

**APPENDIX I**

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**ISSUER IDENTIFICATION**

YEAR-END DATE

C.I.F.

Company Name:

PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.

Registered Office:

CALLE PAJARITOS, 24 28007 MADRID. SPAIN

<b>ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES</b>
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**A CAPITAL STRUCTURE**

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
06/07/2012	37,027,478.40	617,124,640	617,124,640

<b>Remarks</b>

Please state whether there are different classes of shares with different associated rights:

Yes       No

Class	Number of shares	Par value	Number of votes	Associated rights

<b>Remarks</b>

A.2 Provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Oppenheimer International Growth Fund	5.02%	0%	0%	0%	<b>5.02%</b>
Oppenheimer Acquisition Corporation	0%	5.67%	0%	0%	<b>5.67%</b>
Mirta María Gieso Cazenave	0.31%	5.33	0%	0%	<b>5.64%</b>
FMR LLC	0%	5.02%	0%	0%	<b>5.02%</b>

Remarks
Fidelity Investment Trust owns shares representing 3,002% whose voting rights are exercised by FMR LLC.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Oppenheimer Acquisition Corporation	Funds and accounts managed by Oppenheimer Funds. Inc.	5.67%		<b>5.67%</b>
Mirta María Gieso Cazenave	AS Inversiones, S.L.	5.33%		<b>5.33%</b>
FMR LLC	Funds managed by FMR LLC.	5.02%		<b>5.02%</b>

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of the transaction	Description of the transaction
Invesco Limited	15/01/2018	Share capital decreased by 1% (only tax havens)
FMR LLC	22/05/2018	Increase in shareholding from 3.96% to 5.02%.

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights <u>than can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Helena Irene Revoredo Delvecchio	0.00%	50.11%	0.00%	0.00%	50.11%	0.00%	0.00%
Christian Gut Revoredo	0.14%	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%
Ángel Durandez Adeva	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<b>Total percentage of voting rights held by the Board of Directors</b>	50.25%
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Remarks
Ángel Durandez Adeva owns 0,001% of direct voting rights, corresponding to 5,300 shares.

Breakdown of the holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through	% of total voting rights	% of voting rights <u>than can be transmitted</u> through
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				<b>financial instruments</b>		<b>financial instruments</b>
Helena Irene Revoredo Delvecchio	Gubel, S.L.	50.08%		0.00%	50.08%	0.00%

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

<b>Name of related party</b>	<b>Nature of relationship</b>	<b>Brief description</b>

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

<b>Name of related party</b>	<b>Nature of relationship</b>	<b>Brief description</b>
PROACTINMO, S.L.U.	Commercial	Lease entered into with Proactinmo S.L.U (controlled by Gubel, S.L.) for the building located at calle Santa Sabina, 8, in Madrid. Lease entered into with Proactinmo for the building located at calle Pajaritos, 24, in Madrid.
PROACTINMO, S.L.U.	Commercial	Agreement to provide security services to Proactinmo, S.L.U. (controlled by Gubel, S.L.).
EUROFORUM ESCORIAL S.A.	Commercial	Hotel services agreement with Grupo Euroforum (controlled by Gubel, S.L.).
EUROFORUM ESCORIAL S.A.	Commercial	Service level agreement with Grupo Euroforum (controlled by Gubel, S.L.).

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors:

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

<b>Name or company name of related director or representative</b>	<b>Name or company name of related significant shareholder</b>	<b>Company name of the group company of the significant shareholder</b>	<b>Description of relationship/post</b>
Chantal Gut Revoredo	Helena Irene Revoredo Delvecchio	Gubel, S.L.	Direct family member
Christian Gut Revoredo	Helena Irene Revoredo Delvecchio	Gubel, S.L.	Direct family member

Remarks
<p><b>Name or company name of related director:</b> Christian Gut Revoredo</p> <p><b>Name or company name of related significant shareholder:</b> Helena Irene Revoredo Delvecchio</p> <p><b>Description of the relationship:</b> Helena Irene Revoredo Delvecchio is Christian Gut Revoredo's mother. Helena Irene Revoredo Delvecchio is a controlling shareholder of GUBEL, S.L. and Christian Gut Revoredo has a non-controlling, minority stake. GUBEL, S.L. controls 50.08% of the Company.</p> <p><b>Name or company name of related director:</b> Chantal Gut Revoredo</p> <p><b>Name or company name of related significant shareholder:</b> Helena Irene Revoredo Delvecchio</p> <p><b>Description of the relationship:</b> Helena Irene Revoredo Delvecchio is Chantal Gut Revoredo's mother. Helena Irene Revoredo Delvecchio is a controlling shareholder of GUBEL, S.L. and Chantal Gut Revoredo, has a non-controlling, minority stake. GUBEL, S.L. controls 50.08% of the Company.</p>

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades

de Capital (“Corporate Enterprises Act” or “LSC”). so, describe these agreements and list the party shareholders:

Yes  No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes  No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

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A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores (“Spanish Securities Market Act” or “LMV”). If so, please identify them:

Yes  No

Name of individual or company
HELENA REVOREDO DELVECCHIO

Remarks
Via the company Gubel, S.L.

A.9 Complete the following table with details of the company’s treasury shares:

**At the close of the year:**

<b>Number of direct shares</b>	<b>Number of indirect shares (*)</b>	<b>Total percentage of share capital</b>
18,542,006	0	3%

Explain any significant changes during the year:

<b>Explain significant changes</b>
N/A

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The General Shareholders' Meeting of Prosegur Compañía de Seguridad, S.A., (hereinafter the "**Company**"), 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 shares directly or via subsidiaries, 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 in full or in part for the acquisition of treasury shares to be delivered or transferred to directors or employees of the Company or companies belonging to its group, either directly or as a result of their exercising option rights, all within the framework of remuneration systems linked to the market value of shares in Prosegur Compañía de Seguridad, S.A.

2.- By virtue of that which is contemplated in the final paragraph of section a) of Article 146.1 of the Spanish Corporations Act, it is permitted that shares acquired by the Company or its subsidiaries by way of this authorisation may be, in full or in part, transferred to employees or directors of the Company or its subsidiaries, either directly or as a result of exercising option rights held by them.

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.11 Estimated free float:

%
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<b>Estimated Floating Capital</b>	25.40%
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A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes                   No

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes                   No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes                   No

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

**B GENERAL SHAREHOLDERS' MEETING**

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail.

Yes                   No

	% quorum different from that	% quorum different from that
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	<b>contained in Article 193 LSC for general matters</b>	<b>contained in Article 194 LSC for special resolutions</b>
<b>Quorum required at 1st call</b>		
<b>Quorum required at 2nd call</b>		

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes  No

Describe how it is different from that contained in the LSC.

	<b>Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters</b>	<b>Other matters requiring a qualified majority</b>
<b>% established by the company for adoption of resolutions</b>		

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The 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 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous two years:

Date of General Meeting	Attendance data				Total
	% physically	% represented by	% distance voting		
			Electronic	Other	
02/12/2016	0.55	87.04	0.00	0.00	87.59
Of which, free float:	0.45	55.39	0.00	0.00	55.84
29/05/2017	0.17	84.22	0.00	0.00	84.39
Of which, free float:	0.14	55.71	0.00	0.00	55.85
29/05/2018	4.82	75.90	0.00	0.00	80.72
Of which, free float:	4.67	20.49	0.00	0.00	25.16

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

Yes  No

Points on agenda not approved	% votes against (*)

(\*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes  No

Number of shares required to attend General Meetings	1,000
Number of shares required for distance voting	1,000

Remarks
Shareholders with a right to attend may issue their votes, prior to the General Meeting, on proposals related to agenda items in the call notice of any General Meeting in hand, by post or by remote means. In addition, shareholders with the right to attend the General Meeting may attend using electronic or remote telematic communication means, subject to a resolution by the Board of Directors, which will indicate in the call notice the eligible means that meeting the legal requirements to guarantee the shareholders' identity, the effectiveness of their rights and the correct conduct of the meeting.

