

Europe

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Annual Report 2011



PROSEGUR

2011



Annual Report



PROSEGUR

Brazil.

Prosegur has consolidated its position as a leading Surveillance, CIT and Technology service provider



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ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR PUBLIC LIMITED COMPANIES LISTED ON THE STOCK EXCHANGE

For greater comprehension of the model and in order to complete the information correctly, please read the instructions at the end of this report.

A – CAPITAL STRUCTURE

A.1 Please 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
19/11/2001	37,027,478.40	61,712,464	61,712,464

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

NO

A.2 Please provide details of the Company's significant direct and indirect shareholders at year end, excluding any board members:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Percentage of total voting rights
GUBEL, S.L.	30,902,693	21,340	50.110
CORPORACIÓN FINANCIERA ALBA, S.A.	0	6,175,000	10.006
AS INVERSIONES, S.L.	3,281,781	0	5.318
FMR LLC	0	3,123,185	5.061
CANTILLON CAPITAL MANAGEMENT LLC	1,882,135	0	3.050

Name of indirect shareholder	Through: Name of direct shareholder	Number of direct voting rights	Percentage of total voting rights
GUBEL, S.L.	PROREVOSA, S.A.	21,340	0.035
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	6,175,000	10.006
FMR LLC	VARIOUS FUNDS	2,213,700	3.587

Please specify the main movements in the shareholding structure during the year:

Name of shareholder	Date	Description of movement
BNP PARIBAS SA	15/02/2011	Shareholding has dropped to less than 3% of share capital
FIDELITY INTERNATIONAL FUND	30/12/2011	Shareholding has dropped to less than 3% of share capital
CANTILLON CAPITAL MANAGEMENT LLC	12/04/2011	3% of share capital exceeded

A.3 Please complete the following tables with details of board members with voting rights in the Company:

Name of board member	Number of direct voting rights	Number of indirect voting rights (*)	Percentage of total voting rights
MS HELENA IRENE REVOREDO DELVECCHIO	0	30,924,033	50.110
MR CHRISTIAN GUT REVOREDO	20,603	0	0.033
MS MIRTA MARÍA GIESSO CAZENAVE	189,832	3,281,781	5.625
MR PEDRO GUERRERO GUERRERO	100	33,000	0.054

Name of indirect shareholder	Through: Name of direct shareholder	Number of direct voting rights	Percentage of total voting rights
MS HELENA IRENE REVOREDO DELVECCHIO	GUBEL, S.L.	30,902,693	50.075
MS HELENA IRENE REVOREDO DELVECCHIO	PROREVOSA, S.L.	21,340	0.035
MS MIRTA MARÍA GIESSO CAZENAVE	AS INVERSIONES, S.L.	3,281,781	5.318
MR PEDRO GUERRERO GUERRERO	VALORES DEL DARRO, SICAV, S.A.	33,000	0.053

Percentage of voting rights held by the board of directors	55.822
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Please complete the following tables with details of the Company's board members who hold rights over the shares of the Company:

Name of board member	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	Percentage of total voting rights
MR CHRISTIAN GUT REVOREDO	78,520	0	78,520	0.127

A.4 If applicable, please specify 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:

A.5 If applicable, please specify 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:

Type of relationship:

Commercial

Brief description:

Lease of an office building from Prosegur by Proactinmo, S.L. (a subsidiary of Gubel, S.L.) for an initial term of five (5) years until 2015. The annual rental amount paid in 2011 was Euros 1,267 thousand.

Name of related party

GUBEL, S.L.

Type of relation:

Commercial

Brief description:

Banca March, S.A., which controls Corporación Financiera Alba, S.A., was one of the participating banks in the syndicated loan signed by Prosegur in 2006. Banca March, S.A.'s share of this loan at 31 December 2010 amounted to Euros 4,156 thousand, of which Euros 3,681 thousand had been drawn down at that date. Since 25 July 2011, the date on which the syndicated loan expired, Banca March, S.A. has not participated in any financing contract. Various deposits totalling Euros 75,000 thousand were made in 2011 (Euros 105,000 thousand in 2010), and accrued interest thereon totalled Euros 669 thousand (Euros 852 thousand in 2010). At 2011 year end, there are no deposits with Banca March pending maturity. There is also a current account with a balance of Euros 220 thousand at 31 December 2011.

Name of related party

CORPORACIÓN FINANCIERA ALBA, S.A.

Type of relation:

Commercial

Brief description:

In 2011, the Company provided corporate security services to Banca March totalling Euros 2,557 thousand (Euros 2,413 thousand in 2010).

Name of related party

CORPORACIÓN FINANCIERA ALBA, S.A.

A.6 Please specify whether the Company has been notified of any shareholder agreements that may affect it, in accordance with section 112 of the Spanish Securities Market Law. If so, please describe these agreements and list the shareholders they bind:

NO

Please specify whether the Company is aware of any existing initiatives agreed by and among its shareholders. If so, please provide a brief description:

NO

If any of the aforementioned agreements or agreed initiatives have been amended or terminated during the year, please specify expressly:

A.7 Please specify whether any individual or company exercises or may exercise control over the Company, in accordance with section 4 of the Spanish Securities Market Law. If so, please provide details:

YES

Name
MS HELENA IRENE REVOREDO DELVECCHIO
Remarks
Through GUBEL, S.L.

A.8 Please complete the following tables with details of the Company's own shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
4,456,122	0	7.200

(*) Through:

Total	0
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Please detail any significant changes during the year pursuant to Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	Total percentage of share capital
18/07/2011	620,143	0	3.989
04/08/2011	668,901	0	5.073
25/08/2011	617,600	0	6.073
28/11/2011	624,176	0	7.085

Gains/(losses) from disposal of own shares during the year (thousands of Euros)	0
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A.9 Please provide a detailed description of the conditions and term of the board of directors' current mandate, granted by the shareholders, to acquire or transfer own shares:

At the Ordinary General Meeting held on 27 June 2011, the shareholders of Prosegur Compañía de Seguridad, S.A. agreed to renew the mandate granted by the shareholders at the General Meeting held on 28 June 2010 to perform derivative acquisitions of the Company's own shares, either directly or through subsidiaries, under the terms transcribed verbatim below:

1. To authorise the Company and its subsidiaries to perform derivative acquisitions of shares in Prosegur Compañía de Seguridad, S.A. in accordance with the terms of the Spanish Companies Act, complying with prevailing legislation and the following conditions:

- a) The acquisitions may be performed directly by the Company or indirectly through its subsidiaries, and must take the form of a sale-purchase, an exchange or any other legally valid business transaction.
- b) The face value of the shares to be acquired plus any already owned, directly or indirectly, shall not exceed the legally permitted maximum.
- c) The acquisition price of the shares shall be no less than their face value and no greater than the stock exchange trading price at the date of acquisition, plus 10%.
- d) This authorisation is valid for five years.

It is expressly noted that this authorisation may be used in whole or in part for the acquisition of own shares to be delivered or transferred to the directors or employees of the Company or its subsidiaries, directly or as a result of their exercising options, within the scope of the share price-based remuneration systems of Prosegur Compañía de Seguridad, S.A.

2. To authorise the board of directors, with express powers of substitution and in the broadest terms, to exercise the authorisation granted under this agreement and to perform the remaining tasks detailed herein.

3. To render null and void, in respect of the unused portion, the authorisation granted under agenda item five of the Annual General Meeting of shareholders held on 28 June 2010.

A.10 If applicable, please specify any legal and statutory limitations to the exercise of voting rights, as well as any legal limitations to the acquisition or transfer of ownership of shares. Please specify whether there are any legal limitations on the exercise of voting rights:

NO

Maximum percentage of voting rights that may be exercised by a shareholder under legal limitations	0
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Please specify whether there are any statutory limitations on the exercise of voting rights:

NO

Maximum percentage of voting rights that may be exercised by a shareholder under statutory limitations	0
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Please specify whether there are any legal limitations on the acquisition or transfer of equity interests:

NO

A.11 Please specify whether, pursuant to the provisions of Law 6/2007, shareholders at the General Meeting have resolved to adopt measures to neutralise a take-over bid:

NO

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

B – COMPANY ADMINISTRATION STRUCTURE

B.1 Board of directors

B.1.1 Please detail the maximum and minimum number of board members established in the by-laws:

Maximum number of board members	15
Minimum number of board members	5

B.1.2 Please complete the following table with details of board members:

Name of member	Representative	Position on the board	Date of 1st appointment	Date of most recent appointment	Election procedure
MS HELENA IRENE REVOREDO DELVECCHIO	-	CHAIRWOMAN	30/06/1997	28/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR ISIDRO FERNÁNDEZ BARREIRO	-	DEPUTY CHAIRMAN	19/06/2002	28/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR CHRISTIAN GUT REVOREDO	-	CEO	30/06/1997	28/06/2010	VOTE AT SHAREHOLDERS' MEETING
MS CHANTAL GUT REVOREDO	-	BOARD MEMBER	30/06/1997	28/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR EDUARDO PARAJA QUIRÓS	-	BOARD MEMBER	26/04/2004	29/06/2009	VOTE AT SHAREHOLDERS' MEETING
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	-	BOARD MEMBER	27/06/2005	27/06/2011	VOTE AT SHAREHOLDERS' MEETING
MS MIRTA MARÍA GIESSO CAZENAVE	-	BOARD MEMBER	09/05/2000	28/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR PEDRO GUERRERO GUERRERO	-	BOARD MEMBER	29/03/2005	27/06/2011	VOTE AT SHAREHOLDERS' MEETING
Total number of board members					8

Please specify any resignations from the board of directors during the period:

B.1.3 Please complete the following tables with details of the board members and their different capacities:

EXECUTIVE BOARD MEMBERS

Name of member	Committee that proposed appointment	Position in the Company
MS HELENA IRENE REVOREDO DELVECCHIO	APPOINTMENTS AND REMUNERATION COMMITTEE	EXECUTIVE CHAIRWOMAN
MR CHRISTIAN GUT REVOREDO	APPOINTMENTS AND REMUNERATION COMMITTEE	CEO

Total number of executive board members	2
Total percentage of board	25.000

PROPRIETARY EXTERNAL MEMBERS

Name of member	Committee that proposed appointment	Name of significant shareholder represented by the member, or who proposed the appointment
MR ISIDRO FERNÁNDEZ BARREIRO	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
MS CHANTAL GUT REVOREDO	APPOINTMENTS AND REMUNERATION COMMITTEE	GUBEL, S.L.
MS MIRTA MARÍA GIESSO CAZENAVE	APPOINTMENTS AND REMUNERATION COMMITTEE	AS INVERSIONES, S.L.

Total number of proprietary board members	3
Total percentage of board	37.500

INDEPENDENT EXTERNAL MEMBERS

Name of member

MR PEDRO GUERRERO GUERRERO

Profile

- Degree in law from the Universidad Complutense of Madrid.
- State attorney, stock broker and Madrid notary public (on leave of absence).
- Former president of the Madrid Stock Exchange governing board and of the Stock Exchange management company.
- Founding member and vice-chairman of A.B. Asesores Bursátiles and chairman of A.B. Gestión and A.B. Asesores Red.
- Currently chairman of Bankinter, S.A., having been a member of the board of the bank since 2000. He is also chairman of the bank's Executive Committee.

Total number of independent board members	1
Total percentage of board	12.500

OTHER EXTERNAL MEMBERS

Name of member	Committee that proposed appointment
MR EDUARDO PARAJA QUIRÓS	APPOINTMENTS AND REMUNERATION COMMITTEE
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	APPOINTMENTS AND REMUNERATION COMMITTEE
Total number of other external board members	2
Total percentage of board	25.000

Please explain why these members may not be considered full or independent members, and what their connection is with the Company, its management or its shareholders.

Name of member

MR EUGENIO RUIZ-GÁLVEZ PRIEGO

Related company, director or shareholder

CORPORACIÓN FINANCIERA ALBA, S.A.

Reason

He cannot be considered a proprietary external board member because: (i) he does not own an interest equal to or greater than that considered legally significant or was appointed as a shareholder, even if his interest lies below that threshold; and (ii) he does not represent any of the shareholders indicated in section (i) above. He cannot be considered an independent board member because he has been a member of the board of directors of Corporación Financiera Alba, S.A. since June 2010.

Name of member

MR EDUARDO PARAJA QUIRÓS

Related company, director or shareholder

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Reason

He cannot be considered a proprietary external board member because: (i) he does not own an interest equal to or greater than that considered legally significant or was appointed as a shareholder, even if his interest lies below that threshold; and (ii) he does not represent any of the shareholders indicated in section (i) above.

He cannot be considered an independent board member because he has been an executive director of the Company within less than five (5) years of cessation of this relationship.

Please specify any variations that have occurred during the year to membership types:

B.1.4 If applicable, please explain the reasons for the appointment of any proprietary board members at the request of shareholders with less than 5% of share capital.

Please specify whether the board has failed to meet any formal requests to appoint members to the board by shareholders whose share percentage is equivalent to or greater than that of others at whose request proprietary board members have been appointed. If this is the case, please explain why the aforementioned requests were not met.

NO

B.1.5 Please specify whether any members have resigned from the board before completion of their mandates, whether the resigning member provided an explanation for his or her resignation and by what means and, if these reasons were provided in writing and addressed to the entire board, specify the reasons given:

NO

B.1.6 Please specify any powers delegated to the chief executive officer(s):

Name of member

MR CHRISTIAN GUT REVOREDO

Brief description

The CEO has all the powers of the board vested in him, except those that may not be delegated under prevailing legislation, Company by-laws or the board regulations.

Name of member

MS HELENA IRENE REVOREDO DELVECCHIO

Brief description

The Chairwoman of the Company, as Executive Chairwoman, has ample management and decision-making powers permanently vested in her by the board.

