

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION DATA

DATE OF END OF REFERENCE YEAR

31/12/2016

TAX ID NUMBER

A28165587

COMPANY NAME

PRIM, S.A.

DOMICILE

CALLE F Nº 15 - POL. IND. Nº 1 ARROYOMOLINOS, (MOSTOLES) MADRID

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the next table about the company's ownership structure:

Date of last change	Share capital (€)	No. of shares	Number of voting rights
05/12/2008	4,336,781.00	17,347,124	17,347,124

Indicate whether there are different classes of shares, with different associated rights:

Yes

No

A.2 Detail of direct and indirect owners of significant stakes, and of their stake at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Ms M ^a DOLORES PRIM GONZALEZ	977,187	0	5.63%
Ms ELISA PRIM BARTOMEU	100,000	1,312,765	8.14%
Mr FRANCISCO RUIZ DE ALDA	615,254	0	3.55%
CARTERA DE INVERSIONES MELCA, S.L	2,177,138	0	12.55%
ONCHENA S.L.	1,016,779	0	5.86%
BROWN BROTHERS HARRIMAN	1,735,878	0	10.01%
Mr ANDRÉS ESTAIRE ÁLVAREZ	162,624	1,312,765	8.51%
LA FUENTE SALADA S.L.	1,116,058	0	6.43%

Name of indirect owner of stake	Through: Name of direct owner of stake	Number of voting rights
Ms ELISA PRIM BARTOMEU	BARTAL INVERSIONES, S.L.	1,312,765
Mr ANDRÉS ESTAIRE ÁLVAREZ	BARTAL INVERSIONES, S.L.	1,312,765

Indicate significant changes in the ownership structure in the year:

A.3 Complete the next tables regarding the members of the company's board of directors who own stock options in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr JOSE LUIS MEIJIDE GARCÍA	115,969	0	0.67%
IGNACIO ARRAEZ BERTOLIN	3,332	0	0.02%
Mr VICTORIANO PRIM GONZÁLEZ	1,633,697	3,403	9.44%
Mr ENRIQUE GIMENEZ-REYNA RODRIGUEZ	3,000	0	0.02%
Ms BELEN AMATRIAIN CORBI	10	0	0.00%
BARTAL INVERSIONES, S.L.	1,312,765	0	7.57%

Name of indirect owner of stake	Through: Name of direct owner of stake	Number of voting rights
Mr VICTORIANO PRIM GONZÁLEZ	Ms TERESA MARTINEZ SIERRA	3,403

Total % of voting rights held by the board of directors	17.72%
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Complete the next tables regarding the members of the company's board of directors who own stock options in the company.

A.4 Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known by the company, unless they are not material or are derived from ordinary commercial transactions:

Name of related shareholders
Ms M ^a DOLORES PRIM GONZALEZ
Ms ELISA PRIM BARTOMEU

Relationship type: Family

Brief description:

Family member

Name of related shareholders
Ms ELISA PRIM BARTOMEU
Mr ANDRÉS ESTAIRE ÁLVAREZ

Relationship type: Family

Brief description:

Family member

A.5 Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the company and/or its group, unless they are not material or are derived from ordinary commercial transactions:

A.6 Indicate whether shareholders' agreements that affect the company have been notified to the company as provided in articles 530 and 531 of the Capital Companies Act. If so, briefly describe the agreements and agreement and the shareholders involved:

Yes

No

Indicate if the company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes

No

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

A.7 Indicate if any natural or legal person exercises or can exercise control over the company in accordance with article 4 of the Securities Market Law. If so, identify that person:

Yes

No

Comments

A.8 Complete the next tables about the company's own shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
15,847	0	0.09%

(*) Through:

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Describe the main changes

A.9 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to buy or sell own shares.

On 18 June 2016, the Shareholders' Meeting authorised the Board of Directors of Prim, S.A. to acquire own shares, and it also authorised the subsidiaries to acquire shares of the parent company, within the limits and subject to the requirements established in article 509 of the consolidated text of the Capital Companies Act and other matching legislation, by any means established by law. The maximum number of shares to be acquired was set at 10% of capital stock, at a price of at least 1 euro and at most 15 euro. This authorisation is valid for 18 months from the date of the Meeting, and revokes the authorisation granted by the Shareholders' Meeting on 27 June 2015, in the part not used.

A.9.bis Estimated free float:

	%
Estimated free float	36.64

A.10 Indicate whether there are any restrictions on the disposal of securities and/or any restriction on voting rights. In particular, disclose the existence of any restrictions that might impair the acquisition of control of the company by purchasing its shares in the market.

Yes

No

A.11 Indicate whether the Shareholders' Meeting has decided on the adoption of neutralisation measures vis-à-vis a takeover bid, in accordance with Act 6/2007.