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes  No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

Address: [www.prosegur.com](http://www.prosegur.com)  
 Manner of access to information on corporate governance: Home / Investors & Shareholders / Corporate governance  
 and Home / Investors & Shareholders / General Shareholders' Meeting

## **C** COMPANY ADMINISTRATIVE STRUCTURE

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors set by the general meeting</b>	8

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the board	Date first appointed to Board	Last re-election date	Method of selection to Board
Helena Revoredo Delvecchio		Proprietary	Chairman	30/06/1997	27/04/2016	General Shareholders' Meeting resolution
Isidro Fernández Barreiro		Other external	Deputy Charman	19/06/2002	27/04/2016	General Shareholders' Meeting resolution
Christian Gut Revoredo		Executive	Chief Executive Officer	30/06/1997	27/04/2016	General Shareholders' Meeting

						resolution
Chantal Gut Revoredo		Proprietary	Director	30/06/1997	27/04/2016	General Shareholders' Meeting resolution
Fernando D'Ornellas Silva		Independent	Director	27/04/2016	27/04/2016	General Shareholders' Meeting resolution
Eugenio Ruiz-Gálvez Priego		Other external	Director	27/06/2005	29/05/2017	General Shareholders' Meeting resolution
Fernando Vives Ruiz		Independent	Director	29/05/2012	29/05/2018	General Shareholders' Meeting resolution
Ángel Duráñez Adeva		Independent	Director	29/05/2017	29/05/2017	General Shareholders' Meeting resolution

<b>Total number of directors</b>	8
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

<b>Name of director</b>	<b>Director type at time of leaving</b>	<b>Date of last appointment</b>	<b>Date director left</b>	<b>Specialised committees of which he/she was a member</b>	<b>Indicate whether the director left before the end of the term</b>
N/A	N/A	N/A	N/A	N/A	N/A

<b>Reason for leaving and other remarks</b>
N/A

C.1.3 Complete the following tables regarding the members of the Board and their categories:

### EXECUTIVE DIRECTORS

Name or company name of director	Posting in organisational chart of the company	Profile
Christian Gut Revoredo	Chief Executive Officer	<p>Economics and Business graduate from CUNEF and MBA from the INSEAD Business School (Fontainebleau, France).</p> <p>Director of Prosegur Cash, S.A. since 2016.</p> <p>Member of the Board of Trustees of Fundación Prosegur.</p> <p>Director of Euroforum since 2006</p> <p>Became a full member of Prosegur's Executive Management in 2004, with the position of General Manager Spain.</p> <p>Worked in the Mergers &amp; Acquisitions Department of Rothschild Bank from 1998 to 2001.</p>

<b>Total number of executive directors</b>	1
<b>Percentage of Board</b>	12.50%

### EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
Helena Revoredo Delvecchio	Gubel, S.L.	<p>Bachelor in Business Administration and Management from Universidad Católica de Buenos Aires, and PADE (Senior Management Programme) at IESE Business School.</p> <p>Chairperson of Fundación Prosegur since 1997</p> <p>Chairperson of Euroforum since 2004</p> <p>Board Member at Mediaset España Comunicación since 2009</p> <p>Board Member at Endesa since 2014</p> <p>She is also a member of the Board of Trustees for the Queen Sophia Higher School of Music and the Príncipe de Asturias Foundation and also collaborates with the Royal</p>

		<p>Association of Friends of the Reina Sofia National Art Gallery, the Amigos Museo del Prado Foundation and the Teatro Real (Royal Theatre) in Madrid, where she was appointed Chairwoman of the International Board in 2015.</p> <p>She has been awarded the Juan Lladó award, the most prestigious award granted in Spain for cultural patronage and research, as well as the Gold Medal from the Senior Management Forum, the Ramón Borredá Trophy, and the Montblanc Arts Patronage Award.</p>
Chantal Gut Revoredo	Gubel, S.L.	<p>Economics and Business graduate from Universidad Complutense (Colegio Universitario de Estudios Financieros CUNEF) and has an MBA from IESE Business School.</p> <p>Director of Euroforum since 2001.</p> <p>Director of Prosegur Cash, S.A. since 2017.</p> <p>Member of the Board of Trustees of Fundación Prosegur Head of Business Development at Gubel, S.L.</p> <p>Member of the International Advisory Council of the Hispanic Society (New York)</p>

<b>Total number of proprietary directors</b>	2
<b>Percentage of Board</b>	25.00%

### **EXTERNAL INDEPENDENT DIRECTORS**

<b>Name or company name of director</b>	<b>Profile</b>
Fernando D'Ornellas Silva	<p>Bachelor in Law and Economics from ICADE E3 and an MBA from IESE Business School.</p> <p>Director of Meliá Hotels International since 2012.</p>

	Chief Executive Officer of Grupo Bergé between 2007 and 2012. Director of Endesa S.A. between 2007 and 2009.
Fernando Vives Ruiz	Doctor of Law, Comillas Pontifical University (ICADE). Degree in Economics and Business Science, Comillas Pontifical University (ICADE). Executive Chairman of the J&A Garrigues, S.L.P. law firm. Professor of Business Law, Comillas Pontifical University (ICADE). Member of the Consultative Committee of the National Securities Market Commission.
Ángel Durández Adeva	Bachelor in Economics, Professor of Commercial Law, Chartered Accountant and a founding member of Registro de Economistas Auditores. Joined Arthur Andersen in 1965, where he was a partner from 1976 to 2000. Until March 2004, ran Fundación Euroamérica and was a founding trustee. He is currently a Board Member at Repsol, S.A., Quantica Producciones, S.L. and Ideas4all, S.L., Chairman of Arcadia Capital, S.L., Member of Fundación Independiente and Vice-President of Fundación Euroamérica.

<b>Total number of independent directors</b>	3
<b>Percentage of the Board</b>	37.50%

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

<b>Name of director</b>	<b>Description of the relationship</b>	<b>Statement of the Board</b>
Fernando Vives Ruiz	Executive Chairman of the J&A Garrigues, S.L.P. law firm, which provides legal and tax advisory services to the Company of a recurrent and ordinary nature.	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,



		<p>within the ordinary course of business and in market conditions. As part of these services, the firm acts as Secretary to the Board of Directors, for which it receives the same remuneration as that of a non-executive director.</p> <p>Prosegur does not work exclusively with the firm J&amp;A Garrigues, S.L.P., receiving legal and tax advice from other firms. The fees received by J&amp;A Garrigues, S.L.P. from Prosegur are not significant for the firm in material terms and nor do they represent a significant amount on Prosegur's accounts.</p> <p>In addition, the provision of these services is performed through other partners in the firm other than Fernando Vives, whose remuneration as a partner of J&amp;A Garrigues, S.L.P. is totally independent and not linked in any way to the firm's invoicing to Prosegur. Therefore, the Board of Directors considers that the business relationship between the firm J&amp;A Garrigues, S.L.P. and Prosegur, 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 position of director of Prosegur and being classified as independent.</p> <p>Prosegur also provided manned guarding services to J&amp;A Garrigues, S.L.P. in 2018.</p>
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### **OTHER EXTERNAL DIRECTORS**