B.1.7 Please identify any board members who hold positions as directors or officers in other companies in the group of which the listed company is parent:

Name of board member	Name of Group company	Position
MR CHRISTIAN GUT REVOREDO	FORMACIÓN, SELECCIÓN Y CONSULTORÍA, S.A.	JOINT DIRECTOR
MR CHRISTIAN GUT REVOREDO	PROSEGUR ACTIVA HOLDINGS, S.L.U.	JOINT DIRECTOR
MR CHRISTIAN GUT REVOREDO	PROSEGUR MULTISERVICIOS, S.A.	JOINT DIRECTOR

B.1.8 Please detail any board members who have notified the Company of their membership of the boards of directors of other companies (other than Group companies) listed on official securities markets in Spain:

Name of board member	Name of listed company	Position
MS HELENA IRENE REVOREDO DELVECCHIO	GESTEVISIÓN TELECINCO, S.A..	BOARD MEMBER
MS HELENA IRENE REVOREDO DELVECCHIO	BANCO POPULAR ESPAÑOL, S.A.	BOARD MEMBER
MR ISIDRO FERNÁNDEZ BARREIRO	CORPORACIÓN FINANCIERA ALBA, S.A.	2 ND DEPUTY CHAIRMAN
MR EDUARDO PARAJA QUIRÓS	METROVACESA, S.A.	CEO
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	EBRO FOODS, S.A.	BOARD MEMBER
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
MR PEDRO GUERRERO GUERRERO	BANKINTER, S.A.	CHAIRMAN

B.1.9 Please specify whether the Company has established rules concerning the number of boards on which its directors can hold seats, providing details if applicable:

NO

B.1.10 In relation to recommendation number 8 of the Unified Code, please indicate the general policies and strategies of the Company reserved for approval by the board at its plenary sessions:

Investment and financing policy	YES
Definition of group structure	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, annual management goals and budget	YES
Senior management remuneration policy and performance evaluation	YES
Risk control and management policy, as well as regular monitoring of internal reporting and control systems	YES
Policy on dividends and own shares portfolio, particularly the limits thereof	YES

B.1.11 Please complete the following tables with details of the aggregate remuneration accrued by board members during the year:

a) In the Company subject to this report:

Remuneration item	Amount in thousands of Euros
Fixed remuneration	971
Variable remuneration	400
Allowances	874
Statutory benefits	0
Share options and/or other financial instruments	0
Other	16
Total	2,261

Other benefits	Amount in thousands of Euros
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations undertaken	0
Life insurance premiums	37
Guarantees extended by the Company on behalf of board members	0

b) Due to board members sitting on the boards of directors and/or holding senior management positions in other Group companies:

Remuneration item	Amount in thousands of Euros
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Statutory benefits	0
Share options and/or other financial instruments	0
Other	0
Total	0

Other benefits	Amount in thousands of Euros
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations undertaken	0
Life insurance premiums	0
Guarantees extended by the Company on behalf of board members	0

c) Total remuneration by type of member:

Type of member	From the Company	From the Group
Executive members	1,557	0
Proprietary external members	448	0
Independent external members	212	0
Other external members	44	0
Total	2,261	0

d) Compared to profit attributable to the parent company:

Total remuneration of board members (in thousands of Euros)	2,261
Total remuneration of board members as a percentage of profit attributable to the parent company	1.4

B.1.12 Please identify senior management personnel who are not executive board members, and their total remuneration accrued during the year:

Name	Position
MR FERMÍN SANZ SERRANO	HEAD OF RISK MANAGEMENT
MR LEONARDO EZEQUIEL GUTIÉRREZ	HEAD OF TECHNOLOGY LINE OF BUSINESS
MR LUIS JAVIER ORO PRADER	HEAD OF SECURITIES LOGISTICS AND CASH MANAGEMENT
MR JOSÉ ANTONIO LASANTA LURI	HEAD OF STRATEGY AND GROWTH FOR ASIA
MR ANTONIO RUBIO MERINO	CFO
MR JORGE OÑORO MEDRANO	DIRECTOR OF CORPORATE DEVELOPMENT
MR GONZAGA HIGUERO ROBLES	REGIONAL DIRECTOR SOUTH LATIN AMERICA
MR FRANCISCO JAVIER POVEDA GIL	DIRECTOR OF INTERNAL AUDIT
MR JUAN MARÍA DE MORA NARVÁEZ	DIRECTOR OF HUMAN RESOURCES
MR GUILLERMO RUIZ SAN JUAN	DIRECTOR NORTH LATIN AMERICA
MR RODRIGO ZULUETA GALILEA	CHAIRMAN FOR LATIN AMERICA
MS SAGRARIO FERNÁNDEZ BARBÉ	HEAD OF LEGAL ADVISORY
MR FABIÁN BLANCO ORTIZ	SALES DIRECTOR
MR MIGUEL ÁNGEL BANDRÉS GUTIÉRREZ	HEAD OF STRATEGIC RESOURCES
MR ALEJANDRO COROMINAS MENÉNDEZ	REGIONAL DIRECTOR SPAIN
MR FEDERICO AUGUSTO MEEUS RAMÍREZ	HEAD OF ACTIVE SURVEILLANCE LINE OF BUSINESS
MR JAVIER TABERNEIRO DA VEIGA	REGIONAL DIRECTOR EUROPE
MR AGUSTÍN GONZÁLEZ TUÑÓN	HEAD OF IT

Total senior management remuneration (in thousands of Euros)	3,139
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B.1.13 Please identify the total amount of any guarantee or golden parachute clauses for situations of dismissal or change of control set forth in the contracts of senior management of the Company or Group, including executive board members. Please specify whether the governing bodies of the Company or Group must be notified of and/or approve these agreements:

Number of beneficiaries	0
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	Board of directors	Annual General Meeting
Body authorising the clause	YES	NO

Are the shareholders notified of the clauses at their General Meeting?	NO
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B.1.14 Please explain the process followed to establish remuneration for members of the board of directors and the relevant clauses in the by-laws.

Process to determine remuneration for members of the board of directors and relevant clauses in the by-laws

Pursuant to article 22 of the Company by-laws, the position of board member is remunerated. The board members' remuneration shall consist of a fixed annual allowance, as well as expenses for attending each session of the administrative body of the Company and its Committees. The remuneration that the Company may pay its board members as a whole must not exceed the maximum amount decided upon for this purpose by the shareholders at the Annual General Meeting, and said amount shall remain in force until amended. The determination of the exact amount payable within these limits and its distribution among the various board members is decided by the board of directors, at the proposal of the Appointments and Remuneration Committee.

Article 28 of the Company's board regulations stipulates that board members shall be entitled to the remuneration established by the board of directors, in accordance with statutory provisions and the indications of the Appointments and Remuneration Committee. However, section 2 of the aforementioned article stipulates that the board must ensure that director remuneration be kept in line with market requirements and, where appropriate, that a part thereof be linked to the Company's performance.

Moreover, pursuant to article 5.3 of the Company's board regulations, the board has the power directly to approve the system and annual amount of board member remuneration as a whole, provided it is within the limits set forth in the Company by-laws. The amount to be paid to the board members as such must be set without including the salaries and other benefits in kind paid to the executive directors, which must be submitted to the board of directors for consideration on a case-by-case basis.

Finally, pursuant to article 17 2.d) of the board regulations, it is the responsibility of the Appointments and Remuneration Committee to propose to the board of directors the system for board member remuneration and the annual amount thereof. Likewise, in accordance with section 2.e) of the aforementioned article, the Committee must periodically review the remuneration systems, assessing their suitability and performance.

Please specify whether at its plenary sessions the board has reserved approval of the following decisions:

On proposal by the first executive of the Company, the appointment and possible removal of senior management, as well as their indemnity clauses.	YES
Remuneration of board members, as well as, in the case of executive members, additional remuneration for executive functions and any other conditions included in their contracts.	YES

B.1.15 Please specify whether the board of directors approves a detailed remuneration policy, and identify any issues on which it issues an opinion:

YES

Fixed amounts, with their breakdown if applicable, paid for participation in the board and its committees, and estimate of annual fixed remuneration, as applicable.	YES
Variable remuneration items	YES
Main characteristics of benefits, estimated amount thereof or equivalent annual cost.	YES
Conditions to be included in the contracts of members who hold senior management positions as executive members.	YES

B.1.16 Please specify whether the board presents a report (for consultation purposes) on the policy for remuneration of board members to the shareholders to vote on as a separate item on the agenda at their General Meeting. If so, please explain the aspects of the report related to the remuneration policy approved by the board for future years, the most significant changes in these policies compared to the policy applied during the year and a global summary of how the remuneration policy was applied during the year. Please detail the role played by the Remuneration Committee, specify whether external advisory services were used and, if so, provide the identity of the external advisors consulted:

YES

Issues considered in the remuneration policy

The annual report on the directors' remuneration policy sets forth the policy for the current year or, where applicable, future years, as well as explaining how the policy was applied during the previous year. This report is made available to shareholders at the same time as the publication of the Company's notice of the Annual General Meeting, and shareholders have a right to examine this document and obtain a copy at the Company's registered offices, or to request that a copy be issued to them immediately and free of charge.

Role of the Remuneration Committee

- To report to the board of directors on the remuneration policy and to propose the payment method and amount of annual board member remuneration.
- To review the remuneration programmes, assessing their suitability and performance.
- To ensure the transparency of board member remuneration.

Were external advisory services used?

Identification of external consultants

B.1.17 Please identify any board members who are also board members, management personnel or employees of companies with significant interests in the listed Company and/or other Group companies:

Name of member	Name of significant shareholder	Position
MS HELENA IRENE REVOREDO	GUBEL, S.L.	CHAIRWOMAN AND CEO
MR ISIDRO FERNÁNDEZ BARREIRO	CORPORACIÓN FINANCIERA ALBA, S.A.	2 ND DEPUTY CHAIRMAN
MR CHRISTIAN GUT REVOREDO	GUBEL, S.L.	BOARD MEMBER
MS CHANTAL GUT REVOREDO	GUBEL, S.L.	BOARD SECRETARY
MS MIRTA MARÍA GIESSO CAZENAVE	AS INVERSIONES, S.L.	CHAIRWOMAN AND CEO

Please detail any relevant relationships, other than those disclosed in B.1.17 above, between members of the board of directors and significant shareholders in the Company and/or Group companies:

Name of the related board member

MS HELENA IRENE REVOREDO DELVECCHIO

Name of the related significant shareholder

GUBEL, S.L.

Description of relationship

SHAREHOLDER WITH SOLE CONTROL

Name of the related board member

MR CHRISTIAN GUT REVOREDO

Name of the related significant shareholder

GUBEL, S.L.

Description of relationship

SHAREHOLDER WITH MINORITY NON-CONTROLLING INTEREST

Name of the related board member

MS CHANTAL GUT REVOREDO

Name of the related significant shareholder

GUBEL, S.L.

Description of relationship

SHAREHOLDER WITH MINORITY NON-CONTROLLING INTEREST

Name of the related board member

MS MIRTA MARÍA GIESSO CAZENAVE

Name of the related significant shareholder

AS INVERSIONES, S.L.

Description of relationship

SHAREHOLDER WITH SOLE CONTROL

B.1.18 Please specify whether the board regulations were amended during the year:

NO

B.1.19 Please specify the procedures for appointment, re-election, assessment and removal of board members: the competent bodies, steps to follow and criteria applied in each procedure.

Appointment

The Company by-laws stipulate that the board of directors must have a minimum of five and a maximum of 15 members,

in accordance with Recommendation 9 of the Unified Code of Good Governance, and that they must be appointed by the shareholders at the General Meeting. Provisionally, the board of directors, in accordance with the provisions of the Spanish Company Act and the Company by-laws, may cover existing vacancies by co-option.

The appointment of Company board members is, as a general rule, subject to approval by the shareholders at their General Meeting. Only under exceptional circumstances, when it becomes necessary to do so due to vacancies having arisen since the General Meeting, may action be taken in accordance with the provisions of the Spanish Company Act to appoint by co-option, seeking ratification at the first General Meeting held subsequently.

Furthermore, proposals for appointments of board members must be submitted in accordance with the Company's board regulations, and be preceded by the corresponding report from the Appointments and Remuneration Committee.

In accordance with its delegated powers, the Appointments and Remuneration Committee must report objectively and with due regard for the Company's interests, the proposals for the appointment, re-election and removal of Company board members, determining whether the candidates chosen to fill the vacancies have the necessary skills, knowledge and experience.

In accordance with the board regulations, when submitting proposals to the shareholders at their General Meeting or using co-option to fill vacancies, the board of directors must ensure that external directors outnumber executive directors, reducing the number of the latter to the minimum necessary in view of the complexity of the Company.

Proposals for the re-election of board members that the board of directors chooses to submit to the shareholders at their General Meeting must be made by means of a formal procedure. This procedure must include a report from the Appointments and Remuneration Committee, which assesses the quality of the work of the proposed members and their dedication as board members during their previous term of office.

Finally, the board of directors and the Appointments and Remuneration Committee must, within the scope of their competencies, ensure that candidates for election, particularly those chosen to fill the position of independent board member pursuant to article 8 of the board regulations, are persons of recognised solvency, competence and experience.

Re-election

Board members are appointed for a period of three years, and may be re-elected one or more times for periods of equal duration.

Notwithstanding the above, independent directors may not hold their position for more than 12 consecutive years unless their status changes to that of proprietary, executive or other external board member.

As with proposals for appointment, proposals for the re-election of board members that the board of directors chooses to submit to the shareholders at their General Meeting must be made by means of a formal procedure. This procedure includes submission of a report from the Appointments and Remuneration Committee assessing the quality of the work of the proposed members and their dedication as board members during their previous term of office.

Assessment

Pursuant to the provisions of the board regulations, the chair must organise and coordinate the periodic assessment of the board and, where appropriate, of the CEO, with the chairmen of the Appointments and Remunerations Committee and the Audit Committee.