Yes

No

Detail any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A.12 Indicate whether the company has issued securities that are not listed in a regulated market in the European Union.

Yes

No

If so, state the classes of shares and, for each class of shares, their corresponding rights and obligations.

B GENERAL MEETING

B.1 Indicate whether there are differences with respect to the minimum requirements set out in the Capital Companies Act in connection with the quorum for a General Meeting of Shareholders, and describe any such differences.

Yes

No

	Quorum % different from that established as a general rule in article 193 of the Capital Companies Act (CCA)	Quorum % other than that established in article 194 of the CCA for the special cases set out in art. 194 of the CCA
Quorum required at first call	0.00%	50.00%
Quorum required at second call	0.00%	50.00%

Description of differences

In order for the Shareholders' Meeting, whether ordinary or extraordinary, to decide on the merger, de-merger, assignment en bloc of the assets and liabilities or the transfer of the registered offices to another country, at least 50% of the share capital with voting rights must be present at first or second call. The quorum for capital increases or reductions and other amendments to the Articles of Association is as set out in the law.

B.2 Indicate whether there are differences with respect to the rules provided by the Capital Companies Act for the adoption of corporate resolutions, and describe any such differences:

Yes

No

Describe the differences with respect to the rules set out in the Capital Companies Act.

	Supermajority other than that established in article 201.2 of the CCA for the cases set out in article 194.1 CCA	Other cases of a supermajority
% established by the company for approving resolutions	66.66%	0.00%

Describe the differences

In order for the Shareholders' Meeting, whether ordinary or extraordinary, to decide on the merger, de-merger, assignment en bloc of the assets and liabilities or the transfer of the registered offices to another country, the motion must have the votes in favour of at least two-thirds of the capital present or represented at the Shareholders' Meeting. The quorum for capital increases or reductions and other amendments to the Articles of Association is as set out in the law.

B.3 Describe the rules that apply to amendments of the company's Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and any rules for safeguarding shareholders' rights in the event of an amendment of the Articles.

In order for the Shareholders' Meeting, whether ordinary or extraordinary, to decide on the merger, de-merger, assignment en bloc of the assets and liabilities or the transfer of the registered offices to another country, at least 50% of the share capital with voting rights must be present at first or second call, and the motion must have the votes in favour of at least two-thirds

of the capital present or represented at the Shareholders' Meeting. The quorum for capital increases or reductions and other amendments to the Articles of Association is as set out in the law.

B.4 Indicate the attendance of the shareholders' meetings held in the reporting year and the preceding year:

Date of General Meeting	Attendance				Total
	% of attendance:	% by proxy:	% distance vote:		
			Electronic voting	Other	
18/06/2016	26.81%	24.44%	0.00%	13.32%	64.57%

B.5 Indicate whether there are any restrictions in the Articles requiring a minimum number of shares to attend the General Meeting:

Yes

No

B.6 Revoked

B.7 Give the address of the company's website and the way to access the information about corporate governance and other information about General Meetings that must be placed at shareholders' disposal via the company's website.

This information is available on the company's website at www.prim.es/index.php/informacion-accionistas-e-inversores.html Article 15 of the Shareholders' Meeting Regulation contains detailed rules in this connection.

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors envisaged in the Articles:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the next table with the members of the board:

Name of director	Representative	Director category	Board position	First appointed	Last appointed	Type of appointment
Mr JOSE LUIS MEIJIDE GARCÍA		Other external	DIRECTOR	23/12/1996	29/06/2013	SHAREHOLDERS' MEETING RESOLUTION
IGNACIO ARRAEZ BERTOLIN		Independent	VICE-SECRETARY DIRECTOR	14/06/2012	14/06/2012	SHAREHOLDERS' MEETING RESOLUTION
Mr VICTORIANO PRIM GONZÁLEZ		Executive	CHAIRMAN	26/06/1993	28/06/2014	SHAREHOLDERS' MEETING RESOLUTION
Mr ENRIQUE GIMENEZ-REYNA RODRIGUEZ		Independent	DIRECTOR	14/06/2012	14/06/2012	SHAREHOLDERS' MEETING RESOLUTION
Ms BELEN AMATRIAIN CORBI		Independent	DIRECTOR	21/12/2015	18/06/2016	SHAREHOLDERS' MEETING RESOLUTION

Name of director	Representative	Director category	Board position	First appointed	Last appointed	Type of appointment
BARTAL INVERSIONES, S.L.	Mr ANDRÉS ESTAIRE ÁLVAREZ	Proprietary	VICE-CHAIRMAN	25/06/2005	18/06/2016	SHAREHOLDERS' MEETING RESOLUTION

Total number of directors	6
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Indicate any removals from the Board of Directors in the reporting period:

C.1.3. Complete the next tables with the members of the board and their category:

EXECUTIVE DIRECTORS

Name of director	Position in the company
Mr VICTORIANO PRIM GONZÁLEZ	Executive Chairman

Total number of executive directors	1
% of total Board	16.67%

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Name of the significant shareholder who the director represents or who proposed his/her appointment
BARTAL INVERSIONES, S.L.	BARTAL INVERSIONES, S.L.