Identify the other external directors and state the reasons why these directors are

considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

<b>Name of director</b>	<b>Reason</b>	<b>Company, director or shareholder to whom the director is related</b>	<b>Profile</b>
Isidro Fernández Barreiro	Completion of the legal period of consecutive years as director for consideration as independent director	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	Degree in industrial engineering and MBA from IESE. Executive Vice-President of Uralita, S.A. Executive Vice-President of Banco Urquijo since 1994. Executive Vice-President of Corporación Financiera Alba, S.A. from 2006 to 2013 and director from 1994. Vice-President of Balboa Participaciones, S.A. from 2011 to 2013. Director of ACS from 2003 to 2008.
Eugenio Ruiz-Gálvez Priego	Completion of the legal period of consecutive years as director for consideration as independent director	PROSEGUR COMPAÑÍA DE SEGURIDAD, S.A.	Civil engineers from ETS in Madrid and MBA from Graduate School of Business of Stanford University. Board member at Ebro Foods (formerly Azucarera Ebro, S.L.) from 2000 to 2016, and CEO until 2009. CEO of the Uralita, S.A. from 1993 to 1997 and Deputy Chairman from 1997 to 2000. Board member at Corporación Financiera Alba, S.A. from 2010 to 2015.

<b>Total number of other external directors</b>	2
<b>Percentage of the Board</b>	25%

State any changes in status that has occurred during the period for each director:

<b>Name of director</b>	<b>Date of change</b>	<b>Previous status</b>	<b>Current status</b>
N/A	N/A	N/A	N/A

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015
<b>Executive</b>	0	0	0	0	0	0	0	0
<b>Proprietary</b>	2	2	2	2	25	25	25	25
<b>Independent</b>	0	0	0	0	0	0	0	0
<b>Other External</b>	0	0	0	0	0	0	0	0
<b>Total:</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes

No

Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

<b>Description of policies, objectives, measures and how they have been implemented, including results achieved.</b>
<p>The Company's policy for selecting candidates for directorships is a key element of its corporate governance strategy as transparency in actions is one of the Company's key objectives. This policy states that candidates for directorships shall be selected based on an analysis by the Board of Directors of the needs of the Company and its group following the advice and a report from the Appointments and Remuneration Committee.</p> <p>Candidates should include reputable, suitable individuals of acknowledged solvency, skill, experience, qualification, training, availability and commitment to the function, whose conduct and professional experience are aligned with the principles set out in the Code of Ethics. Moreover, appointments must promote diversity of knowledge, experiences, origins, nationalities and gender within the Board of Directors.</p> <p>A key objective is to help have the right balance in the Board of Directors overall that enriches its decision-making process and provides differing viewpoints to the debate of issues under its remit and</p>

prevent any type of implicit bias that may imply discrimination and, in particular, that may undermine the selection of directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

<b>Explanation of means</b>
The Policy of selecting candidates for Directors approved by the Board of Directors of 24 February 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 represents thirty percent of the total members of the Board of Directors.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

<b>Explanation of reasons</b>

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

Female directors currently represent 25% of the total membership of the Company's Board of Directors. Nevertheless, Prosegur is committed to having female directors represent at least 30% as provided for in its Policy for selecting candidates for Directors.
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C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

<b>Name of shareholder</b>	<b>Reason</b>

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

No

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director or committee	Brief description
Christian Gut Revoredo	The Chief Executive Officer has been delegated all the powers of the Board of Directors, except for those that may not be delegated by Law, by the bylaws, or the Regulations of the Board of Directors.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Christian Gut Revoredo	PROSEGUR CASH, S.A.	Chairman	YES
Chantal Gut Revoredo	PROSEGUR CASH, S.A.	Director	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of group member	Position
Fernando D'Ornellas Silva	MELIA HOTELS INTERNATIONAL S.A.	DIRECTOR

Helena Irene Revoredo Delvecchio	ENDESA, S.A.	DIRECTOR
Helena Irene Revoredo Delvecchio	MEDIASET ESPAÑA COMUNICACIÓN. S.A.	DIRECTOR
Angel Durandez Adeva	REPSOL,S.A.	DIRECTOR

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes  No

<b>Explanation of the rules and identification of the document where this is regulated</b>

C.1.13 State total remuneration received by the Board of Directors:

The total remuneration accrued by members of the Board of Directors is as follows:

<b>Board remuneration in financial year (thousand euros)</b>	6,620
<b>Amount of vested pension interests for current members (thousand euros)</b>	0
<b>Amount of vested pension interests for former members (thousand euros)</b>	0

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

<b>Name of individual or company</b>	<b>Position</b>
Javier Taberbero Da Veiga	Global Director of Security
Rafael Ros Montero	Global Director of Alarms
Fernando Abos Pueyo	Global Risk and Resource Management Manager
Antonio Rubio Merino	Chief Financial Officer
Miguel Soler Ruiz-Boada	Internal Audit Director
Rodrigo Zulueta Galilea	Chairman of Prosegur Latam
Javier Cabrerizo Barrera	Chief Operating Officer
Jaime Ron Alpañes	Office Director Chief Executive Officer

<b>Total senior management remuneration (thousand euros)</b>	3,373
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The total remuneration accrued by senior management personnel of Prosegur is as follows:

<b>Remarks</b>
<p>Expenses from civil liability insurance for directors and senior management totalled 154 thousand euros (2017: 468 thousand euros).</p> <p>At the General Meeting held on 28 April 2015, the shareholders approved the 2017 Plan of long-term incentives for the Managing Director and Senior Management of Prosegur. The 2017 Plan is essentially tied to value creation during the 2015-2017 period and sets out the payment of share-based incentives and/or cash to the Chief Executive Officer and Senior Management of the Company like the previous plan.</p> <p>At the General Meeting held on 28 May 2018, the shareholders approved the 2020 Plan of long-term incentives for the Chief Executive Officer and Senior Management of Prosegur. The Plan is tied to value creation during the 2018-2020 period and entails the delivery of cash incentives, calculated for certain beneficiaries based on the share price. It has a term of three years and is based on the attainment of objectives and on the beneficiary's continuing service at the Company. In most cases, the plan measures performance from 1 January 2018 to 31 December 2020 and continuing employment at the Company from 1 January 2018 through to 31 December 2022.</p> <p>For both plans, when determining the cash value of each share to which the beneficiary is entitled, the Company uses as a benchmark the average share price for Prosegur on the Madrid Stock Exchange for the last 15 trading sessions of the month before the month when the shares are to be delivered.</p> <p>The amount of the total incentive will depend on the level of achievement of the objectives established in line with the strategic plan.</p> <p>In relation to the 2017 and 2020 long-term incentive plans for the Chief Executive Officer and Senior Management of Prosegur, included under wages and salaries is the expense for the obligation accrued in 2018 amounting to 4,707 thousand euros (2017: 6,695 thousand euros).</p> <p>The liability for the total obligation acquired is recognised as an expense in the income statement with a debit to provisions on an accruals basis over the Plan measurement period.</p> <p>In 2018, an amount of 8,967 thousand euros was used for the first payment of the 2017 Plan (2017: 1,526 thousand euros).</p>

C.1.15 State whether the Board rules were amended during the year:

Yes

No

<b>Description of amendment</b>

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

(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) Termination.