Dismissal or Removal

Board members must vacate their posts when the term for which they were appointed has elapsed, or when the shareholders at their General Meeting or the board of directors so decide, pursuant to the powers legally or statutorily conferred upon them. However, the board of directors may not propose the removal of any independent directors unless they fail to fulfil their duties, and only when the Appointments and Remuneration Committee issues a report to that effect.

B.1.20 Please specify the situations in which board members are required to resign:

As established in article 24.2 of the board regulations, members must tender their resignation and formally resign when requested to do so by the board, if any of the following situations applies:

- a) Whenever they relinquish the executive posts with which their appointment as board member was associated.
- b) Whenever they become involved in any of the legally defined cases of incompatibility or prohibition.
- c) Whenever they are put on trial for an allegedly criminal deed or are subject to disciplinary proceedings for a serious or very serious misdemeanour heard by the supervisory authorities.
- d) When they receive a severe admonishment from the Audit Commission for breach of duty as board members.
- e) When their continued membership of the board may jeopardise the interests of the Company, or when the grounds on the basis of which they were appointed cease to be valid [for example, when board members representing significant shareholders sell their shares in the Company].

B.1.21 Please specify whether the first executive function in the Company is held by the member who chairs the board of directors. If so, please explain the measures taken to limit the risk of powers being held by one single person:

NO

State and, where appropriate, explain whether there are any rules in place to allow an independent director to request that a board meeting be convened, or new items included on the agenda in order to coordinate and reflect the concerns of the external board members and to guide the assessment made by the board of directors:

YES

Explanation of the rules

Pursuant to article 10.3 of the board regulations, the board of directors may empower an independent board member to carry out the following duties: (i) to request that the chair of the board of directors call a board meeting; (ii) to request that the chair of the board of directors include new items in the agenda; (iii) to coordinate and inform the chair of the board of directors of the concerns of the external board members; and (iv) to guide the assessment made by the board of directors with respect to the work performed by the chair of the board.

The board of directors has not expressly empowered any independent board member to carry out the aforementioned duties.

B.1.22 Are qualified majorities other than those established by law necessary for any specific decision?

NO

Please explain how resolutions are passed by the board of directors, specifying at least the minimum quorum of members present and the majorities required for resolutions to be passed:

Description of the agreement:

All agreements

Quorum	%
Personal or proxy attendance of half of all board members plus one	51.00

Type of majority	%
Resolutions shall be adopted by an absolute majority of votes cast by the board members in attendance physically or by proxy, except in cases where the approval of a larger number of board members is legally required in order for certain agreements to be valid.	51.00

B.1.23 Please state whether there are any specific requirements, other than those relating to board members, for appointment to chair of the board.

NO

B.1.24 Please specify whether the Chairwoman has a casting vote:

YES

Matters subject to a casting vote

Pursuant to article 23.6 of the Company by-laws, unless there are legal provisions to the contrary, resolutions shall be adopted by a majority vote by the board members in attendance at the board meeting. The vote of the chair of the board of directors shall be a casting vote in the event of a tie.

B.1.25 Please specify whether the by-laws or the board regulations establish any limit as to the age of board members:

NO

Age limit for chair	Age limit for CEO	Age limit for member
0	0	0

B.1.26 Please specify whether the by-laws or the board regulations establish any limit to the mandate of independent members:

YES

Maximum number of years of mandate	12
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B.1.27 If the number of female members is low or zero, please explain the reasons for this situation and the steps taken to change it.

Please specify whether the Appointments and Remuneration Committee has established procedures so that recruitment processes are not implicitly biased in a way that hinders the selection of female members, and so that female candidates fulfilling the required profile are deliberately sought:

YES

Please specify the main procedures
Pursuant to article 17 of the regulations of the board of directors, the responsibilities of the Appointments and Remuneration Committee include informing the board of directors on issues relating to gender diversity, should this be deemed necessary in light of the composition of the board of directors.

B.1.28 Please specify whether there are any formal processes whereby members of the board of directors can vote by proxy. If so, please provide a brief explanation.

Article 23 of the Company by-laws establishes that absent members may be represented at board meetings by another board member by means of a written delegation that must endeavour, as far as possible, to contain voting instructions.

Pursuant to article 19 of the regulations of the board of directors, board members must make every possible effort to attend the sessions of the board or, if they cannot do so in person, to ensure that the proxy representation they confer upon another member of the board corresponds to a director pertaining to the same group, and includes appropriate instructions

B.1.29 Please specify the number of meetings held by the board of directors during the year and, if applicable, the number of times that the board met without the Chairwoman being present.

Number of board meetings	6
Number of meetings of the board without the Chairwoman being present	0

Please specify the number of meetings held by the different board committees during the year:

Number of meetings of the Executive or Delegate Committee	11
Number of meetings of the Audit Committee	7
Number of meetings of the Appointments and Remuneration Committee	2
Number of meetings of the Appointments Committee	0
Number of meetings of the Remuneration Committee	0

B.1.30 Please specify the number of meetings held by the board of directors during the year in which some of its members were not present. For the calculation, proxies given without any specific instructions should be considered as non-attendance:

Number of member absences in the year	2
Absences as a percentage of total votes during the year	2.500

B.1.31 Please specify whether the individual and consolidated annual accounts submitted to the board for approval are previously certified:

YES

Please specify, if applicable, the person/s who certified the individual and consolidated annual accounts of the Company for authorisation for issue by the board:

Name	Position
MR CHRISTIAN GUT REVOREDO	CHIEF EXECUTIVE OFFICER

B.1.32 Please explain any mechanisms established by the board of directors to prevent the individual and consolidated annual accounts prepared by the board from being submitted to the shareholders at their General Meeting with a qualified audit opinion.

The Company's senior financial management team has strict controls in place to ensure that the individual and consolidated accounts are drawn up in accordance with generally accepted accounting principles in Spain and with IFRS. All Prosegur companies are audited by a single auditor: KPMG Auditores, S.L.

One of the Audit Committee's duties is to liaise with the external auditors. This includes ensuring that the opinion of the audit report on the annual accounts does not contain any qualifications, and holding the appropriate conversations with the external auditors when the accounts are being authorised for issue.

Article 44 of the board regulations establishes that the board of directors must endeavour to prepare the final accounts so as to avoid a qualified opinion by the auditor. However, when the board considers that it must adhere to its judgement, it must publically explain the content and scope of the discrepancy.

B.1.33 Is the Secretary of the board a director?

NO

B.1.34 Please explain procedures for appointment and removal of the Secretary of the board, specifying whether said appointment and removal are based on a report by the Appointments Committee and approved by the board in full.

Appointment and removal procedure

Under article 21 of the Company by-laws, the board of directors must appoint a Secretary who may or may not be a board member. Likewise, article 12.4 of the board regulations establishes that the appointment and removal of the Secretary must be reported by the Appointments and Remuneration Committee and approved by the board of directors in full.

Does the Appointments Committee issue reports on appointments?	YES
Does the Appointments Committee issue reports on removals?	YES
Are appointments approved by the board in plenary session?	YES
Are removals approved by the board in plenary session?	YES

Is it the duty of the Secretary of the board to take particular care of good governance recommendations?

YES

Remarks

Pursuant to article 12.3 of the board regulations, the Secretary of the board must ensure that all actions and resolutions by the board and its Committees are legal in subject and in form, and that governance rules and procedures are observed and regularly reviewed. The Secretary shall also ensure that the actions of the board comply with Company by-laws, the regulations of the General Meeting and the board and good corporate governance practices.

B.1.35 Please specify any mechanisms established by the Company to ensure the independence of its auditor, financial analysts, investment banks and rating agencies.

The Audit Committee works to ensure that the independence of the external auditors is maintained, and may request their presence at board meetings whenever considered necessary.

Article 44 of the board regulations establishes that the board of directors must not use the services of auditing firms for whom the total fees expected to be paid by Prosegur exceed five per cent of the auditing firm's total income in the previous year. The board must also publicly report the total fee paid by Prosegur to the auditors for any non-audit services rendered.

As yet there is no established procedure for guaranteeing the independence of financial analysts and investment banks, although Prosegur has always dealt with them in a transparent manner and its criteria have always been based on principles of professionalism, solvency and independent judgement.

This point does not apply to rating agencies as Prosegur has no relationship with them.

B.1.36 Please specify whether the Company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

NO

Outgoing auditor	Incoming auditor

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

NO

B.1.37 Please specify 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

	Company	Group	Total
Amount for non-audit services (thousands of Euros)	0	1,009	1,009
Amount for non-audit services/total amount billed by the audit firm (%)	0.000	48.000	48.000

B.1.38 Please specify whether the auditors' report on the prior year's annual accounts contains a qualified opinion or reservations. If so, please explain the reasons given by the chair of the Audit Committee to explain the content and extent of the aforementioned qualified opinion or reservations.

NO

B.1.39 Please indicate the number of years for which the current audit firm has been auditing the annual accounts of the Company and/or Group. Please also specify the number of years audited by the current audit firm as a percentage of the total number of years that the annual accounts have been audited:

	Company	Group
Number of consecutive years	2	2

	Company	Group
Number of years audited by the current audit firm/ number of years that the Company has been audited (%)	10.0	10.0

B.1.40 Please provide details, to the extent that they are known to the Company, of any interests held by the members of the board of directors in companies with identical, similar or complementary statutory activities to those of the Company or Group. Please also specify the positions or duties held by the members in question in these companies:

B.1.41 Please specify whether there is a procedure whereby board members can contract external advisory services, and provide details if applicable:

YES

Explanation of procedure

Article 27 of the board regulations establishes that, to obtain appropriate information and advice regarding the exercise of their duties, board members may ask the Company to engage legal, accounting or financial advisors or any other experts. This engagement must focus on specific, relevant and complex problems that may arise in the performance of the duties of a board member.

The Chairwoman must be notified of the decision to engage external advisory services, and the board may veto this decision if it is proven that:

- (a) the board does not require any external advice for the proper performance of the duties designated to external members;
- (b) the related cost is not reasonable considering the importance of the problem and the Company's assets and revenues; or
- (c) the technical assistance required can be suitably provided by the Company's own experts and technical personnel.

B.1.42 Please specify whether there is a procedure for providing information to board members to allow them to prepare for meetings of administration bodies with sufficient notice. If so, explain the procedure:

YES

Explanation of procedure

Pursuant to article 18.2 of the board regulations, unless expressly otherwise specified by the chair, meetings of the board of directors must be announced with at least three days' notice. The notice announcement must always include the agenda of the meeting and be accompanied by the relevant information, duly summarised and prepared.

Furthermore, article 12 of the board regulations expressly requires the Secretary to provide board members with the necessary advice and information to ensure the correct functioning of the board.

Article 26 of the board regulations also establishes that any board member has ample authority to obtain information on any issue related to the Company, to examine the books, records, documents and any other background details on the Company's transactions, and to inspect the Company's facilities. This right of information extends to the subsidiary companies, whether Spanish or foreign.

B.1.43 Please specify whether the Company has established rules whereby board members must provide information on any circumstances that may damage the Company's standing and reputation and, if necessary, resign.

YES

Explanation of rules

In accordance with article 24.2 of the board of directors' regulations, board members must tender their resignation to the board of directors and, if it is accepted, resign when their continued membership of the board could undermine the interests of the Company.

B.1.44 Please specify whether any member of the board of directors has notified the Company that he or she has been tried, or notified that judiciary proceedings have been filed, for any offences established in section 124 of the Spanish Companies Act.

NO

Please explain whether the board of directors has examined the case. If so, please explain and provide reasons for the decision taken as to whether the board member in question should continue in his or her position.

NO

Decision taken	Reasoned explanation

B.2 Committees of the board of directors

B.2.1 Please provide details of all committees of the board of directors and their membership:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position held	Category
MS HELENA IRENE REVOREDO DELVECCHIO	CHAIRWOMAN	EXECUTIVE
MS CHANTAL GUT REVOREDO	BOARD MEMBER	PROPRIETARY
MR CHRISTIAN GUT REVOREDO	BOARD MEMBER	EXECUTIVE
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	BOARD MEMBER	OTHER EXTERNAL
MR ISIDRO FERNÁNDEZ BARREIRO	BOARD MEMBER	PROPRIETARY
MR PEDRO GUERRERO GUERRERO	BOARD MEMBER	INDEPENDENT

AUDIT COMMITTEE

Name	Position held	Category
MR EUGENIO RUIZ-GÁLVEZ PRIEGO	CHAIRMAN	OTHER EXTERNAL
MS CHANTAL GUT REVOREDO	BOARD MEMBER	PROPRIETARY
MR ISIDRO FERNÁNDEZ BARREIRO	BOARD MEMBER	PROPRIETARY
MR PEDRO GUERRERO GUERRERO	BOARD MEMBER	INDEPENDENT

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position held	Category
MR PEDRO GUERRERO GUERRERO	CHAIRMAN	INDEPENDENT
MS CHANTAL GUT REVOREDO	BOARD MEMBER	PROPRIETARY
MR ISIDRO FERNÁNDEZ BARREIRO	BOARD MEMBER	PROPRIETARY

B.2.2 Please indicate whether the audit committee assumes the following functions:

Supervision of the process of preparation and the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles.	YES
Regular review of the internal control and risk management systems, to ensure that the main risks are properly identified, managed and reported.	YES

Verification that the internal audit area is both independent and efficient; proposal of the selection, appointment, re-election and dismissal of the head of the internal audit area; proposal of the budget for this area; receipt of regular information on its activities; and verification that senior management considers the conclusions and recommendations contained in its reports.	YES
Implementation and supervision of a mechanism whereby employees can report confidentially, and anonymously where appropriate, any potentially significant irregularities they detect in the Company, especially those of a financial or accounting nature.	YES
Submission of proposals to the board for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which this auditor is hired.	YES
Regular receipt of information from the external auditor regarding the audit plan and the results of its implementation, and verification that senior management takes its recommendations into account.	YES
Confirmation that the external auditor is independent.	YES
In the case of groups, encouraging the assumption of responsibility by the group auditor for the audit of group companies.	YES

B.2.3. Please describe the organisational and operational regulations and responsibilities assigned to each board committee.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

a) Regulation.