Total number of proprietary directors	1
% of total Board	16.67%

EXTERNAL INDEPENDENT DIRECTORS

Name of director:

IGNACIO ARRAEZ BERTOLIN

Profile:

Lawyer, Master's degree in Tax Law (CEU); member of the Spanish Association of Tax Lawyers

Name of director:

Mr ENRIQUE GIMENEZ-REYNA RODRIGUEZ

Profile:

Lawyer; former Director-General of Taxes and Secretary of State for Finance.

Name of director:

Ms BELEN AMATRIAIN CORBI

Profile:

Graduate in Business from ICADE E-1, Diploma in Corporate Governance from ICA, Grand Cross of the Order of Civil Merit; executive specialised in business strategy and management.

Total number of independent directors

	3
% of total board	50.00%

Indicate whether any director classified as independent receives, from the company or the same group, any amount or benefit under a heading other than director remuneration, or holds or has held, during the last year, a business relationship with the company or any other company in its group, either in his/her own name or as a significant shareholder, director or senior manager of an entity that holds or has held such a relationship.

Ignacio Arraez is also a director of Maio Legal SLP.

MAIO SLP rendered legal services for a non-material amount in competition with other law firms; the amount is not so large as to compromise the director's independence.

If yes, give the reasons why it is considered that the director qualifies as an independent director.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and detail the reasons why they cannot be classified as proprietary or independent, and any relations they have with the company, its executives or its shareholders.

Name of director:

Mr JOSE LUIS MEIJIDE GARCÍA

Company, executive or shareholder with which he/she is related:

PRIM S.A.

Reason: The director José Luis Meijide García was an executive director until his retirement as an employee.

Total number of other external directors

	1
% of total board	16.67%

Indicate any changes in each director's status in the period:

C.1.4 Complete the following table with information on the number of female directors in the last four years, and their category:

	Number of female directors				% of total directors in each category			
	2016	2015	2014	2013	2016	2015	2014	2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	1	0	0	33.33%	33.33%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	0	0	16.67%	16.67%	0.00%	0.00%

C.1.5 Detail any measures adopted to seek to appoint women so as to achieve a balance of women and men on the Board of Directors.

Detail such measures

The Board of Directors considers it advisable that specific efforts be made to ensure that the list of candidates for forthcoming director appointments include women, and it has asked the Appointments and Remuneration Committee to take this into consideration when making proposals.

C.1.6 Describe any measures adopted by the Appointments Committee to ensure that the selection procedure is free of an implicit bias that might prevent the selection of women, and that the Company deliberately seeks female candidates with the necessary professional profile:

Detail such measures

When proposing candidates for directorships, the Appointments and Remuneration Committee focuses primarily on the candidate's professional profile and on the Board's recommendation referred to in section C.1.5. No vacancies arose on the Board in 2016 and, consequently, this recommendation was not applicable.

Where, despite such measures, there are few or no female directors, indicate the reasons for this situation.

Detail of reasons

C.1.6 bis Detail the conclusions reached by the Appointments Committee in assessing compliance with the director selection policy. In particular, indicate how this policy promotes the objective that, by 2020, women account for at least 30% of Board members.

Detail the conclusions.

In view of the results achieved in 2016, the Appointments and Remuneration Committee concluded that it had fulfilled its objective when filling the first vacancy that had arisen since the introduction of the director selection policy. Its application in filling the next vacancies that arise will foreseeably enable the goal to be achieved by 2020.

C.1.7 Detail how the significant shareholders are represented on the Board.

As a significant shareholder, the company Barta Inversiones, S.L. has a seat on the Board.