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 tender their resignation to the Board of Directors and, if deemed necessary by the latter, present their resignation formally in the situations described in C.1.19 of this report.



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.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of amendment
The annual evaluation did not give rise to changes as they were not considered necessary. The Company performs a self-assessment in accordance with its internal rules and regulations, which allows it to evaluate the quality and efficiency of the meetings of the Board of Directors, the operation of its committees, and the accessibility to the material required for the preparation of the Board meetings. Given the satisfactory assessment of the internal organisation and the procedures applied to the activities of the Board of Directors and the board committees, no changes were required.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
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 advisor so the Appointments and Remuneration Committee will directly perform the evaluation.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

N/A

C.1.19 State the situations in which directors are required 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 nominated 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 receive a serious warning from the Audit Committee because they 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.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes

No

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes

No

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes

No

	Age limit
<b>Chairman</b>	
<b>Chief Executive Officer</b>	
<b>Director</b>	

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes  No

<b>Additional requirements and/or maximum number of term limits</b>	
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C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. 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 19.1 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.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

<b>Number of Board meetings</b>	<b>8</b>
<b>Number of Board meetings without the chairman in attendance</b>	<b>0</b>

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

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

<b>Number of meetings held by the Executive Committee</b>	N/A
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<b>Number of meetings held by the Audit Committee</b>	5
<b>Number of Meetings held by the Appointments and Remuneration Committee</b>	1
<b>Number of meetings held by the Appointments Committee</b>	N/A
<b>Number of meetings held by the Remuneration Committee</b>	N/A
<b>Number of meetings held by the ___ Committee</b>	N/A

C.1.26 State the number of meetings held by the Board of Directors during the and the attendance by its members.

<b>Number of meetings in situ when at least 80% of directors attended</b>	8
<b>% of attendance over total votes during the year</b>	98.43%
<b>Number of meetings in situ or representations made with specific instructions of all directors</b>	8
<b>% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year</b>	100%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes  No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

<b>Name</b>	<b>Position</b>
Antonio Rubio Merino	Chief Financial Officer

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The 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.

Article 8 of the Regulations of the Audit Committee states that, inter alia, the Audit Committee's duties including ensuring 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.

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.1.29 Is the secretary of the Board also a director?

Yes  No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Arnau Tapias Monne	
<b>Remarks</b>	
Arnau Tapias Monne is non-director secretary, providing recurring services as partner of the J&A Garrigues S.L.P. law firm.	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 9 of the Regulations of the Audit Committee states that the Audit Committee has powers of information, advice and proposal in relation to the statutory auditor:

-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.

-Ensure that the external auditor's remuneration for his or her work does not compromise its quality or independence.

-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.

-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 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, in which it declares 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.

Article 23.2 of the Regulations of the Audit Committee "Relations with shareholders and other stakeholders" states that the report on the Audit Committee's operate shall include, among other aspects, its opinion on the auditor's independence.

Article 25 of the Regulations of the Audit Committee "Relations with the statutory auditor" states that:

-Relations between the Audit Committee and the Company auditor will respect its independence pursuant to these Regulations and applicable regulation.

-The Committee will ask the auditor for an annual certification of the independence of the firm as a whole and of the team members participating in the audit process of the Group's annual accounts, as well as information on additional services of any kind provided by the auditors or by the persons associated with them in accordance with the provisions of the accounting legislation. The auditor shall also include a statement in the annual certification that it sends to the Audit Committee in which it reports on compliance with the application of the internal quality assurance procedures and independence safeguards that have been implemented.

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.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes

No

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes

No

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes

No

	Society	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	282,302	2,080,390	2,362,692
Amount invoiced for non-audit services/Amount for audit work (in %)	1.48%	36.49%	37.97%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes

No

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	9	9

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	29.03%	29.03%

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes

No

Provide details of the procedures
In accordance with Article 18 of the Regulations of the Board of Directors, the call shall be

sent at least three days in advance and shall always include the meeting's agenda and any relevant information.

Articles 26 and 27 of the Regulations of the Board of Directors establish the powers of information of directors and the right to request expert assistance.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes

No

**Explain the rules**

According to article 24.3 and 24.4, of the Regulations of the Board of Directors, directors must present their resignation to the Board of Directors and, if deemed advisable, formalise their resignation in the situations described in section C.1.19. According to article 24.4 of the Regulations of the Board of Directors, 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.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes

No

Name of director	Criminal charge	Remarks

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes

No

Decision/Action taken	Explanation



C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

- Syndicated credit facility for 200 million euros between Prosegur Compañía de Seguridad, S.A. and a syndicate of credit institutions, dated 10 February 2017. At 31 December 2018, the capital drawn down amounted to [0.00] euros. In the event of a change of control, creditors would no longer be obliged make available the amounts requested by the Company and would be entitled to request early repayment.

- Syndicated credit facility for 300 million euros between Prosegur Cash, S.A. and a syndicate of credit institutions, dated 10 February 2017. At 31 December 2018, the capital drawn down amounted to [0.00] euros. In the event of a change of control, creditors would no longer be obliged make available the amounts requested by the Company and would be entitled to request early repayment. Both facilities were novated and renewed on 7 February 2019. The novation affects the terms of the facilities, which are more favourable than previously, and extends the duration of both by five years (to 7 February 2024), with the possibility of extending the term for another two years.

- The issuance by Prosegur Cash, S.a. on 4 December 2017, under the Company's fixed-income securities issuance programme (i.e. the Euro Medium Term Note Programme), 600 million euros of ordinary bonds maturing on 4 February 2026. In the event of a change of control, bondholders may request the resale of the bonds of the change of control brings a downgrade in credit rating to below investment grade (i.e. below BBB-).

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Senior manager	One director has a golden parachute clause in their contract including severance in the event of involuntary dismissal by the Company.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this.

	Board of Directors	General Shareholders' Meeting
<b>Body authorising the severance clauses</b>	YES	NO

	Yes	No
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Are these clauses notified to the General Shareholders' Meeting?		X
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## C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

### AUDIT COMMITTEE

Name	Post	Category
FERNANDO DORNELLAS SILVA	CHAIRMAN	Independent
ANGEL DURANDEZ ADEVA	MEMBER	Independent
ISIDRO FERNANDEZ BARREIRO	MEMBER	Other External

<b>% of proprietary directors</b>	0%
<b>% of independent directors</b>	66.67%
<b>% of other external directors</b>	33.33%

Explain the duties attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

In accordance with Article 16 of the Regulations of the Board of Directors:

1. The Audit Committee will comprise between three and 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. The majority of its members must be independent directors.

2. The Board of Directors shall appoint the Chair from among the independent directors. The Chair of the Audit Committee is elected 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) Inform the General Shareholders' Meeting about matters that relate to the Committee's scope of action.

b) Ensure that the Board of Directors seeks to present financial statements to the General Shareholders' Meeting without limitations or qualifications in the audit report.

c) Submit proposals for selecting, appointing, re-electing and replacing external auditors to the Board of Directors, and their contractual terms and conditions.

d) 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; (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 (vi) ensure that the Company and auditor comply with applicable rules concerning the provision of non-audit services.

- e) Establish and maintain adequate relationships with the external auditor as provided for in the law.
- f) Issue an annual report, before the account audit report, in which it declares whether or not the auditor's independence is compromised.
- g) Supervise internal auditing.
- h) Oversee the preparation and presentation of mandatory financial information.
- i) Oversee the efficacy of the Company's internal control and the 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) 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 system that allows employees to report potentially relevant irregularities confidentially.
- o) Assess the adequacy of the Company's corporate governance system and oversee the compliance with the 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) Assess all matters in relation 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 therein 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.