Article 26 of the by-laws and article 17 of the board regulations.

b) Composition.

The Appointments and Remuneration Committee must comprise a minimum of three (3) and a maximum of five (5) board members. The chairman should always be an independent director.

c) Operation.

The Appointments and Remuneration Committee may regulate its own activity, in the absence of specific regulations, using the operating regulations established for the board of directors, provided that these are compatible with the nature and function of the Committee.

The Appointments and Remuneration Committee shall meet every time the board of directors or the chairman of the board requests that a report be issued or proposals adopted, and whenever necessary to fulfil its duties correctly.

It must meet at least once a year to prepare information on directors' remuneration, which the board of directors has to approve and include in the annual reports issued.

d) Competencies.

The Appointments and Remunerations Committee has the following basic responsibilities:

a) Prepare and review the criteria for the composition of the board of directors and the selection of candidates; report on proposed appointments of Company/subsidiary directors and senior management, assessing the skills, knowledge and experience required to fill the vacancies. Any director may recommend possible candidates to the Committee to cover vacancies.

b) Submit to the board proposals concerning director appointments so that it can either directly elect (co-opt) the director or issue its own proposal for the candidate in question to the shareholders for approval at their meeting;

c) Propose the members of each committee to the board;

d) Propose to the board of directors the payment system and amount of the directors' annual remuneration;

e) Regularly review the remuneration programmes, considering their suitability and performance;

f) Ensure the transparency of director and senior management remuneration and, in the case of the latter, submit the basic conditions of their contracts to the board;

g) Report on transactions that represent or could involve conflicts of interest and, in general, on the matters covered in chapter IX of these regulations;

h) Study or organise, when applicable and when so required by the board of directors, the successor to the chairman, making the corresponding proposals and issuing the appropriate reports;

- i) Report to the board on questions relating to gender diversity, if considered necessary in light of the composition of the board of directors.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief description

a) Regulation.

Article 25 of the by-laws and article 15 of the board regulations.

b) Composition.

The Executive Committee must comprise a minimum of three (3) and a maximum of seven (7) board members.

The chairman of the board of directors shall also chair the Executive Committee.

Executive Committee member appointments shall require the favourable vote of at least two thirds of the directors on the board.

The Secretary to the board of directors shall also be the Secretary to the Executive Committee.

c) Operation.

The Executive Committee shall meet whenever the chairman calls a meeting and, in the absence of specific regulations, shall use the operating regulations established for the board of directors, provided that these are compatible with the nature and function of the Committee.

The Executive Committee shall hold at least seven ordinary sessions a year.

When the chairman or three Executive Committee members consider that a matter is sufficiently significant, Executive Committee agreements shall be submitted to the full board for ratification. The same shall apply to matters that the board has referred to the Executive Committee for consideration, while reserving the final decision on these. In all other cases, Executive Committee agreements shall be valid and binding without the need for ratification by the full board.

d) Responsibilities.

The Executive Committee enjoys the widest powers of representation, administration, management and disposal. In general, it enjoys all the powers held by the board of directors, except for those which cannot be delegated due to prevailing legislation, the Company's by-laws or the board of directors' regulations.

e) Relations with the board of directors.

The Executive Committee shall inform the board on a timely basis of the matters discussed and the decisions adopted at its meetings, as well as providing the board with a copy of the minutes of these meetings.

Committee name

AUDIT COMMITTEE

Brief description

a) Regulation.

Article 27 of the by-laws and article 16 of the board regulations.

b) Composition.

The Audit Committee shall comprise a minimum of three (3) and a maximum of five (5) board members, and must always include a majority of non-executive directors appointed by the board of directors at the proposal of the Appointments and Remuneration Committee. At least one must be an independent director, and his/her knowledge of and experience in accounting and/or audit matters shall be considered at the time of appointment.

The board of directors must appoint one of the non-executive directors to act as chairman of the Audit Committee, who must be replaced every four years, although may be re-elected after one year has elapsed from the date he/she ceased to hold the role.

The Audit Committee shall appoint a secretary, who shall draw up the minutes of its agreements. The Audit Committee shall appoint its own secretary, who is not required to be an Audit Committee member or a director.

c) Operation.

The Audit Committee may regulate its own activity, using, in the absence of specific regulations, the operating regulations established for the board of directors.

It must hold at least four (4) ordinary sessions a year, and shall hold extraordinary meetings whenever the board of directors or the chairman of the board requests that a report be issued or proposals adopted, and whenever so required to fulfil its duties correctly.

Any member of the senior management team or any Company employee whose presence is required at Committee meetings is obliged to attend, and must offer their full collaboration and access to any information in their possession.

The Committee may also insist that the auditors attend meetings.

d) Responsibilities.

The Audit Committee has the following basic responsibilities:

- a) Respond to any questions raised by shareholders at their general meeting on matters which fall within its remit.
- b) Propose the appointment of the auditor to the board for submission to the shareholders at their general meeting, in accordance with applicable legislation.
- c) Supervise the efficiency of the Company's internal controls, internal audit and risk management systems, and discuss with the auditor any significant weaknesses detected in the internal control system as a result of their work.
- d) Supervise the preparation and presentation of mandatory financial reports.
- e) Liaise with the auditors of the annual accounts to receive information on matters which could jeopardise their independence, as well as any other issues related to the audit process. Maintain all other communications required by audit legislation and technical standards governing the audit profession. Each year the Audit Committee should receive written confirmation from the auditors of their independence in respect of the Company and directly or indirectly related parties, as well as information on any additional services of whatever type provided by the auditor or by persons or related parties, in accordance with legislation governing the audit of accounts.
- f) Each year, prior to the issuing of the auditor's report, publish a report providing an opinion on auditor independence. This report should in all cases conclude on any additional services provided as described in e) above.
- g) Assess the contract signed for services rendered by the Company's auditors, the proposal and their fees.
- h) Perform any other duties that the board regulations expressly delegate to the Audit Committee.

B.2.4 Please indicate the advisory and consulting functions and any delegated powers corresponding to each of the committees:

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Consultation and control committee

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief description

Corporate body with a general decision-making capacity and the express delegation of all the powers inherent to the board of directors, except for those which, in accordance with prevailing legislation or the Company's by-laws, cannot be delegated.

Committee name

AUDIT COMMITTEE

Brief description

Consultation and control committee

B.2.5. Please indicate, where applicable, the existence of any regulations governing board committees, where these regulations may be consulted and any amendments made to them during the year. Please also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

The organisation and operation of the board of directors committees are regulated in the by-laws, and specifically in the board regulations, which are available for consultation on the Company's website and on the website of the Spanish Securities Market Commission.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief description

The organisation and operation of the board of directors committees are regulated in the by-laws, and specifically in the board regulations, which are available for consultation on the Company's website and on the website of the Spanish Securities Market Commission.

Committee name

AUDIT COMMITTEE

Brief description

The organisation and operation of the board of directors committees are regulated in the by-laws, and specifically in the board regulations, which are available for consultation on the Company's website and on the website of the Spanish Securities Market Commission.

B.2.6 Please indicate whether the composition of the Executive Committee reflects the participation of the various board members on the board by type:

YES

C - RELATED-PARTY TRANSACTIONS

C.1. Please state whether the approval - following a favourable report by the Audit Committee or other committee entrusted with this task - of transactions performed by the Company with directors, significant shareholders or shareholders represented on the board, or with persons related to any of the above, is reserved for the board in plenary session:

YES

C.2. Please describe relevant transactions involving a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:

Name of significant shareholder	Name of company or group entity	Nature of relationship	Type of transaction	Amount (in thousands of Euros)
GUBEL, S.L.	PROACTINMO, S.L.	COMMERCIAL	Leases	1,267
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	COMMERCIAL	Services rendered	2,557

C.3. Please describe any relevant transactions which involve a transfer of resources or obligations between the Company or entities within its Group and the directors or management personnel of the Company:

C.4. Please describe relevant transactions carried out by the Company with other companies belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not (in terms of their purpose and conditions) form part of the Company's ordinary business activities.

C.5. Please state whether the members of the board of directors have been in any situation during the year which is regarded as a conflict of interests pursuant to the provisions of Article 127.3 of the Spanish Companies Act.

NO

C.6. Please describe the mechanisms in place to detect, determine and resolve potential conflicts of interests between the Company and/or its Group and its directors, management personnel or significant shareholders.

The board regulations of Prosegur Compañía de Seguridad, S.A. establish certain mechanisms for the detection, identification and resolution of possible conflicts of interests with respect to directors:

-Reporting obligations: the directors are required by Article 38 of the aforementioned regulations to inform the Company of all positions held and activities performed by them in other companies or entities and, in general, of any fact or situation which may be relevant to their duties as directors of the Company.

-Abstention obligations: the directors are required by Article 33 of the board regulations to refrain from attending and participating in deliberations on matters in which they have a personal interest. For these purposes, a director is also considered to have a personal interest when the matter in question affects a member of his/her family or a company in which he/she occupies a management position or owns a significant shareholding. Similarly, the aforementioned article stipulates that the directors may not, whether directly or indirectly, undertake any professional or commercial transactions with the Company unless they have first reported the conflict of interest and the board has approved the transaction in question, following a report by the appointments and remuneration committee and regulatory compliance area.

With regard to significant shareholders, article 39 of the board regulations stipulates that the board is responsible for examining any transactions carried out by the Company with a significant shareholder and/or any other related party, as defined by applicable legislation. No transaction may be authorised without the appointments and remuneration Committee having first issued a report, in which it assesses the transaction with respect to the equal treatment of shareholders and market conditions.

C.7. Is there more than one Group company listed in Spain?

NO

Please name the listed subsidiaries:

D - RISK CONTROL SYSTEMS

D.1 General description of the Company's and/or Group's risk policy, detailing and assessing risks covered by the system together with the justification of the adequacy of these systems to the profile of each type of risk.

Prosegur has implemented, through various areas, an extensive risk control system. The Company analyses, evaluates and monitors all relevant factors that could affect its day-to-day management. In this way, it safeguards its assets and the interests of clients, employees and shareholders, contributing to improved development and encouraging greater confidence in the business.

Through its internal audit area, which adopts a systematic and thorough approach when assessing and improving risk management, control and governance processes, Prosegur guarantees that its risk control system is adequate and sufficient. The Company is exposed to financial, operational, regulatory and reputational risks.

1. Financial risks

Prosegur's activities are exposed to currency, interest rate, price, credit and liquidity risk. The purpose of the Company's global risk management programme is to reduce these risks using a variety of methods, including the use of financial instruments.

The management of these risks is identified, proposed and carried out by the financial area, together with other Prosegur operating units, in accordance with policies approved by the executive committee.

1.1 Currency risk

Prosegur operates internationally and is therefore exposed to currency risk, specifically with respect to transactions carried out in the Argentine peso, Brazilian real, Chilean peso, Peruvian sol and, to a lesser extent, the Colombian peso,

the Mexican peso, the Uruguayan peso and the Paraguayan guaraní. Currency risk arises from futures transactions, equity invested in foreign operations, and operating income and financial positions denominated in a currency other than Prosegur's functional currency.

To control the exchange rates on these transactions, Prosegur uses the instruments that it considers most appropriate at each moment in time to offset and neutralise the risks related to monetary flows of receivables and payables, taking market forecasts into account.

Prosegur's established strategy is one of long-term permanence in the foreign markets in which it operates, and consequently it does not hedge investments in the equity of foreign operations, but instead assumes the risk of translating payables and receivables denominated in these currencies into Euros.

By contrast, the Company does use financial instruments and natural hedges to hedge results from foreign operations and cash surpluses in those currencies that contribute significantly to Prosegur's operating results.

1.2 Credit risk

Prosegur does not have significant concentrations of credit risk as it operates in a sector in which the percentage of defaulted payments is not significant. If clients have been independently rated then these ratings are used. Where no independent rating exists, the credit control area assesses the client's creditworthiness, taking into account its financial position, past experience and other factors. Individual credit limits are established based on internal and external ratings within the limits established by the financial area. The application of credit limits is subject to regular monitoring.

Prosegur has formal procedures in place to detect objective evidence of impairment of trade receivables. These procedures enable the Company to identify significant delays in payment, and to provide methods for estimating the potential impairment loss based on an individualised analysis by business area. At 31 December 2011 impairment of trade receivables amounts to Euros 51,235 thousand, and the trade receivables not included in this provision have sufficient credit ratings. This provision is therefore considered sufficient to cover the credit risk related to trade receivables.

Prosegur has contracted a securitisation programme for trade receivables through which it sells invoices without recourse. The credit risk transferred in this respect is subject to a limit of Euros 150,000 thousand.

1.3 Price risk

Because Prosegur's principal activity is a services business, based extensively on human capital, there are no significant risks relating to price volatility. Price collars were maintained during 2011 to limit the impact on costs resulting from the consumption of diesel by the armoured vehicle fleet.

1.4 Liquidity risk

Prudent management of liquidity risk requires maintaining sufficient cash and marketable securities, and the availability of adequate short, medium and long-term financing through committed credit facilities, so that Prosegur can meet its business objectives in a secure, efficient and timely manner. The corporate treasury department is responsible for maintaining the Group's liquidity and the availability of sufficient financing to ensure the smooth running of Prosegur's business operations.

Management monitors Prosegur's liquidity reserve provisions, which include available balances in credit facilities and cash and cash equivalents, based on expected cash flows.

1.5 Cash flow and fair value interest rate risks

Prosegur is exposed to interest rate risk due to the monetary assets and liabilities on its balance sheet, and this risk is subject to dynamic analysis. During 2011, Prosegur's financial liabilities at variable interest rates were primarily denominated in Euros.

Prosegur simulates a number of scenarios that take into account refinancing, the renewal of current positions, alternative financing and hedging operations. Based on these scenarios, Prosegur calculates the effect on results of a particular interest rate variation. The same variation in interest rates is used for all currencies in each simulation, and scenarios are only prepared for the most significant liabilities on which interest accrues at variable rates.