C.1.8 Indicate any reasons for which proprietary shareholders were appointed at the proposal of a shareholder owning less than 3% of capital:

Disclose any rejection of a formal request for a board seat from shareholders whose equity stake is equal to or greater than that of others which applied successfully for a proprietary directorship. Detail the reasons for any such rejection:

Yes

No

C.1.9 State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means and, in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

C.1.10 Indicate any powers delegated to the chief executive officer(s):

C.1.11 Identify any board members with directorships or management positions in other companies that form part of the listed company's group:

Name of director	Name of the group's subsidiary	Position	Executive functions?
Mr VICTORIANO PRIM GONZÁLEZ	ENRAF NONIUS IBERICA PORTUGAL LDA.	MANAGER	YES
Mr VICTORIANO PRIM GONZÁLEZ	INMOBILIARIA CATHARSIS, S.A.	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	ENRAF NONIUS IBERICA, S.A.	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	Joint & Several Administrator	YES
BARTAL INVERSIONES, S.L.	ENRAF NONIUS IBERICA S.A.	Joint & Several Administrator	YES

C.1.12 Indicate any company directors who are members of the board of directors of other companies listed on Spanish official stock markets, other than group companies, of which the company has been notified:

Name of director	Name of the group's subsidiary	Position
Ms BELEN AMATRIAIN CORBI	EUSKALTEL S.A.	DIRECTOR

C.1.13 Indicate whether the company has established rules about the number of directorships their board members can hold, and describe any such rules:

Yes

No

Detail the rules

The Articles of Association states that persons who are already directors of four companies listed on official secondary markets in Spain or other countries, or of eight unlisted companies (excepting companies in the group of which Prim, S.A. is the controlling company), may not be members of the Board of Directors.

C.1.14 Revoked.

C.1.15 Indicate the overall remuneration for the Board of Directors:

Board of Directors remuneration (thousand euro)	491
Amount of accumulated pension rights held by current directors (thousand euro)	0
Amount of accumulated pension rights held by former directors (thousand euro)	0

C.1.16 Identify senior management members who are not executive directors and the total remuneration accrued to them in the year:

Name	Position
Mr ANDRÉS ESTAIRE ÁLVAREZ	General Manager
ESPERANZA DEZA ANTA	CFO
Mr CARLOS VELASCO IGLESIAS	MANAGER

Total remuneration of senior management (in thousand euro)	854
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C.1.17 Identify any board members who are also board members or executives of a significant shareholder and/or subsidiaries of its group:

Identify any significant relationships, other than those stated in the preceding section, of board members that link them to significant shareholders and/or subsidiaries in the group:

Name of related director:

Mr VICTORIANO PRIM GONZÁLEZ

Name of related significant shareholder:

Ms ELISA PRIM BARTOMEU

Description of relationship:

Family

Name of related director:

Mr VICTORIANO PRIM GONZÁLEZ

Name of related significant shareholder:

Ms M^a DOLORES PRIM GONZALEZ

Description of relationship: Family

Name of related director:

Mr VICTORIANO PRIM GONZÁLEZ

Name of related significant shareholder:

Mr JUAN OSCOZ PRIM

Description of relationship:

Family

C.1.18 Indicate whether there were any amendments to the board regulation in the year.

Yes

No

C.1.19 Indicate the procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.

Based on the prior proposals or reports from the Appointments and Remuneration Committee, the Board of Directors makes proposals to the Shareholders' Meeting for the appointment, removal and re-appointment of directors and their number, having regard to the Company's circumstances at any given time, in accordance with the criteria set out in section 3, chapter 4 of the Articles of Association.

In the event of an unexpected vacancy, the Board appoints a director by co-optation based on a proposal or report by the Appointments and Remuneration Committee; that appointment requires ratification by the next Shareholders' Meeting. The Board of Directors determines, at any given time, the procedures for appointing, re-appointing, evaluating and removing directors.

C.1.20 Describe the extent to which the annual evaluation of the Board led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of the amendments

The self-assessment by the Board did not give rise to changes in the Board's internal organisation or procedures.

C.1.20.bis Describe the evaluation process and the areas assessed by the Board of Directors, potentially with the assistance of an outside consultant, with regard to the diversity of its composition and powers, the performance and composition of its committees, the performance of the Chairman of the Board of Directors and the chief executive of the company, and the performance and contribution of each director.

The Board performs the self-assessment without assistance from external advisers; it evaluates the performance of the sub-committees and of the Board itself, assessing the composition, members' experience, frequency of meetings and attendance at same, and the business transacted.

C.1.20 ter Give a breakdown of any business relations that the consultant or any company in its group has with the company or any company in its group.

C.1.21 Indicate the reasons for which directors may be forced to resign.

In accordance with article 69 of the Articles of Association, directors appointed by the Shareholders' Meeting by virtue of holding a significant stake or at the proposal of a significant shareholder must resign when such stake is disposed of or substantially reduced.

C.1.22 Revoked.

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?

Yes No

Describe the differences, if any.

C.1.24 Detail whether there are specific requirements, other than those relating to directors, for appointing the Chairman of the Board of Directors.

Yes No

C.1.25 Indicate if the chairperson has a casting vote:

Yes No

Issues on which there is a casting vote
--

The Chairman has a casting vote in the event of a tie, as provided in article 42.2 of the Articles of Association, and this applies to all issues.