The Committee's main actions in the year were:

- Review of the financial statements and communications regarding the Group's financial performance and governance.
- Evaluation of the terms and conditions of related-party transactions.
- Follow-up of internal audit activities, review of the effectiveness of internal control processes and review of the main risks to which the Company is exposed.
- Recommendation to re-appoint the external auditor and recommendation regarding its fees, terms of engagement and independence.
- Approval of non-audit services for the year ended 31 December 2019.

The Audit Committee discharges the duties attributed to it by holding regular meetings with the

Committee members and the heads of internal and external audit. Moreover, the Committee makes presentations to the Board of Directors to inform the rest of the Company's directors of the main issues under the Committee's remit and to comply with the rest of its basic duties relative to the Board.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

<b>Name of directors with experience</b>	FERNANDO D'ORNELLAS SILVA ANGEL DURANDEZ ADEVA ISIDRO FERNANDEZ BARREIRO
<b>Date of appointment of the chairperson</b>	29/05/2017

#### APPOINTMENTS AND REMUNERATION COMMITTEE

<b>Name</b>	<b>Post</b>	<b>Category</b>
FERNANDO VIVES RUIZ	CHAIRMAN	Independent
ANGEL DURANDEZ ADEVA	MEMBER	Independent
FERNANDO DORNELLAS SILVA	MEMBER	Independent
ISIDRO FERNANDEZ BARREIRO	MEMBER	Other External
CHANTAL GUT REVOREDO	MEMBER	Proprietary

<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 attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

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 proposed appointments, re-election and removal of 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 Board's Chair and the Company's top executive.
- 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 requests 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.

The Committee's main actions in the year were:

- Evaluation of the performance of the Board of Directors.
- Review of the composition of the Board of Directors and preparation of proposals for the re-election of directors.
- Verification of the director selection policy.

- Verification of the incentive scheme and variable remuneration of directors.

The Committee discharges the duties attributed to it by holding regular meetings with the Committee members, allowing attendance by management personnel from the various areas under its remit to better fulfil its duties. Moreover, the Committee makes presentations to the Board of Directors to inform the rest of the Company's directors of the main issues under the Committee's remit and to comply with the rest of its basic duties relative to the Board.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	2018 Number %	2017 Number %	2016 Number %	2015 Number %
<b>Audit committee</b>	0 0.00%	0 0.00%	0 0.00%	0 0.00%
<b>Appointments and remuneration committee</b>	1 20.00%	1 20.00%	1 20.00%	1 20.00%

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

#### 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).

At its meeting of 30 October 2017, the Board of Directors approved amendments to articles 5.3.q), 16.3.t), 17.3.n), 39.1, 39.2 and 39.3 of the Regulations of the Board of Directors to attribute exclusively to the Audit Committee the duty of assessing and reporting on related-party transactions or transactions that could pose a conflict of interest, previously attributed to the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee prepares an annual report on its activity.

#### AUDIT 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 16) and specifically the Regulations of the Audit Committee approved by the Board on 19 December 2017; these documents are available for consultation on the Company's website, and on the website of the Spanish Securities Market Commission (CNMV).

At its meeting of 30 October 2017, the Board of Directors approved amendments to articles 5.3.q), 16.3.t), 17.3.n), 39.1, 39.2 and 39.3 of the Regulations of the Board of Directors to attribute exclusively to the Audit Committee the duty of assessing and reporting on related-party transactions or transactions that could pose a conflict of interest, previously attributed to the Appointments and

Remuneration Committee.

The Audit Committee prepares an annual report on its activity.

## **D RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

Article 5.3.q) of the Regulations of the Board of Directors establishes, as a power of the Board of Directors that cannot be delegated, the approval, after a report by the Audit Committee, the transactions completed between the Company or the group's companies and its directors (in compliance with Articles 229 and 230 of the Corporate Enterprises Act), or shareholders that hold a significant equity interest (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.

Article 16.3.n) of the Regulations of the Board of Directors states that without prejudice to the duties assigned by the company bylaws or Board of Directors, the Audit Committee's basic duties shall include reporting on related-party transactions or transactions that involve or may involve conflicts of interest under the terms set forth by law and by this Regulation.

Article 39 of the Regulations of the Board of Directors states that after a report by the Audit Committee, the Board of Directors formally reserves the right to approve any transactions completed between the Company or the group's companies and directors 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").

Under no circumstance shall a related-party transaction with a shareholder be authorised without a prior report by the Audit Committee which assesses the transaction from the point of view of equal treatment of shareholders and market conditions.

In the case of transactions during ordinary corporate business that are common or recurring, it shall only be necessary for the Board of Directors to issue a prior, generic authorisation for the line of transactions and their execution conditions. However, a report must first be submitted by the Audit Committee.

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 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

<b>Name of significant shareholder</b>	<b>Name of company within the group</b>	<b>Nature of the relationship</b>	<b>Type of transaction</b>	<b>Amount (thousand euros)</b>
Gubel, S.L.	Proactinmo, S.L.	Commercial	Leases	2,090
Gubel, S.L.	Euroforum Escorial, S.A.	Commercial	Provision of services	733

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

<b>Name of director or manager</b>	<b>Name of the related party</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Amount (thousand euros)</b>
HELENA REVOREDO DELVECCHIO	Proactinmo, S.L.	Controla Proactinmo, S.L.	Leases	2,090
CHRISTIAN GUT REVOREDO	Proactinmo, S.L.	His mother controls Proactinmo, S.L.	Leases	2,090
CHANTAL GUT REVOREDO	Proactinmo, S.L.	His mother controls Proactinmo, S.L.	Leases	2,090
HELENA REVOREDO DELVECCHIO	Euroforum Escorial, S.A.	Controls Euroforum Escorial, S.A.	Provision of services	733
CHRISTIAN GUT REVOREDO	Euroforum Escorial, S.A.	His mother controls Euroforum Escorial, S.A.	Provision of services	733
CHANTAL GUT REVOREDO	Euroforum Escorial, S.A.	His mother controls Euroforum Escorial, S.A.	Provision of services	733

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:



<b>Name of entity within the group</b>	<b>Brief description of the transaction</b>	<b>Amount (thousand euros)</b>

D.5 Describe the significant transactions between the company or entities of the group with other related parties that have not been reported in the previous sections:

<b>Name of related party</b>	<b>Brief description of the transaction</b>	<b>Amount (thousand euros)</b>
Gubel, S.L.	Provision of security services	17
Proactinmo, S.L.U. (controlled by Gubel, S.L.)	Provision of security services	48
Euroforum Escorial, S.A. (controlled by Gubel, S.L.)	Provision of services	260
SIS Cash Services Private Ltd (subsidiary in India)	Loan to related party	2,448
Gesconsult, S.A.	Through Gesconsult S.A., Prosegur invested 50,000 thousand euros in a fixed-income fund in 2017, for which it recognised an expense for management fee of 0.60%. The chairman of Gesconsult, Juan Lladó Fernández-Urrutia, is a related party of Christian Gut Revoredo. The Board of Directors, based on a favourable report by the Board committee, authorised this related-party transaction on 3 April 2017. This investment is recognised under other financial assets at 31 December 2018.	50,000
Agrocinegetica San Huberto, S.L.U.	Agrocinegetica San Huberto, S.L.U. organises hunting events for Prosegur Soluciones Integrales de Seguridad España, S.L.	220

### **Investments and positions held by the members of the Board of Directors of the parent and their related parties at other companies**

<b>Remarks</b>
Neither the members of the Board of Directors nor their related parties hold any investments or positions or conduct any activities in companies with an identical, similar or complementary corporate object to that of the Company, outside of the scope of Prosegur.