Based on the different scenarios, Prosegur manages cash flow interest rate risk through variable-to-fixed interest rate swaps.

During 2011 Prosegur contracted interest rate swaps to obtain greater flexibility in the structure of fixed-term drawdowns.

2. Operational and regulatory risks

Prosegur's global risk management department continuously analyses all the Group's operations to detect, assess and manage all the risks that could derive from these activities.

Prosegur is aware of the positive impact that this control function has on its services, and therefore earmarks significant resources for this area. Its operations are subject to an ongoing audit process, which is both on-site and remote.

The global risk management department also participates actively in investigative and analytical activities relating to purchases from third parties.

Prosegur has created a global risk management council, already established in Europe and soon to be set up in Latin America. The role of this council is to control and provide assistance in relation to claims or disputes concerning cash management activity, helping to identify best practices and design procedures to minimise possible losses.

The global risk management council plays an essential role in the prevention of money laundering, and is responsible for the Company's AML (Anti-Money Laundering) unit in Spain. This unit has been established in accordance with legislation requiring Prosegur to implement control measures to prevent the transportation of funds being used for money laundering purposes. Through these initiatives, Prosegur has once again demonstrated its leadership in this area.

The global risk management department is also responsible for global management of the Company's quality and environmental policy.

The main objectives of Prosegur's quality and environmental policy are as follows:

- To ensure client satisfaction by rendering an excellent service which the Company continually strives to improve upon.
- To pursue its business activity in a manner that shows respect for the environment, human rights and the societies in which the Group operates.
- To raise awareness of good environmental practices among the Group's personnel, encouraging their application in both work and personal habits.

Finally, the insurance management department is responsible for transferring the Company's operational risks to the insurance market. Prosegur's insurance portfolio comprises different global and local programmes covering its assets, personnel, shareholders, activities and third parties.

3. Reputational risks

Prosegur's dealings with its main stakeholders are undertaken in strict compliance with the basic principles and standards included in the Code of Ethics and Professional Conduct, which has been approved by the board of directors.

As a listed company, Prosegur also has an Internal Code of Conduct (ICC) applicable to matters related to securities markets, the aim of which is to ensure strict compliance with the law.

Both are public documents and are available for consultation on the Company's website: www.prosegur.com.

The Group has a whistleblower hotline for the reporting of any irregular or inappropriate conduct that may constitute a breach of the guidelines set forth in the aforementioned documents.

D.2 Please specify whether any of the different kinds of risk (operational, technological, financial, legal, reputational or tax-related) that affect the Company and/or Group have occurred during the year:

NO

If so, please specify the circumstances that caused these and whether established control systems functioned correctly.

D.3 Please specify whether any committee or other governing body is responsible for establishing and supervising these control devices:

YES

If so, give details of its functions.

Name of the committee or body

AUDIT COMMITTEE

Description of functions

The functions delegated to the audit committee in this regard include the following:

- a) To respond to any queries raised at the shareholders' general meeting relating to areas that fall within its competence.
- b) To propose to the board of directors, for subsequent submission to the shareholders at their AGM, the appointment of the Company's auditors, in accordance with applicable legislation.

- c) To monitor the effectiveness of the Company's internal control system and internal audit and risk management systems, and to discuss with the auditors any significant internal control system weaknesses detected during the course of the audit.
- d) To oversee the preparation and presentation of statutory financial information.
- e) To liaise with the auditors in order to receive information on any issues that could jeopardise their independence and on any other issues related to the audit, and to receive information from and maintain contact with the auditors as foreseen in audit legislation and technical regulations governing the audit profession. The audit committee shall, in any case, receive annual written confirmation from the auditors with respect to their independence from the entity, whether directly or indirectly through related entities, and information on additional services of any kind rendered to these entities by the aforementioned auditors, or by persons or entities related to them in accordance with prevailing audit regulations.
- f) To issue annually, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. This report should also present an opinion on the rendering of the additional services mentioned in the previous point.
- g) To assess the contract for audit services to be rendered to the Company, and propose and valueate the respective remuneration.
- h) To carry out any other duties expressly attributable to the committee by virtue of the board regulations.

D.4 Identification and description of processes for compliance with different regulations that affect your Company and/or Group:

Prosegur carries out its activity in the private security sector. This activity is subject to specific regulations in the different countries in which the Group operates, notwithstanding any other legislation applicable in each case.

The Company pays particular attention to compliance with the different regulations affecting Prosegur, and has established specific areas – including a financial area and a legal advisory area – to carry out controls in this respect. Each of these areas ensures that prevailing (internal and external) regulations are upheld in their respective fields.

E - GENERAL MEETING

E.1 Please specify and, where appropriate, provide details of any differences compared to the system of minimums foreseen in the Spanish Companies Act with regard to the quorum for calling the General Meeting

NO

	% quorum different to that established in art. 102 of the Spanish Companies Act for general matters	% quorum different to that established in art. 103 of the Spanish Companies Act for special cases under article 103
Quorum required for 1st call	0	0
Quorum required for 2nd call	0	0

E.2 Please specify and, where appropriate, provide details of any differences compared to the system set forth in the Spanish Companies Act for adopting corporate agreements.

NO

Please describe differences compared to the system set forth in the Spanish Companies Act.

E.3. Please list the rights of shareholders in relation to General Meetings which are different to those established in the Spanish Companies Act.

There are no established rights of shareholders in relation to General Meetings other than those prescribed in the Spanish Companies Law

E.4. Please specify any measures adopted to encourage the participation of shareholders in General Meetings.

The general meeting regulations consider a number of measures aimed at encouraging shareholders to take part in meetings. These primarily consist of providing shareholders, sufficiently in advance, with access to all information on the issues included on the agenda, not only through the delivery of paper documentation on these matters, but also by making these documents available on the Company's website, which includes a virtual forum for shareholders.

Information shall also be provided on the measures and procedures to be used for arranging representation at the general meeting. As from the day after the notice calling the meeting has been published, named attendance and delegation cards shall be issued to all eligible shareholders who request them.

Additionally, although it is not expressly considered in the by-laws or general meeting regulations, the Company allows votes to be split in the case of financial brokers who are registered as legitimate shareholders but act on behalf of different clients.

E.5 Please specify whether the position of chairperson of the General Meeting is the same as the chairperson of the board of directors. Please provide details, as appropriate, of measures adopted to guarantee the independence and correct operation of the General Meeting:

YES

Details of measures

Pursuant to the general meeting regulations:

1. The chairperson of the general meeting is responsible for:

- a) Directing the meeting so that deliberations are made in accordance with the agenda.
- b) Establishing the order in which deliberations are to be made and the order in which those wishing to speak are given the floor.
- c) Deciding how resolutions are to be voted upon, in accordance with the general meeting regulations.
- d) Resolving any queries, requests for clarification or complaints which may arise in relation to the agenda, the attendance list, title to shares, delegations or representative powers, requirements for the valid assembly of the meeting and the passing of resolutions by the shareholders at the meeting, or restrictions on voting rights established in the by-laws.
- e) Giving the floor to shareholders who request permission to speak, instructing speakers to end their addresses or refusing to give the floor when there are reasons for such action, and bringing debates to a close when he/she feels that the issue in question has been sufficiently discussed, all in accordance with the general meeting regulations.
- f) Indicating when resolutions are to be voted upon and declaring the results of voting procedures.
- g) In general, exercising all the necessary powers to ensure the smoothest possible running of the meeting, including interpretation of the general meeting regulations.

E.6 Please provide details of any amendments to the general meeting regulations during the year.

During 2011 the following amendments were made to the general meeting regulations:

Deletion of the preamble and amendment of articles 2 (Competencies of the shareholders' general meeting), 4 (The ordinary general shareholder's meeting), 6 (Powers and obligation to call - agenda), 7 (Publication of meeting notice), 10 (Recognition of the right to attend the general shareholders' meeting), 11 (Representation), 12 (Public representation request), 15 (Presiding committee of the general shareholders' meeting), 17 (Convening the meeting), 21 (Voting), 24 (Publicising shareholder agreements) and 25 (Scope and term of application) to replace any references to the former Spanish Companies Act with references to Spanish legislation in general, or the new Spanish Companies Act in particular, to bring the by-laws into line with the provisions introduced by the aforementioned legislation and to improve the wording of certain sections .

E.7 Please provide details of attendance at the General Meetings held in the year to which this report refers:

Details of attendance					
Date of General Meeting	% physical presence	% in representation	% distance voting		Total
			Electronic vote	Others	
27/06/2011	65.830	13.150	0.000	0.000	78.980

E.8 Please provide brief details of the agreements adopted at the General Meetings held during the year to which this report refers, and the percentage of votes with which each agreement was adopted.

General Shareholders' Meeting held on 27 June 2011

Proposals:

I. Examination and approval of the annual accounts and directors' report of Prosegur Compañía de Seguridad, S.A. and consolidated group for the year ended 31 December 2010, the proposed distribution of profit and the performance of its board of directors during that year (99.99% approved).

II. Shareholder remuneration: distribution of dividends with a charge to profits for 2010 (99.99% approved).

III. Re-election of board members.

1.-Re-election of Mr. Pedro Guerrero Guerrero (independent) (99.93% approved)

2.-Re-election of Mr. Eugenio Ruiz-Gálvez Priego (other external) (95.12% approved)

IV. Amendments to the by-laws.

1.-Amendment of article 2 (statutory activity) to include new activities (99.99% approved).

2.-Amendment of the heading of title II and article 6 (on shares) to update the regulation regarding unpaid calls on share capital (99.99% approved).

3.-Amendment of articles 9 (condition of shareholder), 10 (use and pledging of shares) and 12 (trading of own shares) to replace any references to the former Spanish Companies Act with references to Spanish legislation in general, or the new Spanish Companies Act in particular, to bring the by-laws into line with the provisions introduced by that law and to improve the wording of certain sections (99.99% approved).

4.-Amendment of articles 14 (on the general meeting and types of meetings), 15 (calling of meetings), 17 (the right to attend meetings) and 18 (quorum and attendance) to replace references to the former Spanish Companies Act with references to Spanish legislation in general, or the new Spanish Companies Act in particular, to bring the by-laws into line with the provisions introduced by that law and to improve the wording of certain sections (99.99% approved).

5.-Amendment of articles 21 (board of directors), 27 (Audit Committee) and 28 (Chairman and Vice-Chairman) for their adaptation to the amendment resulting from Law 12/2010 of 30 June 2010, which amends legislation including the Spanish Audit Act and the Spanish Securities Market Act, and to improve the wording of certain sections (99.99% approved).

6.- Amendment of articles 29 (on the authorisation for issue of the annual accounts) and 36, which has become article 34 (on the winding up and liquidation of the Company), and deletion of articles 34 (on bond issues) and 35 (on the transformation, merger and spin-off of the Company), to make certain technical improvements to the by-laws of the Company (99.99% approved).

V. Amendment of the General Meeting regulations: Deletion of the preamble and amendment of articles 2 (Competencies of the general meeting), 4 (The Ordinary General Shareholders Meeting), 6 (Powers and Obligation to Call- Agenda), 7 (Publication of Meeting Notice), 10 (Recognition of the Right to Attend the General Shareholders' Meeting), 11 (Representation), 12 (Public Representation Request), 15 (Presiding Committee of the General Shareholders' Meeting), 17 (Convening the Meeting), 21 (Voting), 24 (Publicising Shareholder Agreements) and 25 (Scope and Term of Application), to replace references to the former Spanish Companies Act with references to Spanish legislation in general, or the new Spanish Companies Act in particular, bringing the by-laws into line with the provisions introduced by that law, and to improve the wording of certain sections (99.99% approved).

VI. Approval of the merger of Prosegur Transportes de Valores, S.A., Prosegur Servicio Técnico, S.L. Prosegur Tecnología, S.L. and Prosegur Activa España, S.L. (the absorbed companies) with Prosegur, Compañía de Seguridad, S.A. (absorbing company), pursuant to the merger project filed with the mercantile registries of Madrid and La Coruña. Approval of the Company's balance sheet at 31 December 2010 as the merger balance sheet. Application of the tax regime established in chapter VIII of section VII of the revised Income Tax Law to the merger (99.99% approved).

VII. Authorisation to acquire own shares, directly or through Group subsidiaries (99.99% approved).

VIII. Authorisation for the board, with powers of sub-delegation and for a maximum period of five years, to increase share capital pursuant to article 297 1.b) of the Spanish Companies Law, up to half the amount of share capital at the date of authorisation, including the power to exclude pre-emptive subscription rights (99.83% approved).

IX. Authorisation for the board, with powers of sub-delegation and for a maximum period of five years, to issue securities (including debentures, bonds and warrants) exchangeable for outstanding shares or with the right to acquire outstanding shares

of the Company or other companies, and/or convertible or with the right to subscribe new shares issued by the company, and to guarantee issues of such securities by other Group companies. Establishment of the criteria for the basis and methods of the conversion and/or exchange, and delegation to the board of the power to increase capital in the amount necessary and to exclude pre-emptive subscription rights at the time of issuing these securities (99.79% approved).

X. Authorisation for the board, with powers of sub-delegation and for a maximum period of five years, to issue fixed-income securities (especially debentures, bonds and promissory notes) and preference shares, and to guarantee issues of such securities by other Group companies (99.96% approved).

XI. Delegation of the power to formally arrange, interpret, correct and carry out the agreements adopted by the shareholders at their general meeting (99.99% approved).

XII. Consultative vote on the Annual Report regarding the remuneration policy for the board of directors during the year (2011), and its application in the previous year (2010) (99.96% approved).

E.9 Please specify whether there is any statutory restriction that establishes a minimum number of shares required to attend the General Meeting.

YES

Number of shares required to attend the General Meeting	61,712
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E.10 Please specify and justify the Company's policies with regard to the delegation of votes in the General Meeting.

