities; and (vi) verify that senior management takes the conclusions and recommendations in its reports into account.
- Oversee the preparation and presentation of mandatory financial information and submit recommendations or proposals to the administration body aimed at safeguarding integrity. In connection to this, the Committee is responsible for overseeing the preparation and integrity of the financial information about the Company and the Group, for reviewing compliance with regulations, and for ensuring correct delimitation of the consolidation perimeter and the correct application of accounting criteria. The Board of Directors must be duly informed of all of these aspects.
- Oversee the efficiency of the Company's internal control and the risk management systems (including tax risks) and discuss with the account auditor any significant weaknesses of the internal control system that have been detected during auditing. Independence must never be compromised. To this end, and where appropriate, the Committee must submit recommendations or proposals to the Board of Directors and indicate the follow-up time frame. In this context, it must propose the risk control and management policy to the Board of Directors. This policy must at least identify: (i) the type of risk (operational, technological, financial, legal and reputational) which the Company faces; (ii) the risk level which the Company deems to be acceptable; (iii) the measures for mitigating the impact of identified risks were they to materialise; and (iv) the control and information systems used to control and manage risks.
- Oversee the operation of the risk control and management unit, which must: (i) guarantee that the risk control and management systems work properly, specifically guaranteeing that all major risks affecting the Company are identified, managed and quantified; (ii) actively participate in drawing up the risk strategy and making important decisions about risk management; and (iii) ensure that the risk control and management systems mitigate risks appropriately and in accordance with the policy defined by the Board of Directors.
- Inform the Board of Directors beforehand of any matters required by law and the corporate bylaws, specifically: (i) the financial information which the Company must disclose periodically; and (ii) the creation or acquisition of equity participation in special purpose vehicles or companies headquartered in countries or territories that are considered to be tax havens.

- Establish and oversee a system that allows employees to report potentially relevant irregularities, particularly financial and accounting irregularities, within the Company. This system must be confidential and, if possible and appropriate, anonymous.

### Composition of the Committee and attendance at its meetings in 2016

The Audit Committee is a committee appointed by the Board of Directors and it is therefore made up of Company directors.

At 31 December 2016, the composition of the Audit Committee was as follows:

<b>Name</b>	<b>Type of director</b>
Mr Eugenio Ruiz-Gálvez Priego (Presidente)	Independent
Mr Pedro Guerrero	Independent
Mr Isidro Fernández Barreiro	Other External
Secretary to the Committee (not a member):	Ms Sagrario Fernández Barbé

In accordance with its regulations, the Committee meets as often as it is convened by agreement of the Board of Directors, of the Committee itself or of its Chair, and at least four times a year. Four meetings were held in 2016.

Attendance at Audit Committee meetings in 2016 was as follows:

Mr Eugenio Ruiz-Gálvez Priego	Four meetings
Mr Pedro Guerrero Guerrero	Three meetings
Mr Isidro Fernández Barreiro	Three meetings

Depending on the agenda for the Committee meeting, external advisors and management also attended these meetings, including the external auditors who are asked to come and report to the Committee at least twice a year.

Minutes are taken at Audit Committee meetings and are available to members of the Board of Directors.

## II. Activities in 2016

### 1. Financial information

The Committee paid special attention to the review—conducted prior to the one performed and disseminated by the Executive Committee and the Board of Directors—of the Prosegur Group's and the Company's annual accounts, and also of the quarterly financial information, six-monthly financial statements and all other information made available to the market and supervisory bodies.



At the meetings in fiscal year 2016, the periodic public information that the Company sends to CNMV was reviewed.

At the meeting held on 26 April, the Committee unanimously agreed to accept the proposal submitted by the CFO to increase the information made available to the market about the Alarms business and, accordingly, to inform the Board of Directors and request the relevant authorisation.

## **2. Account auditing**

The account auditors attended the meeting held on 23 February to present their conclusions regarding the accounts audit for fiscal year 2015, and the meeting held on 27 July to present the results of the procedures agreed upon for the financial statements at 30 June 2016.

## **3. Codes of conduct**

The Audit Committee is responsible for examining compliance with codes of conduct and with rules of corporate governance in general.

In 2016, the Audit Committee supervised this compliance, especially with regard to internal regulations on conduct and the Code of Ethics and Conduct.

The Committee agreed to issue the Report on Related-Party Transactions for fiscal year 2015.

## **Modification to the regulations of the board of directors**

At its meeting on 23 February, the Committee unanimously agreed to issue a favourable report with regard to the proposed agreement for adoption by the Board of Directors on the modification to the following articles in the Regulations of the Board of Directors in order to adapt them to the new Spanish Companies Act (LSC 30/2014): Art. 5 (General Supervisory Role), Art. 6.1 (Creation of Value for Shareholders), Art. 7 (Other Interests), Art. 8 (Qualitative Composition), Art. 10 (Chair of the Board of Directors), Art. 16 (Audit Committee), Art. 17 (Appointments and Remuneration Committee), Art. 18 (Meetings of the Board of Directors), and Art. 24 (Termination of Appointment of Directors).

At its meeting on 27 July, the Committee agreed to issue a favourable report with regard to allowing the Board of Directors to make a decision about modifying Art. 14 of the Regulations of the Board of Directors. This modification consists in removing the obligation to create an executive committee within the Board of Directors.

## **4. Risk management and internal control**

The duties of the Audit Committee include supervising the efficiency of Prosegur's internal control and risk management systems.

On 23 February 2016, the Internal Audit Director submitted the 2015 activity report for approval, along with the 2016 work schedule drawn up (i) in accordance with certain regulatory requirements, (ii) in accordance with the schedule established for verifying internal controls regarding financial information, and (iii) considering weaknesses in internal control identified during the external audit process and other procedures for identifying risk. The Internal Audit Director regularly reported on the execution of the work schedule at the Audit Committee meetings.

The following are the most noteworthy activities performed by the internal audit department and supervised by the Audit Committee:

- Conclusion and report on the projects contained in the work schedule for 2016.
- Receipt and analysis of notifications received through the report channel.
- Preparation of six-monthly follow-up reports for recommendations agreed upon in audits performed. For each recommendation, a formal document of commitment is defined with the audited area, specifying an action plan, the party responsible for carrying it out, the planned completion date and, where possible, quantification of the result obtained.

The Committee received the results of the critical risk assessment performed quarterly by the Risk Committee.

At the meeting of 23 February, and in accordance with the recommendations of the new code of good governance, the Committee unanimously agreed to approve the proposed risk control and management policy and to submit it for approval to the Board of Directors.

### **Monitoring the group's occupational contingencies**

At all meetings the Committee was informed of the corporate-level monitoring of the group's occupational risk with the aim of improving the management of this risk, reducing the costs associated with it and diminishing the likelihood of its occurrence through preventive and other actions.