C.1.26 Indicate if the articles or board regulation establish an age limit for directors:

Yes No

Age limit for chairperson: 75

Age limit for CEO: 75

Age limit for director: 75

C.1.27 Indicate if the articles or board regulation establish a term limit for independent directors other than that provided in the regulations:

Yes No

Maximum term (years)

3

C.1.28 Indicate whether or not the Articles of Association or the Board Regulation set out specific rules for directors to grant proxy in Board of Directors meetings, the method of doing so and,

more specifically, the maximum number of proxies that a director can hold, as well as whether or not a limitation has been set with regard to the categories to which proxy may be granted above and beyond the limitations imposed by law. Give a brief description of any such rules.

In accordance with article 39 of the Articles of Association, a director may grant proxy only to another director; a non-executive director may grant proxy only to another non-executive director.

C.1.29 Indicate the number of board of directors meetings held in the year. Also, state the number of times that the Chairman did not attend Board meetings: Proxies granted with specific instructions are not counted as absences:

Number of board meetings	14
Number of Board meetings held without the chairman	0

If the Chairman is an executive director, indicate the number meeting held at which no executive director attended or granted proxy and which were chaired by the lead independent director.

Number of meetings	0
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Indicate the number of meetings held by board committees in the year:

Committee	No. of meetings
APPOINTMENTS AND REMUNERATION COMMITTEE	6
AUDIT COMMITTEE	9

C.1.30 Indicate the number of board of directors meetings held in the year which were attended by all members. Proxies granted with specific instructions are not counted as absences:

Number of meetings held with all directors in attendance	14
Attendance as a % of the total number of votes during the year	100.00%

C.1.31 Indicate whether the separate and consolidated financial statements that are presented for board approval are certified beforehand:

Yes No

Identify the person(s) that certified the company's separate and consolidated financial statements for board authorisation:

C.1.32 Detail any mechanisms established by the Board of Directors to ensure that the separate and consolidated financial statements authorised by it are presented to the Shareholders' Meeting with a clean auditors' report.

The Audit Committee oversees that the law is complied with and that generally-accepted accounting principles are applied in connection with the production of the financial statements and directors' report, particularly with the goal of avoiding qualifications in the auditors' report.

C.1.33 Is the board secretary a director?

Yes

No

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

Name of secretary	Representative
Mr RAFAEL ALONSO DREGI	

C.1.34 Revoked.

C.1.35 Describe any mechanisms established by the company to safeguard the independence of auditors, financial analysts, investment banks and rating agencies.

The Audit Committee is entrusted with ensuring the independence of the external auditors, and has issued a report in this respect.

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

Yes

No

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

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

Yes

No

C.1.38 State whether or not the auditors' report on the previous year's financial statements was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or exception.

Yes

No

C.1.39 Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	2	2
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	83.33%	0.00%

C.1.40 Indicate whether there is a procedure for directors to engage external consultants and, if so, provide details:

Yes

No

Detail the procedure

In accordance with article 41.1 of the Articles of Association, a majority of the independent members of the Board may propose that the Board engage experts to provide advice on issues of particular complexity that arise in the course of their duties.

C.1.41. Indicate whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details.

Yes

No

Detail the procedure

In accordance with article 36.2 of the Articles of Association, along with the notice of a meeting, each member of the Board of Directors must receive the necessary information to be able to adopt resolutions in connection with each item on the agenda.

C.1.42 State whether the company has rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, and describe any that exist:

Yes

No

Describe the rules

Article 8 of the Board of Directors Regulation requires that all directors notify the Board of any issue that might affect their reputation. Article 9 of the Regulation requires directors to give notice of the initiation of any criminal proceeding, trial or sentence against them for any crime.

C.1.43 State whether any member of the Board of Directors has informed the Company that he/she has been charged with, or tried for, any of the crimes covered by article 213 of the Capital Companies Act:

Yes

No

State whether the Board of Directors has analysed the case. If it has, detail and explain the decision as to whether or not the director should retain his/her position or describe any actions taken by the Board up to the date of this report or those that it plans to take.

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

Not applicable.

C.1.45 Provide an aggregate list and give details of any agreements between the company and its officers, executives or employees that provide for indemnity payments or contain golden parachute clauses for cases where they resign or suffer unfair dismissal or if their employment relationship is terminated due to a takeover or another type of transaction.

Number of beneficiaries: 16

Type of beneficiary:

Director

Description of agreement:

Directors who are removed without just cause before the expiration of their term are entitled to indemnity equivalent to one-half of the remuneration collected in the preceding year.

Directors who are removed before the expiration of their term due to a change of control resulting from a takeover bid are entitled to indemnity equivalent to the total remuneration collected in the preceding year.