The Company has no specific policy regarding the delegation of votes.

E.11 Please state whether the Company is aware of institutional investors' policy for participating or not participating in company decision-making:

NO

E.12 Please specify the address and access route to corporate governance content on the website.

Address: www.prosegur.com

Access route to Corporate Governance Report: Main page / Investors and & Shareholders / Corporate Governance.

F – EXTENT OF FOLLOW-UP OF CORPORATE GOVERNANCE RECOMMENDATIONS

Please specify the Company's level of compliance with recommendations from the unified code of good governance. Where the Company fails to comply with any of these, explain the recommendations, rules, practices or criteria that the Company applies.

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

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. That when the parent company and a subsidiary are listed on the stock exchange 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.

See sections: C.4 and C.7

Not applicable

3. That, although not expressly required by commercial law, transactions that entail a structural modification of the Company should be submitted for approval by the shareholders at their General Meeting; in particular the following:

- a) Transformation of listed companies into holding companies through the incorporation of subsidiaries to carry out essential activities previously performed by the Company itself, even when the Company maintains full control;
- b) Acquisitions or disposals of essential operating assets that entail an effective modification of the statutory activity of the Company;
- c) Transactions whose effect is equivalent to liquidation of the Company.

Complies

4. That the detailed proposals for agreements to be adopted at the General Meeting, including the information referred to in recommendation 28, be made public when the meeting is called.

Complies

5. That in the General Meeting votes should be cast separately on items that are substantially independent, enabling shareholders to exercise their voting preferences separately. This rule should apply particularly in the following cases:

- a) When appointing or ratifying board members, when votes should be made on an individual basis;
- b) In the event of amendments to the by-laws, for each article or group of articles which are substantially independent.

See section: E.8

Complies

6. That companies should allow multiple voting enabling financial intermediaries authorised as shareholders, but acting on behalf of different customers, to cast votes in accordance with the latter's instructions.

See section: E.4

Complies

7. That the board execute its functions with a single purpose and independent criteria, treat all shareholders equally and be guided by the corporate interest, maximising the financial value of the Company in a sustained manner. The board will also ensure that in its relationships with stakeholders the Company respects laws and regulations; that it complies in good faith with its obligations and contracts; that it respects the uses and best practices of the sectors and territories where it carries out its activities; and that it applies any additional corporate social responsibility principles it has voluntarily accepted.

Complies

8. That the board undertakes, as its core mission, to approve the corporate strategy and specific organisation for its implementation, and to supervise and ensure that management complies with established objectives and respects the statutory activity and corporate interest of the Company. To this end, the board as a whole should approve:

a) General corporate policies and strategies, in particular the following:

- (i) The business plan, management targets and the annual budget.
- (ii) The investment and financing policy.
- (iii) The definition of the structure of the group of companies.
- (iv) The corporate governance policy.
- (v) The corporate social responsibility policy.
- (vi) The policy for senior management remuneration and performance appraisal.
- (vii) The risk management and control policy and regular monitoring of internal information and control systems.
- (viii) The dividends and own shares policy, particularly with regard to restrictions.

See sections B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- (i) At the proposal of the Company's chief executive, the appointment and possible termination of senior managers, and approval of their indemnity clauses.

See section B.1.14

- (ii) Remuneration of board members and, in the case of executives, additional remuneration for their executive duties and other conditions that should be respected in their contracts.

See section B.1.14

- (iii) Financial information which, as a listed entity, the Company is periodically required to publish.
- (iv) All kinds of investments or transactions which are strategic in light of their large amount or special characteristics, except when they must be approved at the General Meeting.
- (v) The creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or similar operations which, in light of their complexity, could undermine the Group's transparency.

c) Transactions carried out by the Company with board members, significant shareholders or those represented on the board, or related parties (related-party transactions).

However, such authorisation from the board will not be required for related-party transactions that simultaneously meet the following three conditions:

1. Transactions carried out under contracts with standard conditions that apply en masse to a large number of customers.
2. Transactions carried out at prices or tariffs generally established by the party that acts as a supplier of the good or service involved.
3. Transactions for an amount not exceeding 1% of the Company's annual revenue.

It is recommended that the board approve related party transactions following receipt of a favourable report from the Audit Committee or other organisation commissioned for this purpose, as appropriate. The board members involved are recommended not to exercise or delegate their right to vote and to leave the meeting room while the board deliberates and cast its votes.

It is recommended that the powers attributed to the board should not be subject to delegation, except those mentioned in letters b) and c), which may be adopted in urgent circumstances by the delegated committee with subsequent ratification by the board in plenary session.

See sections: C.1 and C.6

Complies

9. That the board be of an appropriate size to enable it to operate in an effective and participatory manner. It is therefore advisable that it comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Complies

10. That proprietary and independent external board members constitute a broad majority of the board and that the number of executive board members be the required minimum in relation to the complexity of the corporate Group and the percentage interest of executive board members in the share capital of the Company.

See sections: A.2, A.3, B.1.3 and B.1.14

Partially complies.

Proprietary and independent external board members represent 50% of all board members.

11. That, in the event of any external board member who may not be considered proprietary or independent, the Company should explain this circumstance and their relationships with the Company, its directors or shareholders.

See section: B.1.3

Complies

12. That, with regard to external board members, the ratio of proprietary board members to independent board members should reflect the proportion between the share capital of the Company represented by proprietary board members and the remaining share capital.

This strict proportional criterion may be extenuated in such a way that the number of proprietary board members exceeds the number that would apply to the percentage of total share capital they represent:

1. In companies with high share capital in which interests that are legally considered significant are minimal or nil, but where there are shareholders whose interest has a high absolute value.

2. In companies where several shareholders are represented on the board and are not related to one another.

See sections: B.1.3, A.2 and A.3

Complies

13. That the number of independent board members should represent at least one third of the total number of board members.

See section: B.1.3

Explanation

There is currently only one independent board member.

14. That the board of directors explain the nature of each board member to the shareholders at the General Meeting, so that the shareholders may appoint or ratify the board members, and that these details be confirmed or, where appropriate, revised each year in the annual corporate governance report after verification by the Appointments Committee. This report should also explain the reasons for the appointment of proprietary board members at the proposal of the shareholders whose interest in share capital is less than 5%. It should also explain, where applicable, why formal requests from shareholders for attendance at the board meeting were not honoured, when their interest is equal to or exceeds that of other shareholders whose proposal for proprietary board members was honoured.

See sections: B.1.3 and B.1.4

Complies

15. That when the number of female board members is minimal or nil, the board should explain the reasons and the initiatives adopted to correct this situation. In particular, the Appointments Committee should ensure that, when vacancies arise:

- a) The appointment process is unbiased so as not to hinder the selection of female board members.
- b) The Company specifically seeks and includes women with the desired profile among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3

Not applicable

16. That the chairperson, as the individual responsible for the efficient execution of the board, should ensure that board members receive sufficient information in advance; should encourage discussion and the active participation of the board members at the meeting, safeguarding their choice of stance and freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodical appraisal of the board and, where appropriate, of the managing director or chief executive.

See section: B.1.42

Complies

17. That when the chairperson of the board is also the chief executive of the Company, one of the independent board members should be authorised to convene the board meeting or include new items on the agenda; to coordinate and reflect external board members' concerns; and to direct the board's appraisal of the chairperson.

See section: B.1.21

Not applicable

18. That the Secretary of the board of directors endeavours to ensure that the operations carried out by the board:

- a) Are in line with laws and regulations in letter and spirit, including any approved by regulatory bodies;
- b) Are in accordance with the Company's by-laws, the regulations of the board of directors and any other Company regulations;
- c) Consider all recommendations on good governance included in this unified code approved by the Company. Furthermore, to ensure the independence, impartiality and professionalism of the Secretary of the board, any appointments to or dismissals from this position must be reported by the Appointments Committee and approved by the board of directors in plenary session. The aforementioned appointment and dismissal procedures must be included in the board regulations.

See section: B.1.34

Complies

19. That the board meets with the frequency necessary to perform its functions efficiently, in line with the schedule and agenda established at the beginning of each year. Board members should be able to propose that additional matters be raised that were not included in the initial agenda.

See section: B.1.29

Complies

20. That any failure to attend by a board member must be exceptional and quantified in the Annual Corporate Governance Report. If necessary, the member must send a proxy with instructions.

See sections: B.1.28 and B.1.30

Complies

21. That, if a board member or the Secretary reports concerns regarding any proposal or, in the case of members, the Company's progress, and the matter is not resolved by the board, the concern must be stated for the record at the request of the individual who raised it.

Complies

22. That the board in plenary session must assess, on an annual basis:

- a) The quality and efficiency of the board's operations;
- b) Based on a report by the Appointments Committee, the performance of the chairman of the board and first executive of the Company;
- c) The performance of the board Committees, considering their reports.

See section: B.1.19

Complies

23. That all board members may exercise their right to obtain any additional information on the board's remit considered necessary. Unless the Company's by-laws or the board regulations state otherwise, such information requests must be reported to the chairman or Secretary of the board.

See section: B.1.42

Complies

24. That all board members are entitled to request that the Company provide sufficient advisory services to carry out their functions properly. The Company must decide on the most suitable way to exercise this right which, in particular circumstances, includes external advisory services at the Company's expense.

See section: B.1.41

Complies

25. Companies should organise induction programmes for new board members to acquaint them rapidly with the workings of the Company and its corporate governance rules. Board members should also be offered refresher programmes when circumstances so advise.

Complies

26. That companies request that board members commit the time and effort necessary to perform their tasks efficiently. As a result:

- a) Board members must inform the Appointments Committee of the rest of their professional obligations in case they could affect the member's required dedication.
- b) Companies must establish rules on the number of entities in which board members may participate.

See sections: B.1.8, B.1.9 and B.1.17

Partially complies

The Company complies with a), and does not comply with b)

27. That any proposed appointments or re-elections presented by the board to the shareholders at the General Meeting, as well as any temporary appointments by co-opting, must be approved by the board:

- a) At the proposal of the Appointments Committee in the case of independent board members.

b) With a prior report from the Appointments Committee, in the case of other board members.

See section: B.1.2

Complies

28. That companies publish and update the following information on board members on the Company website:

- a) Professional profile and biography;
- b) Any other boards to which the member belongs, regardless of whether the companies are listed;
- c) Type of membership, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or are linked to;
- d) The date of their first appointment as a member of the Company's board of directors, and any subsequent appointments; and
- e) The shares and options they own.

Complies

29. That the mandate of independent board members may not exceed 12 years.

See section: B.1.2

Complies

30. That proprietary members representing significant shareholders must resign from the board if the shareholder they represent sells its entire shareholding or reduces its percentage interest to a level that requires a decrease in the number of proprietary members representing this shareholder.

See sections: A.2, A.3 and B.1.2

Complies

31. That the board of directors may not propose the dismissal of any independent board member before completion of the statutory mandate period for which the member was appointed, unless a just cause is declared to the board and a prior report has been prepared by the Appointments Committee. Specifically, just cause is considered to exist if the board member has failed to complete the tasks inherent to his or her position or entered into any of the circumstances described in chapter III, section 5, of this Code.

The dismissal of independent board members may be proposed as a result of a public share offer, merger or similar operations implying a change in the shareholding structure of the Company, provided that such changes in the structure of the board are the result of the proportionate representation criteria discussed in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. That companies will set certain rules requiring that board members inform the board and, where appropriate, resign from their positions, in the event of any damage to the Company's standing and reputation. Specifically, members must be required to report any criminal actions with which they are charged, as well as the consequent legal proceedings.

If a board member is tried or called to court for any of the crimes set out in article 124 of the Spanish Companies Act, the board must investigate the case as soon as possible and, based on the particular situation, decide whether the board

member should continue in his or her position. The board must provide a reasoned written account of these events in its Annual Corporate Governance Report.

See sections: B.1.43 and B.1.44

Complies

33. That all board members clearly express their opposition when they consider any proposal to go against the Company's interests. This must apply to both independent and other board members who may not be affected by the potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board.

Furthermore, when the board makes significant or repeated decisions about which the board member has serious reservations, the member should draw the appropriate conclusions and, in case of resignation, 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, even if not a full board member.

Complies

34. That whenever, due to resignation or any other reason, a board member leaves his or her position before completion of the mandate, the member is required to explain the reasons for this decision in a letter addressed to all the members of the board. Irrespective of whether the resignation has been reported to the Spanish Securities Market Commission as a relevant event, it must be included in the Annual Corporate Governance Report.

See section: B.1.5

Not applicable

35. That the remuneration policy approved by the board must establish at least the following:

- a) The components of fixed remuneration, with a breakdown, where appropriate, of the allowances received for participation in the board and its committees, as well as the estimated total annual fixed remuneration they comprise;
- b) Variable remuneration, stating in particular:
 - i) The type of member to whom variable remuneration is paid, as well as an explanation of the relative weight of variable items compared to fixed remuneration components;
 - ii) The criteria used to assess results to determine whether members are entitled to receive remuneration in the form of shares, options or any variable component;
 - iii) Fundamental parameters and the basis of any annual bonus system or other benefits not paid in cash; and
 - iv) An estimate of the absolute amount of variable remuneration that will be paid out under the proposed remuneration plan, depending on the extent to which reference objectives or targets have been met.
- c) The main characteristics of the benefits systems (for instance, complementary pensions, life insurance, etc.), with an estimate of their equivalent annual cost.
- d) Conditions that must be respected in the contracts of senior management personnel such as executive board members, including:
 - i) Contract duration;
 - ii) Notice period; and
 - iii) Any other clauses relating to contract bonuses, as well as indemnities or "golden parachute" agreements applicable on early rescission or termination of the contract between the Company and the executive board member.

See section: B.1.15

Complies

36. That a limit is placed on the remuneration of executive board members in the form of shares in the Company or Group companies, options or instruments relating to share value, variable remuneration linked to the Company's performance or forecast systems.