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

<p>In accordance with article 33 of the Regulations of the Board of Directors, directors must inform the Board of Directors, in the person of its Chair or Secretary, of any director or indirect conflict of interest that involves them.</p> <p>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:</p> <p>-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 administrators of the Company.</p> <p>-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:</p> <p>a) making transactions with the Company, except for ordinary operations that are not very relevant, under standard conditions for the customers; this means transactions whose information is not necessary to present fairly the company's assets, financial situation and P&amp;L;</p> <p>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</p> <p>c) in general, attending and participating in decision-making and voting that affect matters which place them in a position of conflict of interest.</p> <p>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.</p>
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D.7 Is more than one of the Group's companies listed in Spain?

Yes

No

Identify the other subsidiaries that are listed in Spain and their relationship to the company:

<b>Identity and relationship with other listed group companies</b>
PROSEGUR CASH S.A.

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as those between the subsidiary and other companies in the group;

Yes  No

**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**

Relationships between Prosegur Group and the group of companies of its listed subsidiary Prosegur Cash, S.A. are regulated by the Framework Agreement dated 17 February 2017 between the Company and Prosegur Cash, S.A.

This Framework Agreement was published as a relevant event dated with its entry into force on 17 March 2017. It is available on the Company's website and the CNMV website.

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and other group companies:

**Measures taken to resolve potential conflicts of interest**

The Framework Contract dated 17 February 2017 between the Company and its listed subsidiary Prosegur Cash, S.A. includes mechanisms to resolve potential conflicts of interest between both groups of companies.

This Framework Agreement was published as a relevant event dated with its entry into force on 17 March 2017. It is available on the Company's website and the CNMV website.

**E RISK MANAGEMENT AND CONTROL SYSTEMS**

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

Prosegur considers that the efficient management of risks is key to ensure the creation of value and 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.

The basic risk management principles included in the Risk Control and Management Policy include:

- Continued identification, assessment and prioritisation of critical risks based on their possible impact on Prosegur's relevant goals;
- Risk assessment in accordance with procedures based on key indicators which make it possible to control them, develop their management and monitor their progress over time;

- Periodic follow-up on assessment results and the effectiveness of measures implemented by Prosegur's management so as to prevent, mitigate, compensate for or correct the effects of risk materialisation.
- Review and analysis of results by the Risk Committee.
- System supervision by the Audit Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The responsibility for executing the Risk Management System in terms of the Company's Risk Control and Management Policy and its procedures and methodologies, including tax compliance risks, lies with the Risk Control and Management Function. This Function reports to the Risk Committee, which answers to the audit Committee, and in the final instance, to the Company's Board of Directors.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

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 State whether the entity has a risk tolerance level, including tolerance for tax compliance 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 the identification of indicators with the general criteria that has been defined, the party responsible for their management 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 monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

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 RELATED TO THE PROCESS OF FINANCIAL REPORTING (ICFR)**

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

## F.1 Control environment

Report on at least the following, describing their principal features:

- F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Company has an appropriate organisational structure to guarantee the maintenance of an adequate and effective ICFR. Both the Company's Board of Directors and Audit Committee assume this task.

Under Article 5.3.b) of the Regulations of the Company's Board of Directors, as updated on 30 October 2017, the Board of Directors, acting within its general supervisory function, is responsible for the Company's general policies and strategies and, in particular, the risk management and control policy, including tax compliance risk, as well as the monitoring of internal information and control systems.

In addition, Article 16.3.h), i) and j) of the Board of Directors Regulations and the Audit Committee Regulations, attributes to the Audit Committee the responsibility to oversee the preparation and presentation of mandatory financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding their integrity. In this respect, the Audit Committee is responsible for: overseeing the process of preparation and integrity of the financial information about the Company and the Group; reviewing compliance with regulatory requirements; and ensuring correct delimitation of the scope of consolidation 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 in the internal control system which have been detected during auditing process with the auditor. The Committee must never compromise its independence while carrying out these duties. 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; and supervise the operation of the Company's risk control and management unit responsible for: (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.

In addition, the Financial Department, the Internal Audit Unit and the Risk Committee assume responsibilities within the framework of the activities inherent to them, in relation to the maintenance, supervision and implementation of the ICFR.

- F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The 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.

To this end, the Board of Directors directly appoints and removes the Company's chief executives, as well as establishing the conditions of their contracts and the appointment and removal of the directors answering directly to the Board of Directors or any of its members, in addition to establishing their basic contractual conditions, which includes their remuneration.

The management of each corporate unit is responsible for defining the responsibilities, duties, profile and skills necessary for each post, with the help of experts from the Human Resources Department and approved by the corresponding Human Resources Division.

The organisational structure, job map and their contents are reviewed or updated when those in charge of the post notify the Human Resources Division.

This organisational structure is represented in an organisation chart showing the relationships between the different business and support departments making up Prosegur. The Company's organisation chart is located on the corporate internet and can be accessed by its personnel.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

On 28 October 2013, the Board of Directors approved the Company's Code of Ethics and Conduct, which is applicable to all companies belonging to the Prosegur group in all businesses and activities performed by Prosegur in all the countries where it operates.

The Code of Ethics and Conduct is binding upon all members of the governing bodies, executives and personnel of Prosegur. The Code of Ethics and Conduct must be complied with by all professionals in the Company and its Group and reflects the values that define the Company's mission and vision. The principles inspiring the behaviour of the Company and its Group, and of the professionals who form part of the two, are declared to be: proactivity, value creation, customer focus, transparency, excellence, leadership, teamwork and the brand as a symbol of union.

The Company has adequate procedures to guarantee the periodical review of the Code of Ethics and Conduct and its adaptation to new commitments that the Company and its Group assume with respect to corporate social responsibility and good governance.

All Prosegur's professionals are obliged to know and comply with the Code of Ethics and Conduct, and to collaborate in facilitating its implementation. They must also notify any breaches that they become aware of.

The Code establishes the disciplinary measures that, in accordance with current labour regulations and internal policies and procedures, are applicable in case of a breach of the Code. 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.

The Code of Ethics and Conduct declares the Company's commitment and obligation to prepare financial information in a comprehensive, clear and accurate manner, using the appropriate accounting records, and to report it through transparent communication channels that enable the market and, in particular, Prosegur's shareholders and investors to have permanent access to 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, which represent 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 the Prosegur corporate website.

The Code of Ethics and Conduct also explains in its third section that Prosegur employees accept the rules set out in the Code and are bound to comply with them after signing it. Until 2017, the Company had a formal system of signing, although after this date there are other mechanisms for adherence to the Code.

Following the last update carried out in 2013, the Company introduced a plan to implement and disseminate the Code of Ethics and Conduct, including the following actions: (i) approval of the revised version of the Code of Ethics and Conduct by the management bodies of all the companies in the countries where Prosegur operates; (ii) communication for the dissemination of the Code of Ethics and Conduct to all Prosegur employees through a variety of means: the intranet, website, corporate magazines, notice boards, email, etc.; (iii) knowledge by all the employees of the Code of Ethics and Conduct through a variety of means; (iv) personal continuous training integrated into the training courses carried out by the human resources areas and regulatory compliance, as well as online courses given by the Prosegur Corporate University.