Executive director

The termination of their contract for reasons other than resignation will give entitlement to an indemnity equivalent to four times the total net remuneration, free of taxes, that they collected in the preceding year.

Executives and employees

Guarantee fixed indemnity or declining indemnity over a three-year period from the date they join the Company until the indemnity matches that established in labour law.

Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

	Board of Directors	General Meeting
Body that authorises the clauses	Yes	No

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2. Board of Directors sub-committees

C.2.1 Detail all the Board of Directors committees, their members and the proportion of executive, proprietary, independent and other external directors:

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Mr ENRIQUE GIMENEZ-REYNA RODRIGUEZ	CHAIRMAN	Independent
IGNACIO ARRAEZ BERTOLIN	DIRECTOR	Independent
Mr JOSE LUIS MEIJIDE GARCÍA	SECRETARY	Other external

% proprietary directors	0.00%
% independent directors	66.67%

Detail the functions assigned to this committee, describe its procedures and rules of organisation and operation, and summarise its main activities during the year.

FUNCTIONS

1. Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
2. Review the annual Corporate Governance Report before it is submitted to the Board of Directors to ascertain that each director is properly categorised (executive, proprietary, independent or external).
3. Make proposals to the Board of Directors on the appointment of directors, so that it may appointment them directly (by co-optation) or forward the proposal to the Shareholders' Meeting, as well as proposals for the Shareholders' Meeting to remove directors.
4. Ensure that, when vacancies are filled or new directors are appointed, the selection procedures do not suffer from implicit bias that might result in discrimination for reasons of gender, and establish a target for representation of the gender that is less represented on the Board, and draw up guidance on how to achieve this objective.
5. Participate, in a manner that is considered to be appropriate, in organising the succession of the chairman and chief executive of the company and, where appropriate, make recommendations to the Board so that the handover proceeds in a planned and orderly manner.
6. Advise beforehand on proposals for the appointment and removal of the Board Secretary.
7. Propose, to the Board, the members who will form part of each Committee.
8. Advise on the appointment and removal of the company's most senior executives based on proposals to the Board by the chief executive.
9. Issue a report on the remuneration policy for directors, members of the Executive Committee, if any, the Managing Director(s), general managers and any persons performing senior management functions reporting to the Board.
10. Propose to the Board of Directors the system and amount of the annual remuneration for directors and those executives that the Board determines, as well as the other basic conditions of their contracts, and ensure compliance with the remuneration policy established by the company.
11. Propose the periodic review of the remuneration programmes for such executives as are determined by the Board of Directors, considering its suitability and their performance, and ensure compliance.
12. Propose measures for transparency of remuneration and ensure compliance.
13. At least once per year, assess their performance and the quality of their work.
14. Advise on the process of assessing the chairperson and chief executive of the company.
15. The other functions specifically established in this Regulation.

PERFORMANCE

1. The Appointments and Remuneration Committee will meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any event, the Committee will meet once per year to prepare the information on directors' remuneration that the Board of Directors must approve and include in its annual public documentation.
2. The Appointments and Remuneration Committee will be quorate if attended in person or by proxy by a majority of its members; it will adopt all resolutions by majority vote of those in attendance. In the event of a tie, the Chairman will have a casting vote. Committee members may grant proxy to other members. Any person, whether belonging to the Company or otherwise, may attend Committee meetings if invited, and may speak but not vote.
3. The Committee Secretary will minute the decisions adopted at each meeting of the Committee, which will be reported to the next meeting of the Board of Directors. A copy of the minutes will be circulated to all members of the Board of Directors.

ACTIONS

In performing its assigned functions, the Appointments and Remuneration Committee met six times during the year, each meeting being attended by all members. The main business transacted referred to:

1. Remuneration proposal for senior executives of the Company.
2. Request and consideration of reports by experts in company and labour law on the terms of the contracts for executive directors and for senior executives who are not directors.
3. Proposal to the Board of the contracts for executive directors and for senior executives who are not directors.
4. Report in favour of the re-appointment of Barta Inversiones, S.L. as a proprietary director.
5. Report in favour of the appointment of Ms Belen Amatriain Corbi as an independent director.

AUDIT COMMITTEE

Name	Position	Category
Ms BELEN AMATRIAIN CORBI	CHAIRMAN	Independent
IGNACIO ARRAEZ BERTOLIN	SECRETARY	Independent

Name	Position	Category
Mr JOSE LUIS MEIJIDE GARCÍA	DIRECTOR	Other external

% proprietary directors	0.00%
% independent directors	66.67%
% other external directors	33.33%

Detail the functions assigned to this committee, describe its procedures and rules of organisation and operation, and summarise its main activities during the year.