This recommendation does not apply to share-based payments, provided that board members maintain ownership of these shares until they leave their positions.

See sections: A.3 and B.1.3

Complies

37. That external board members receive sufficient remuneration to reward the dedication, qualification and responsibility inherent to their posts, but not so high as to compromise their independence.

Complies

38. That, in calculating any remuneration linked to profits, the Company considers any qualification included in the external auditor's report that reduces profit for the year.

Not applicable

39. That the variable remuneration policy incorporates the necessary technical precautions to ensure that this remuneration rewards the professional performance of its beneficiaries and does not simply derive from the general development of the market or the Company's activity sector, or any other similar circumstances.

Complies

40. That the board presents a report on the policy for the remuneration of board members for the shareholders to vote on as a separate point in the agenda at their General Meeting, for the purposes of consultation. This report must be made available to shareholders, either individually or in any other way the Company considers convenient.

This report should focus particularly on the remuneration policy approved by the board for the current year as well as, where appropriate, forecasts for the coming years. It should discuss all issues referred to in recommendation 35, except for any extreme circumstances in which disclosure may result in the divulgation of sensitive trading information. It should highlight the most significant changes in such policies applied during the year dealt with in the particular annual General Meeting, and should also include an overall summary of how the remuneration policy was applied during the last year.

The board should also inform shareholders about the role played by the Remuneration Committee when preparing the remuneration policy and, if external advisory services were employed, state the identity of the consultant used.

See section: B.1.16

Complies

41. That the report must provide details on the individual remuneration of board members during the year including, where applicable:

a) An individual breakdown of each board member's remuneration, including, where appropriate:

- i) Attendance allowances or other fixed remuneration paid to board members;
- ii) Any additional remuneration received for chairing or sitting on any of the board's committees;
- iii) Any profit-sharing or bonus amounts and the reason for which they were paid out;

- iv) Contributions to defined contribution pension plans on behalf of board members; or, in the case of defined benefit plans, any increases in the board members' vested rights;
 - v) Any indemnities agreed or paid in the event of dismissal;
 - vi) The remuneration received from other Group companies due to membership of their boards of directors;
 - vii) Remuneration of executive board members in their condition as senior management of the Company; and
 - viii) Any other remuneration item other than those mentioned above, independently of the Group company from which it was received, especially if it is considered to be a related-party transaction or its omission would distort the fair presentation of the total remuneration received by the board member.
- b) An individual breakdown of the final shares, options or any other instruments related to share value received by board members, including:
- i) The number of shares or options granted in the current year, and the terms whereby options may be exercised;
 - ii) The number of options exercised in the year, indicating the total shares affected and the exercise price;
 - iii) The number of options to be exercised at year end, indicating their price, date and other requirements; and
 - iv) Any modifications during the year to the conditions for exercising options already distributed.
- c) Information on the relationship between the remuneration received by executive board members and the Company's profits or other performance measures during the year.

Explanation

Directors' remuneration is reflected in the notes as an aggregate amount, broken down by nature.

42. That if there is a delegate or executive committee (hereinafter the "Delegate Committee"), the proportion of each different board member category must be similar to that of the board itself, and the role of secretary be filled by the board secretary.

See sections B.2.1 and B.2.6

Complies

43. That the board must always be aware of the issues discussed and decisions taken by the Delegate Committee, and that all members of the board receive a copy of the minutes to Delegate Committee meetings.

Complies

44. That the board of directors establishes, in addition to the Audit Committee required by Spanish Securities Market Law, a committee or two separate committees to deal with appointments and remuneration. The rules for the composition and functioning of the Audit Committee and the Appointments and Remuneration Committee or Committees must be included in the board regulations, and shall include the following requirements:

- a) That, in the appointment of members of these Committees, the board must consider their knowledge, skills and experience and the tasks to be carried out by each committee. The board must also discuss the Committees' proposals and reports, and Committees must appear before the first plenary session of the board to report on their activities and answer all questions relating to the work performed.
- b) These Committees must only comprise external board members, with a minimum of three. However, executive board members or senior management personnel may participate in these Committees when committee members request their presence.
- c) They must be chaired by independent board members.
- d) They should be entitled to request external advisory services if necessary to fulfil their functions.

e) Minutes should be taken at all committee meetings and a copy issued to all members of the board.

See sections: B.2.1 and B.2.3

Partially complies

The company does not fully comply with c). The chairman of the Audit Committee at 31/12/2011 had the category of other external board member.

45. That the supervision of compliance with the internal code of conduct and corporate governance regulations is the responsibility of the Audit Committee, the Appointments Committee or, if they exist as separate bodies, the Compliance or Corporate Governance Committees.

Complies

46. That the members of the Audit Committee, in particular its chairperson, are appointed considering their knowledge and experience of accountancy, audit and risk management issues.

Complies

47. That listed companies have an internal audit function supervised by the Audit Committee to ensure that information and internal control systems operate correctly.

Complies

48. That the person in charge of the internal audit function presents an annual work plan to the Audit Committee, reports on any issues that may arise during the implementation of this plan, and presents an activity report at the end of each year.

Complies

49. That the control and risk management policy identifies at least the following:

- a) The different types of risk (operating, technological, financial, legal, reputational etc.) faced by the Company, including under financial and economic risks any contingent liabilities and other off-balance sheet risks;
- b) A fixed risk level deemed acceptable by the Company;
- c) The measures planned to mitigate the impact of the risks identified should they materialise;
- d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

See section: D

Complies

50. That the Audit Committee is responsible for:

1. With regard to information systems and internal control:

- a) Supervising the preparation and completeness of financial information relating to the Company and, if applicable, the Group, ensuring that regulatory requirements are complied with, the scope of the consolidated Group is suitably defined and accounting criteria are correctly applied.
- b) Regularly review internal control systems and risk management in order to identify, manage and inform of the main risks.

- c) Ensure the independence and effectiveness of the internal audit function by proposing the recruitment, appointment, re-election or dismissal of the head of internal audit, drafting a budget for this department, regularly gathering information on its activities and verifying that senior management considers the conclusions and recommendations of its reports.
- d) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with potential consequences – especially those of a financial or accounting nature – that they observe within the Company.

2. With regard to the external auditor:

- a) Submit proposals to the board relating to the selection, appointment, re-election or substitution of the external auditor, as well as the suggested terms of the contract.
- b) Regularly gather information from the external auditor on the audit plan and the results thereof, ensuring that senior management takes any recommendations into consideration.
- c) Ensure the independence of the external auditor by:
 - i) Ensuring that the Company files a relevant event report 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;
 - ii) Ensuring that the Company and its auditor observe prevailing regulations on the provision of non-audit services, restrictions to the concentration of the auditor's business and, in general, any other regulations established to assure auditor independence;
 - iii) If the external auditor resigns, making sure that the circumstances leading to this resignation are examined.
- d) In the case of groups, encourage the group auditor to audit the companies that comprise the groups.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. That the Audit Committee may request the presence of any employee or manager of the Company, even without the presence of any other management figure.

Complies

52. That the Audit Committee reports to the board, before adopting the corresponding decisions, on the following issues indicated in Recommendation 8:

- a) The financial information that listed companies are required to publish on a regular basis. The Committee must ensure that interim accounts are prepared applying the same accounting criteria as the annual accounts and, for this purpose, consider whether a limited review by the external auditor is necessary.
- b) The creation or acquisition of shares in special-purpose vehicles or entities domiciled in countries or areas considered to be tax havens, as well as any other similar transactions that, due to their complexity, could discredit the transparency of the Group.
- c) Related-party transactions, unless this preliminary reporting has been allocated to a Committee other than the supervision and control bodies.

See sections: B.2.2 and B.2.3

Complies

53. That the board of directors endeavours to submit the annual accounts to the shareholders at their General Meeting with no qualifications or reservations in the audit report and, in the exceptional circumstance that it fails to do so, the chair of the Audit Committee and the auditors must clearly explain the content and scope of the reservation or qualification to the shareholders.

See section: B.1.38

Complies

54. That the majority of the members of the Appointments Committee – or the Appointments and Remuneration Committee if both functions are combined in one body – are independent board members.

See section: B.2.1

Explains

There is only one independent board member.

55. That, in addition to the functions indicated in the previous recommendations, the Appointments Committee is also responsible for the following functions:

- a) Evaluating the competence, knowledge and experience required by the board and, consequently, defining the functions and skills required by candidates to fill a vacancy, as well as the time and dedication required to perform their duties.
- b) Adequately examining or organising succession to the positions of chairman and first executive and, when applicable, making proposals to the board to ensure a well-planned and orderly succession.
- c) Reporting on any appointments or dismissals of senior management personnel proposed by the first executive to the board.
- d) Informing the board on gender diversity matters included in recommendation 14 of this Code.

See section: B.2.3

Complies

56. That the Appointments Committee consults the chairman and the first executive of the Company, especially in relation to executive board members.

Any board member may ask the Appointments Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies

57. That, in addition to the functions indicated in the preceding recommendations, the Remuneration Committee is responsible for the following functions:

- a) Proposing to the board of directors:
 - i) The remuneration policy applicable to board members and senior management;
 - ii) The individual remuneration of executive board members and the terms and conditions of their contracts;
 - iii) The basic conditions of contracts signed with senior management.
- b) Ensuring compliance with the remuneration policy established by the Company.

See section: B.1.14 and B.2.3

Complies

58. That the Remuneration Committee consults the chairman and the first executive of the Company, especially in relation to executive board members and senior management.

Complies

G. FURTHER INFORMATION OF INTEREST

If you consider that any relevant aspects or principles relating to the corporate governance procedures applied by your Company have not been dealt with in this report, please and provide details below:

GENERAL CLARIFICATION: The information included in this report refers to the year ended 31 December 2011, except in those specific cases when another date is given.

EXPLANATORY NOTE TO SECTION A.3.: The number of shares reflected in the corresponding table under "equivalent number of shares" refers to the maximum number of shares which could be obtained as a result of the option, although the actual number of shares received will depend on fulfilment of the terms and conditions set forth in the long-term incentive plan approved by the shareholders at their general meeting on 27 June 2008.

This section can be used to provide any other information, explanations or clarifications relating to previous sections of the report, provided that such information is relevant and not repeated elsewhere.

Specifically, indicate 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.

Binding definition of an independent director:

Indicate whether any independent director has, or has had in the past, a relationship with the Company, its significant shareholders or management personnel. If the relationship is/was significant, state whether it would mean that the director cannot be considered independent under the definition provided in section 5 of the Unified Good Governance Code:

NO

Signature and date:

This annual corporate governance report has been approved by the board of directors of the Company in the meeting held on
27/02/2012

Indicate whether any board members voted against or abstained from voting on this report.

NO

ADDITIONAL INFORMATION TO THE ANNUAL CORPORATE GOVERNANCE REPORTS AS REQUIRED BY ARTICLE 61 BIS OF THE SPANISH SECURITIES MARKET ACT

Information on any securities not traded in an EU regulated market, indicating, where applicable, the different classes of shares and, for each class of share, the rights and obligations conferred, as well as the percentage of the share capital represented by the company's own shares and any significant variations in own shares (art. 61 bis 4, a, 3 of the Spanish Securities Market Act).

Not applicable

Information on the standards applicable to the amendment of the company's by-laws (art. 61 bis 4, a, 4 of the Spanish Securities Market Act).

The board of directors shall submit any proposals for amendments or additions to the company's by-laws to the shareholders at their annual general meeting, together with the corresponding directors' report on any such proposed changes. All documentation relating to changes in the company's by-laws shall be made available to the shareholders at the time of convening the general meeting at which the amendment is to be approved. The announcement convening the shareholders' general meeting shall stipulate the shareholders' right to examine and obtain all documentation relating to the proposed amendment at the company's premises, and to request this documentation from the company immediately and free of charge. Any amendment to the by-laws shall be approved by the shareholders at their annual general meeting, pursuant to article 14 of the by-laws and article 21.5 of the regulations governing shareholders' meetings.

Any restriction on the transfer of securities or on voting rights (art. 61 bis 4, b of the Spanish Securities Market Act).

Not applicable. See A.10 of the Annual Corporate Governance Report.

Information on the powers of the members of the board of directors and, in particular, those relating to the possibility of issuing or buying back shares (art. 61 bis 4, c, 3 of the Spanish Securities Market Act).

Not applicable

Information on significant agreements entered into by the company which would come into force or be amended or annulled in the event of a change in control resulting from a takeover, and the effects thereof, except in the case that divulging this information would be seriously prejudicial to the company. This exception shall not be applied when the company is legally obliged to publish this information (art. 61 bis 4, c, 4 of the Spanish Securities Market Act).

Not applicable

Information on agreements between the company and members of the board of directors, management personnel or employees that provide for compensation in the event that these individuals resign, are wrongfully dismissed or their professional relationship with the company is terminated as a result of a takeover (art. 61 bis 4, c, 5 of the Spanish Securities Market Act).

Not applicable

Prosegur's system for internal control over financial reporting

Prosegur's control environment

Los The Group's by-laws and the regulations of the board of directors establish that the board has a general supervisory role and is Prosegur's ultimate decision-making body, except as regards those matters decided upon by the shareholders at their annual general meeting. The board approves the Group's risk management and internal control policies as part of its supervisory duties.

The board of directors delegates the supervision of internal control systems to the audit committee. Specifically, the audit committee's responsibilities include verifying the appropriateness and completeness of internal control systems, as well as supervising the financial reporting process and internal control systems. For these purposes it identifies risk types and levels, the measures required to mitigate the impact of the risks identified and the control, reporting and risk management systems.

Prosegur's internal audit area supports the audit committee in the supervision, improvement and consolidation of the internal control system, procedures applied and control activities.

The financial area implements internal control systems that enable it to ensure that the financial information generated is reliable.

The Group has an organisational structure that sets forth lines of responsibility and authority, and which facilitates adequate distribution of the tasks and functions required for the preparation of financial information.