In 2018, training in relation to the Code of Ethics and of Conduct continued to be in place in all the countries where Prosegur operates.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

The Company has a Complaints Channel in place to enable any person to safely and confidentially report any acts that are irregular, unlawful or which contravene Prosegur's Code of Ethics and Conduct and conduct, including any of a financial and accounting nature which take place during the performance of the Company's activities.

The Complaints Channel consists of a form that is available on the website [www.prosegur.com](http://www.prosegur.com), which is always available. It provides 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 refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

The Company pays particular attention to continuous training and the development of its professionals for the proper performance of their functions.

Specifically, personnel providing central and support services to management, as well as, but not limited to, the professionals related to the financial and accounting departments, as well as the professionals of the Internal Audit department, continually attend training sessions to keep abreast of regulatory and legal changes.

The Company receives periodic training input from organisations that allow it to constantly refresh the knowledge of employees involved in preparing the Group's financial statements and financial information.

The Company also has access to the Prosegur Corporate University for arranging training. The Prosegur Corporate University hosts the Economic and 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. This group attends training sessions on an ongoing basis to refresh their knowledge of regulatory and legal changes.

## F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

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. After analysing the risks, it documents the design of the controls that mitigate them.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

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 2018, the scope matrix was last updated based on the figures contained in the Financial Statements on 31 December 2017.

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 for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

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 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.

In accordance with the provisions of Article 16.3 k) of the Board of Directors Regulations, the Audit Committee is responsible for analysing and reporting the economic conditions, accounting impact and, where appropriate, the exchange ratio proposed for the structural and corporate changes that have been planned by the Company before submission to the Board of Directors.

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

The Company has a Corporate Risk Committee that notifies the Audit Committee of the results of the regular assessment of critical risk management. The Internal Audit Department 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.

- The governing body within the company that 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

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

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

The Company conducts periodic reviews of the financial information it prepares, as well as the description of the 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.

The Company 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:

- Flow charts for each of the sub-processes
- Risk matrices and controls that include:
  - 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.
- Existence of fraud risk
- Business to which it applies
- Details of the information systems affecting the controls

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 Chief Executive Officer 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 IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

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.

Currently a Strategic Information Security Plan is at its design phase. Its aim is to improve the organisation's maturity in this area. The plan will guide the continuous and cultural information security process in the Company and its Group.

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 intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The recurring activities in the process of preparing financial information are not outsourced by the Company. Nevertheless, the Company may occasionally request advice from independent experts in situations of the following kind: a) assessment of the tax impact of corporate restructuring transactions; b) tax advice in the subsidiaries for preparing tax statements subject to specific regulations; c) fair value measurements of certain assets, branches of activity or businesses; d) checks of the effectiveness of the money laundering prevention system; e) valuation of the assignment of the purchase price of 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. The Company hires 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 provided by firms 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 the Company have appropriate personnel to validate the conclusions of the reports issued.

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

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The corporate Financial Reporting Department, which is an integral part of the Finance Department, is responsible for preparing, issuing, publishing and subsequently 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 Financial Reporting 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. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The 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 interim consolidated financial statements. 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 system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

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 case 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) in the event that the external auditor resigns, examine the circumstances which caused said resignation; (ii) ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence; (iii) insist that the company files a relevant fact with the Spanish Securities Markets Commission (CNMV) when there is a change of auditor, along with a statement of any differences that arose with the outgoing auditor and, if applicable, of the contents thereof; (iv) ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company; (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 regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.
- 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. 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 preparation and integrity of the financial information about the Company and the Group: review compliance with regulations, and ensure correct delimitation of the consolidation perimeter and the correct application of accounting criteria. The Board of Directors must be duly informed.
- Oversee the efficacy of the Company's internal control and the risk management systems (including tax risks) and discuss 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.
- 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
- 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.
- To review offering prospectuses and any other relevant information that the Board of



Directors must supply to the markets and its supervisory bodies.

- 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.
- Periodically assess the suitability of the Company's corporate governance system with the aim of ensuring that it fulfils the mission of promoting the corporate interest and considers, as appropriate, the legitimate interests of all other stakeholders; propose improvements; and oversee compliance with internal codes of conduct and the Company's corporate governance rules. Specifically, the Audit Committee must receive information and, when appropriate, generate a report about (i) the actions and decisions made by the Regulatory Compliance Division when performing its duties pursuant to the Company's internal code of conduct; and (ii) the disciplinary measures which must be applied, when appropriate, to members of the Company's senior executive team.
- Oversee the strategy for communicating and maintaining relationships with shareholders and investors, including small- and medium-sized shareholders.
- Review the Company's corporate responsibility policy to ensure that it aims to create value; supervise the strategy and practices with regard to corporate social responsibility and assess compliance therewith; and assess the relationship processes with stakeholders.
- Assess all matters in relation to the Company's non-financial risks, including technological, operational, legal, social, environmental, political and reputational risks.
- Coordinate the process for reporting non-financial information and information about diversity according to the applicable regulations and the leading international standards.
- Report on related-party transactions or transactions that involve or may involve conflicts of interest under the terms set forth by law and by the Regulations of the Board of Directors.

The Company 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 also updates its verification programs continuously to adapt them to any changes that the Financial Reporting Department may make to ICFR.

In 2018, significant processes were reviewed in relation to financial information in Spain and other European and Latin American subsidiaries.

The Internal Audit Department verifies the state of execution of the recommendations included in its audit reports, including those concerning ICFR verification. In 2018, 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 assessments 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.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management

and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In 2018, the external auditors attended three Audit Committee meetings to review the conclusions on the auditing of annual accounts and of the procedures carried out in the context of the annual audit on the planning and progress of audit work on the half-yearly figures. 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.

#### F.6 **Other relevant information**

N/A

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

State:

- F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The Company has submitted the ICFR information sent to the markets for the financial year 2018 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 EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE**

## RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. **That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies  Explanation

2. **That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:**

- a) **The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
- b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies  Complies partially  Explanation  Not applicable

3. **That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:**

- a) **Changes that have occurred since the last General Shareholders' Meeting.**
- b) **Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.**

Complies  Complies partially  Explanation

4. **That the company has defined and promoted a policy of communication and**

**contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.**

**And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.**

Complies       Complies partially       Explanation

- 5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.**

**And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.**

Complies       Complies partially       Explanation

- 6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:**

- a) Report regarding the auditor's independence.**
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.**
- c) Report by the audit committee regarding related-party transactions.**
- d) Report on the corporate social responsibility policy.**

Complies       Complies partially       Explanation

- 7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.**

Complies       Explanation

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.

In this respect, until now the number of shareholders who attend the meetings of the Shareholders' General Meeting in person and the number of speakers are extremely limited.

For this reason, the Company considers that its rebroadcasting would not be particularly useful for those shareholders not attending, potential investors or the market in general. All the relevant information related to it is available to the public on the Company's corporate website.

Given the above, without a reason justifying it, the Company considers it preferable to avoid broadcasting the images of the directors of the Prosegur group and the shareholders attending the meeting.