FUNCTIONS

1. Inform the Shareholders' Meeting about the matters raised by shareholders within the scope of its competency.
2. Supervise the effectiveness of the company's internal control system, internal audits, and any risk management systems, and discuss with the auditors any material weaknesses in the internal control system that are detected during the audit.
3. Overseeing the drafting and presentation of regulated financial information.
4. Propose to the Board of Directors, for referral to the Shareholders' Meeting, the appointment, re-appointment and replacement of the auditors or audit firms, in accordance with the regulations applicable to the company and the conditions of their engagement, and regularly receive information on the audit plan and its execution, in addition to preserving their independence in the performance of their duties.
5. Establish appropriate relationships with the company's auditors to receive information about matters that might jeopardise their independence, for review by the Committee, and any other matters related to the audit process as well as other communications envisaged in the audit legislation and technical audit standards. In any event, it must receive, every year, written confirmation from the company's auditors of their independence with respect to the company and to entities directly or indirectly related to the company, as well as information on any additional services provided to those entities by the auditors or by persons or entities related to the auditors, as provided for in the legislation governing auditing.
6. Issue an annual statement on the independence of the auditors or audit firm each year prior to the issuance of the auditors' report. This report will address the provision of additional services referred to in the preceding section.

PERFORMANCE

1. The Committee will meet whenever called upon by the Chairperson and at least four times per year; the Secretary will draw up and sign the minutes of the meetings, which will be countersigned by the Chairperson. Copies of the minutes will be circulated to all members of the Board of Directors.
2. The Committee will be quorate if a majority of its members are present. In the event of absence of the Committee Chairperson or of its Secretary, the members in attendance will choose the persons to hold those positions, for that specific meeting, from among themselves, by majority vote. The Committee makes decisions by simple majority vote. In the event of a tie, the Chairperson has a casting vote.

ACTIONS

In performing its assigned functions, the Audit Committee met nine times during the year, each meeting being attended by all members. The main business transacted referred to:

1. Report on the independence of the Company's auditors
2. Review of the quarterly, half-yearly and full-year financial statements.
3. Evaluation of offers for consulting to implement the Company's risk prevention plan, with a proposal being made to engage Helas Consulting.
4. Approval of the new content in the auditors' report for 2017 at the proposal of the external auditors.

Identify the member of the audit committee who was appointed on the basis of his/her knowledge and experience in accounting, auditing or both, and state the number of years that the Chairman of this committee has been in office.

Name of director with experience	IGNACIO ARRAEZ BERTOLIN
No. of years the chair has held office	1

C.2.2 Complete the following table with information on the number of female directors in the Board sub-committees in the last four years:

	Number of female directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	1	33.33%	1	33.33%	0	0.00%	0	0.00%

C.2.3 Revoked

C.2.4 Revoked

C.2.5 Indicate if there are any Board sub- committee regulations, where they can be consulted, and amendments made in the year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily.

Article 50 of the Company's Articles of Association makes it obligatory for the Company to have an Audit Committee and an Appointments and Remuneration Committee. Articles 51 to 58 elaborate upon the composition, incompatibilities, chair, functions and other material aspects of the Committees' operation.

Each of the committees has a specific regulation, both approved on 21 December 2015, as a result of their adaptation to the new Articles of Association and Board of Directors Regulation which were approved during the year.

The Company's Articles of Association and the Committee regulations can be viewed on the website of the CNMV and on the Company's website.

No annual reports were produced on the activities of the Board Committees in 2016 as they are covered sufficiently in the Annual Performance Report on the Working of the Board and its Committees.

C.2.6 Revoked

D RELATED-PARTY AND INTERCOMPANY TRANSACTIONS

D.1 State, where applicable, the procedure for the approval of related-party and intercompany transactions.

Procedure for advising on the approval of related-party transactions

Transactions with related parties and related companies are approved by the Board on the basis of a report by the Audit Committee and referred to the Shareholders' Meeting in the cases where this is required by the Capital Companies Act.

D.2 Give details of any transactions that are significant, because of their size or nature, between the company or any group undertakings and significant shareholders of the company:

D.3 Give details of any transactions that are significant, because of their size or nature, between the company or any group undertakings and the company's directors or executives:

D.4 Detail the significant transactions between the company and other companies in the group, except those that are eliminated in consolidation or do not form part of the company's normal operations because of their purpose and conditions:

In any event, provide details of any intercompany transactions carried out with undertakings established in countries or territories that are classified as tax havens:

D.5 State the value of transactions carried out with other related parties.

0 (thousand euro)

D.6 Specify the mechanisms established to detect, identify and resolve possible conflicts of interest arising between the company and/or the group and its directors, senior managers or significant shareholders.

Directors and executives are obliged to notify the Board of any conflict of interest they may have with the Company. In the event of a conflict, the director in question may not participate in resolving the conflict.