A chart illustrating Prosegur's organisational structure is published on the corporate intranet, and reflects the hierarchical relationships between Prosegur's departments, businesses and support areas.

Prosegur has a code of ethics and conduct, which has been approved by the executive committee and is binding for all Group companies and personnel. This code comprises the principles and standards of conduct that Prosegur endeavours to uphold in all its dealings with employees, clients, shareholders, suppliers and the communities in which it operates.

The code establishes the principles governing Prosegur's activity and the values on which they are based. It refers to Prosegur's commitment to transparency as one of its fundamental values, and stipulates that personnel should endeavour to ensure that all transactions of any financial magnitude carried out in its name are clearly and accurately disclosed in the appropriate accounting records, representing a true and fair view of the transactions in question.

Prosegur has an internal code of conduct relating to securities markets which forms part of its corporate governance system. This code is intended to ensure compliance with prevailing regulations through the implementation of specific measures and procedures. The personnel to whom this code applies are required to know and comply with its content and the procedures established therein.

Prosegur has established a whistleblower hotline through which its employees, or any other concerned third party, may anonymously report any potentially significant irregularities, including those of a financial or accounting nature, which are detected within the company.

The reports received are treated confidentially and managed by the internal audit area, which presents its conclusions thereon to the audit committee. Incidents are reported through a form available on Prosegur's websites in each of the countries in which the Group operates.

Prosegur is particularly concerned that its professionals remain up-to-date on developments in their specific fields, and in this regard the members of the financial area receive ongoing training. The issues covered by these training programmes relate both to the systems that generate the financial information and regulatory developments.

Prosegur has signed collaboration agreements with other organisations to ensure that personnel involved in the preparation and review of financial information are kept up-to-date on relevant issues.

Financial information risk assessment

The internal audit area regularly updates Prosegur's risk map, which identifies and prioritises any kind of risk that could prevent the Group from achieving its objectives. Additionally, as part of its supervision of the internal control system, this area also identifies, documents and verifies the effectiveness of the risk mitigation activities included in Prosegur's internal control system.

The internal control activities related to financial information and its preparation form part of Prosegur's internal control system.

The risks relating to the reliability of financial information, including errors in calculation or in the application of accounting standards, system failures, accounting fraud, lack of key information or incorrect estimates, are mitigated by key controls described and classified based on their purpose, the regularity with which they are carried out and the area responsible for doing so.

The financial area systematically identifies and evaluates risks relating to financial information as regards accounting records and possible breaches of accounting principles. The area aims to ensure that safeguards are generated with respect to risks of an accounting nature, including those relating to recognition, completeness, standardisation of criteria, cut-off of operations, validity, presentation and measurement.

The financial area issues and publishes standards that facilitate the understanding and application of prevailing accounting regulations throughout the entire Prosegur Group. These standards ensure that new accounting criteria introduced by legal and regulatory changes are correctly applied, thereby safeguarding the appropriate valuation of assets and liabilities.

The risk management department issues reports assessing technological and IT-related risks, as well as proposing corrective measures regarding system availability and capacity, access security and costs related to information availability.

Prosegur maintains an up-to-date record of all investees which reflects the composition of the consolidated group. This record determines the form of control or influence, the legal status of each entity and whether the interest held therein is direct or indirect.

Each month Prosegur's financial area determines which entities should be included in the consolidated group. This decision is based on the aforementioned record of investees, International Accounting Standards and the internal accounting policy known as the "Consolidation control model". Changes to the consolidated group are recorded in the corporate consolidation system, in which the shareholder structure of the Prosegur Group is administrated and constantly updated.

All entries in the Group's IT systems are subject to Prosegur's internal policies related to maintenance, completeness of information and regular back-up.

Control activities

Prosegur has an internal control over financial reporting model, which provides reasonable assurance regarding the effectiveness of operations, the safeguarding of assets, the reliability of financial reports and compliance with applicable standards and regulations.

The internal audit area regularly updates Prosegur's risk map, which identifies and prioritises any kind of risk that could prevent the Group from achieving its objectives. Additionally, as part of its supervision of the internal control system, the internal audit area identifies, documents and verifies the effectiveness of the risk mitigation activities included in Prosegur's internal control system.

The internal control activities related to financial information and its preparation form part of Prosegur's internal control system.

The financial area has procedures and mechanisms in place to define the applicable criteria and IT systems used for the accounting close process. To this end, it updates and informs the relevant personnel of the procedure to be followed in preparing the accounting close of consolidated and individual financial statements and annual accounts. These documents detail the basic tasks of preparation, review and approval for consolidated accounting closes and the individual closes of Prosegur Group companies.

The specific reviews of the relevant judgements, estimates and valuations used to quantify assets, rights and obligations, revenues and expenses and any other commitments detailed in the individual and consolidated annual accounts, are carried out by the financial reporting department, a sub-division of the financial area, with the collaboration of all Prosegur's other support departments. The assumptions based on business performance are analysed jointly with the business areas.

The purpose of the IT security department, a sub-division of the risk management area, is to continuously assess the internal control system relating to the IT systems, including those used in the preparation and publication of financial information.

The information security department has prepared and implemented an information security master plan which, among other projects, includes:

- The establishment of a regulatory framework for information security.
- The creation of an information security committee that coordinates strategic issues related to information security, identifies and assesses risks with respect to business requirements and their relationship to information security and, finally, promotes the allocation of resources to projects associated with information security that reduce the risk to which both the information and the technology supporting it are exposed.
- The establishment of a response centre for dealing with information security breaches, reducing the time during which business activities are interrupted as a result of any such breaches.
- Special continuous audits that serve to verify compliance with the standards and controls established to continually improve and advance in the information security area.

The information security master plan also includes projects aimed at guaranteeing the continuity of the Group's IT operations, and ensuring security with respect to access to Prosegur's IT systems.

The annual process to update the risk map also involves the evaluation and prioritisation of IT-related risks.

Prosegur does not outsource nor has it previously outsourced any activity relating to the preparation of financial information. However, Prosegur does contract the following services from independent experts:

- Advisory services regarding the tax impact of complex transactions involving the Group's subsidiaries, as well as the revenue flows deriving from these operations.
- Tax advisory services rendered to Group subsidiaries in relation to the activity usually carried out by these companies in the countries in which they are domiciled.

- Advisory services regarding the design and implementation of anti-money laundering system policies, control bodies and procedures and, where applicable, the assessment of their effectiveness in complying with requirements imposed by prevailing legislation and supervisory bodies.

The results of the accounting, tax or legal advisory services received are reviewed by the heads of the corresponding corporate departments, who verify the technical and legal skills and qualification of the advisors.

When Prosegur uses the services of an independent expert, it verifies their technical and legal skills and qualifications, in addition to carrying out control activities on any reports issued, assigning qualified personnel to validate the reasonableness of the conclusions presented therein.

Prosegur provides financial information to the securities market every quarter, which is prepared by the financial area. Controls are applied during the accounting close process to ensure the reliability of the financial information.

The Group's control and financial reporting departments, which form part of the financial area, analyse and supervise the information prepared. The director of the financial area and the managing director analyse the reports issued, and approve the financial information prior to its presentation to the audit committee and the executive committee of the board of directors.

Prosegur's individual and consolidated annual accounts and six-monthly financial reports are reviewed by the audit committee prior to their authorisation for issue by the board of directors, in accordance with article 16 of the regulations of the board of directors. The audit committee also reviews the other financial information and any other relevant information prior to its submission to the markets and the supervisory bodies by the board of directors.

Reporting and communication

The financial reporting department is responsible for defining and applying Prosegur's accounting policies. Its main function is the analysis of International Accounting Standards, and its duties include the following:

- Establishing procedures and mechanisms to inform personnel involved in the preparation of financial information of the applicable criteria.
- Analysing planned transactions to determine their appropriate accounting treatment.
- Answering queries from all Prosegur Group companies regarding the application of accounting policies.
- Analysing new developments in international accounting standards and assessing the impact they will have on Prosegur's consolidated accounts.
- Informing all personnel responsible for the preparation of financial statements of any regulatory changes.
- Reporting the analyses, criteria applied and conclusions to Prosegur's external auditors, and requesting their opinions when deemed necessary.

The existence of a procedure for closing consolidated and individual financial statements and annual accounts ensures compliance with the tasks and duties needed to guarantee the reliability of the financial information.

Prosegur has documented accounting policies (published on the Group's corporate intranet) which set forth specific accounting criteria, defined and applicable to Prosegur, within the framework of the International Financial Reporting Standards endorsed by the European Union.

The process of consolidation and preparation of financial information is centralised. It is carried out based on the financial statements and other financial information provided by Prosegur Group subsidiaries through shared IT platforms, and is supervised by the financial reporting department. The IT systems used to prepare and report information facilitates the consolidation process and the analysis of the individual and consolidated financial statements.

A reporting process has also been established for the necessary disclosures in the preparation of the consolidated annual accounts. A single accounting plan is applied to preparation of the individual accounts of all Group subsidiaries.

Supervision of the functioning of the system

Prosegur has an internal audit area that reports to the audit committee and is responsible for its supervision. To this end, the director of the internal audit area presents the annual work plan, the incidents identified during its implementation and a report of the activities carried out. The director's functions include supporting the audit committee in the supervision of the internal control and risk management systems.

The audit committee meets at least four times a year (additional meetings are convened subject to requirements) prior to the regular publication of regulated financial information, in compliance with the review obligations delegated to this committee by the board of directors.

At its meetings, the audit committee reviews Prosegur's individual and consolidated annual accounts, six-monthly and quarterly financial reports and any other information made available to the market. As part of this review process, the committee requests that the heads of the financial area, the internal audit area and the Group's auditors attend its meetings, thereby ensuring compliance with legal requirements and the correct application of prevailing accounting standards.

The auditors of the Company's accounts have access to management to obtain the information necessary to carry out their work and to report any internal control weaknesses they identify. The auditors keep management informed of the progress of their work, and present an annual report to the audit committee detailing the internal control weaknesses identified during the course of their audit.

The day-to-day activity of the departments involved in preparing financial information includes control activities that are carried out on a regular basis, which are reviewed and overseen by the financial department.

In support of the audit committee's supervision of Prosegur's internal control system, the internal audit area identifies, documents and verifies the risk mitigation activities that form

AUDIT COMMITTEE ACTIVITIES REPORT

I. INTRODUCTION

Regulation and duties

The Audit Committee is regulated pursuant to Article 27 of the Corporate Bylaws and Article 16 of the Board of Directors Regulations.

Its duties are set out in Section B.2.3 of the Corporate Governance Report.

Composition of the Committee and attendance at its meetings in 2011.

As of 31 December 2011, the composition of the Audit Committee was as follows:

Name	Type of Committee member
Mr. Eugenio Ruiz-Gálvez Priego (Chairman)	Other external members
Ms. Chantal Gut Revoredo	Director, representing Gubel, S.L.
Mr. Isidro Fernández Barreiro	Director, representing Corporación Financiera Alba, S.A.
Mr. Pedro Guerrero	Independent Director

Non-executive secretary to the Committee: Ms. Sagrario Fernández Barbé

Pursuant to its regulations, the Committee meets as often as it is convened by the Board of Directors, the Committee itself or by its Chairman and, at least, 4 times a year.

Seven ordinary and 1 extraordinary sessions were held in 2011.

Attendance at the meetings of the Audit Committee in 2011 was as follows:

Mr. Eugenio Ruiz-Gálvez Priego	7 meetings
Ms. Chantal Gut Revoredo	8 meetings
Mr. Isidro Fernández Barreiro	8 meetings
Mr. Pedro Guerrero Guerrero	2 meetings*

(* Since his appointment as a member of the Committee on 27/06/11)

According to the agenda of the Committee, outside consultants and members of the management team likewise attended those meetings.

Minutes were kept of the meetings of the Audit Committee and are available for the members of the Board of Directors.

II. ACTIVITIES DURING 2011

1. FINANCIAL INFORMATION

The Committee placed special emphasis on the auditing of the financial statements of the Company and of the Prosegur Group, along with the half-yearly and quarterly financial statements and the other information made available to the market or the supervisory authorities, prior to their being submitted to the Executive Committee and the Board of Directors and for their dissemination.

During 2011 and, in particular, at the meetings on 19 January, 23 February, 28 April, 26 July and 26 October, the periodic public information that the Company submits to the Spanish Securities Market Commission (CNMV) was audited.

2. FINANCIAL AUDIT

The Financial Auditors attended the meetings held on 23 February to present the conclusions on the financial audit for 2010. They also attended the meetings on 26 July to submit a preliminary report on the most significant aspects and conclusions of their work with regard to the auditing of the financial statements for the first half of 2011.

3. CODES OF CONDUCT

Part of the remit of the Audit Committee is to check compliance of the codes of conduct and, in general, of the rules of corporate governance.

In 2011, the Audit Committee oversaw their compliance, particularly with regard to the internal conduct regulations and the Code of Ethics and Conduct.

4. INTERNAL AUDIT SYSTEMS

The Audit Committee is likewise entrusted with overseeing the Prosegur internal audit procedures, such as the risk management, information and control system.

On 28 March 2011, the Internal Audit Director submitted the 2010 Activities Report to the Committee for its approval, along with the 2011 Work Plan prepared according to the Prosegur Risk Map. Risks linked to legislation compliance and operating risks were reviewed when working on the plan. The Internal Audit Director reported in a timely manner on the implementation of the work plan through his participation at the meetings of the Audit Committee.

Special mention should be made of the following activities carried out by the Internal Audit Department and overseen by the Audit Committee:

- Updating the risk map for each of the businesses and countries where Prosegur operates.
- Completion of the projects contained in the 2011 work plan.
- Reception and analysis of the communications received through the complaints channel.
- Half-yearly monitoring reports on the agreed recommendation in the specific reports issued by the Internal Audit. A formal written undertaking with the audited area is established for each recommendation, in which a plan of action, the person in charge of implementing the plan, scheduled compliance date and, when possible, the assessment of the result obtained were specified.