- 8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.**

Complies       Complies partially       Explanation

- 9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

**And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.**

Complies       Complies partially       Explanation

- 10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:**

- a) Immediately distributes the additions and new proposals.**
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.**
- c) Submits all of these items on the agenda or alternative proposals to a**

**vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.**

- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.**

Complies  Complies partially  Explanation  Not applicable

- 11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.**

Compliant  Complies partially  Explain   
Not applicable

- 12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.**

**And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.**

Complies  Complies partially  Explanation

- 13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.**

Complies  Explanation

- 14. That the Board of Directors approves a selection policy for directors that:**

- a) Is concrete and verifiable.**  
**b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.**

- c) Favours diversity in knowledge, experience and gender.

**That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.**

**And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.**

**The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.**

Complies       Complies partially       Explanation

15. **That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

Complies       Complies partially       Explanation

16. **That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.**

**This criterion may be relaxed:**

- a) **In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
- b) **In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies       Explanation

17. **That the number of independent directors represents at least half of the total number of directors.**

**Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent**

**directors represents at least one third of the total number of directors.**

Complies

Explanation

**18. That companies publish and update the following information regarding directors on the company website:**

**a) Professional profile and biography.**

**b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**

**c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**

**d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**

**e) The shares and options they own.**

Complies

Complies partially

Explanation

**19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.**

Complies  Complies partially  Explanation  Not applicable

**20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.**

Complies  Complies partially  Explanation  Not applicable

**21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just**



cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies

Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies

Complies partially

Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies  Complies partially  Explanation  Not applicable

24. **That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.**

Complies  Complies partially  Explanation  Not applicable

25. **That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.**

**And that the Board rules establish the maximum number of company Boards on which directors may sit.**

Complies  Complies partially  Explanation

In accordance with Article 17.3.a) of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must also determine on a case-by-case basis 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 considers that it is not necessary to establish a maximum number of company boards of which its directors may form part, given that the availability analysis is carried out for each specific case, assessing the specific duties that are performed by each director through a study by the Appointments and Remuneration Committee. The Company considers that this case-specific analysis provides the same or better guarantees than the establishment of a maximum number of directors.

26. **That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.**

Complies  Complies partially  Explanation

27. **That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.**

Complies  Complies partially  Explanation

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies  Complies partially  Explanation  Not applicable

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies  Complies partially  Explanation

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies  Explanation  Not applicable

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies  Complies Partially  Explanation

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies  Complies Partially  Explanation

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for

each director when circumstances so dictate.

Complies       Complies Partially       Explanation

34. **That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.**

Complies     Complies partially     Explanation     Not applicable

35. **That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.**

Complies       Explanation

36. **That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) **The quality and efficiency of the Board of Directors' work.**
- b) **The workings and composition of its committees.**
- c) **Diversity of membership and competence of the Board of Directors.**
- d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**
- e) **Performance and input of each director, paying special attention to those in charge of the various Board committees.**

**In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.**

**Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by**

the appointments committee.

**Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.**

**The process and the areas evaluated shall be described in the Annual Corporate Governance Report.**

Complies  Complies partially  Explanation

The Company considers that the assessment process of the Board of Directors established in the Board of Directors Regulations and its Selection Policy for Members (both documents published on the company's website) are sufficient to guarantee the quality and efficiency of its operation, performance and composition, without the report of an external consultant being necessary.

The Board of Directors considered that the assessment is carried out in accordance with the standards defined by prestigious experts in the assessment of Boards of Directors, and used by companies of similar characteristics to that of the Company. Given this very precise policy, support from an external consultant is not considered necessary.

37. **That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.**

Complies  Complies Partially  Explanation  Not applicable

38. **That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies  Complies Partially  Explanation  Not applicable

39. **That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors..**

Complies  Complies Partially  Explanation

40. **That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-**

**executive chairman of the Board or of the audit committee.**

Complies  Complies Partially  Explanation

- 41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.**

Complies  Complies Partially  Explanation  Not applicable

- 42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

**1. With regard to information systems and internal control:**

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.**
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.**
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.**

**2. With regard to the external auditor:**

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.**
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.**
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any**

**differences that arose with the outgoing auditor and, if applicable, the contents thereof.**

- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.**
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.**

Complies       Complies Partially       Explanation

- 43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.**

Complies       Complies Partially       Explanation

- 44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies       Complies Partially       Explanation       Not applicable

- 45. That the risk management and control policy identify, as a minimum:**

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
- b) Fixing of the level of risk the company considers acceptable.**
- c) Means identified in order to minimise identified risks in the event they transpire.**
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies       Complies Partially       Explanation

**46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies  Complies Partially  Explanation

**47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies  Complies Partially  Explanation

**48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies  Explanation  Not applicable

**49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

**And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.**

Complies  Complies Partially  Explanation

**50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) Propose basic conditions of employment for senior management.**



- b) **Verify compliance with company remuneration policy.**
- c) **Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- d) **Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- e) **Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies  Complies Partially  Explanation

51. **That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.**

Complies  Complies Partially  Explanation

52. **That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:**

- a) **That they are comprised exclusively of non-executive directors, with a majority of them independent.**
- b) **That their chairmen be independent directors.**
- c) **That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**
- d) **That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**
- e) **That their meetings be recorded and the minutes be made available to all directors.**

Complies  Complies Partially  Explanation  Not applicable

53. **That verification of compliance with corporate governance rules, internal**

codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmark.

Complies  Complies Partially  Explanation

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment

and social issues.

- c) **Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**
- d) **Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**
- e) **Means of supervising non-financial risk, ethics, and business conduct.**
- f) **Communication channels, participation and dialogue with stakeholders.**
- g) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies  Complies Partially  Explanation

55. **That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.**

Complies  Complies Partially  Explanation

56. **That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.**

Complies  Explanation

57. **That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.**

**Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.**

Complies  Complies Partially  Explanation

**58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.**

**And, in particular, that variable remuneration components:**

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies  Complies Partially  Explanation  Not applicable

**59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.**

Complies  Complies Partially  Explanation  Not applicable

**60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.**

Complies  Complies Partially  Explanation  Not applicable

**61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.**

Complies  Complies Partially  Explanation  Not applicable

**62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring**

**ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

**The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.**

Complies  Complies Partially  Explanation  Not applicable

The Company considers that the remuneration policy of the Chief Executive (single Executive Director) is appropriate, and so far there has been no need to include this limitation, as the duties inherent to the director's post (duty of loyalty and duty of due diligence under articles 225 and 227 of the Ley de Sociedades de Capital - Corporate Enterprises Act) are understood to include the responsibility of each director with respect to the transfer of his or her shares and possible effect of this on the market.

In addition, Article 8 of Prosegur's Internal Regulation on Conduct includes prohibitions relating to market manipulation as a result of the transfer of shares by relevant persons under current law, the Board of Directors considering this regulation sufficient for the purposes of this recommendation. In addition, any family relations between the executive director benefiting from the plan and the controlling shareholder guarantee the alignment of their interests with the long-term interests of the Company.

Due to the above, and taking into account that in practice the executive director benefiting from the plan has not transferred the ownership of a number of shares equivalent to twice his fixed annual remuneration, it is not at present considered necessary to include this expressly in Prosegur's internal regulations.

- 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.**

Complies  Complies Partially  Explanation  Not applicable

- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies  Complies Partially  Explanation  Not applicable

## **H** FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

GENERAL CLARIFICATION: It is hereby certified that the data contained in this Report refer to the financial year ended 31 December 2018, except in those matters specifically and expressly referring to another date.

This annual corporate governance report has been approved by the Board of Directors of the company at the meeting held on 26/02/2019.

State whether any directors voted against or abstained from voting on this report.

Yes

No