Under Article 23 of the Articles of Association, an independent director who steps down may not provide services to a competing company or any other entity belonging to a competing company's group in the two years following resignation.

D.7 Is more than one company in the Group listed in Spain?

Yes

No

Identify the subsidiaries that are listed in Spain:

Listed subsidiary companies

State whether their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other group companies, have been defined precisely in a public document;

Define any business relationships between the parent company and the listed subsidiary, and between the latter and the rest of the group companies

Identify the mechanisms established to resolve any conflicts of interest between the listed subsidiary and the other companies in the group:

Mechanisms in place to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the scope of the company's Risk Management System, including that relating to tax risks.

The Company's risk control process ranges from the Board of Directors and senior management down to the operational and control areas, the goal being to identify and manage each risk in a way that is compatible with the strategic plans.

E.2 Identify the bodies of the company responsible for drawing up and executing the Risk Management System, including tax risk.

The Board of Directors, senior management, the Audit Committee, heads of operational and support areas and the Controller's department.

Aware of the growing importance of crime risks arising from companies' activities, the Board of Directors decided to engage experts; to this end, it hired an external consulting firm to draw up a report on the company's crime risk.

E.3 Indicate the main risks, including tax risks, that may affect attainment of the business targets.

1. Financial risks, including interest rate risk, exchange rate risk (mainly EUR/USD), credit risk and liquidity risk.
2. Loss of revenues due to withdrawal of a healthcare product from the market.

Any healthcare product such as those distributed by medical supply companies like ours is susceptible to being withdrawn from the market by the health authorities of any of the countries in which it is marketed as a result of an incident in its application. This would immediately halt marketing of the product in all other countries, with the consequent negative impact on revenues. This risk is real but has arisen only very rarely in practice because manufacturers of healthcare products are very careful to comply strictly with the law in the respective countries and because of our requirement that the manufacturer of any product distributed by the Company should comply strictly with the applicable international product safety standards.

3. Civil liability resulting from adverse effects on patients of products sold by the Company.

Every company in the industry accepts the risk that a product which it distributes may have undesired effects when applied to patients. Although this risk might in principle be attributable to the manufacturer, and is therefore covered by the manufacturer's insurance, if we distribute the product it is also covered by our own product liability insurance, which covers both our distribution and manufacturing activities.

4. Tax risk

The years 2012 to 2016 are open for inspection since they are not statute-barred.

5. Crime risk

In 2016, the Company engaged the services of an external consultant to carry out a risk analysis as a prelude to developing, adopting and implementing a Crime Prevention Plan, whose purpose is to reduce crime risk. The results of this analysis will be reflected in a Risk Map that will be made available in 2017.

E.4 Identify whether the organisation has a high level of tolerance to risk, including tax risk.

The Company exerts qualitative risk control and management for each of the main risks, in line with its strategic objectives.

E.5 State what risks, including tax risks, materialised during the year.

EUR/USD exchange rate

E.6 Describe the response and supervision plans for the company's main risks, including tax risks.

Each of the identified risks is analysed periodically by the department most directly affected in order to detect it as early as possible, bring it to the attention of management and propose possible actions.

F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the systems for Internal Control Over Financial Reporting (ICFR).

F.1 The organisation's control environment

Provide details, highlighting the main characteristics of, at least:

- F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

The Board of Directors holds the final responsibility for ICFR, the Finance Department for its implementation and maintenance, and the Audit Committee for its supervision.

- F.1.2. The following elements, if any, with regard to the process in which the financial reporting is formulated:

- Departments and/or mechanisms in charge of: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures for its proper dissemination within the company.

The CFO's Office is responsible for the design and maintenance of the organisation structure and matrix of responsibilities within the department that draws up the financial information.

- Code of conduct, approval body, degree of distribution and instruction, principles and values (indicating whether there are specific references to the register of operations and production of financial information), the body entrusted with analysing non-compliance and with proposing corrective actions and sanctions.

There is an Internal Code of Conduct that was updated by the Board of Directors in January 2013; it can be viewed on the company's website.

- A whistleblowing channel, that allows reporting to the auditing committee of any irregularities of a financial or accounting nature, as well as cases of non-compliance with the code of conduct and irregular activities in the organisation, indicating if the matter is of a confidential nature.

There is a whistleblowing channel through which any irregularity detected by an employee can be reported to the Audit Committee.

- Training programmes and regular updating for staff involved in the preparation and review of financial information, as well as in the evaluation of ICFR, and which cover at least the accounting standards, auditing, internal control and risk management.

The quality system includes a training plan in which each head of department proposes training for their subordinates. The quality system is certified to ISO 13485 and is audited each year.

F.2 Evaluation of financial reporting risks

Provide information on, at least:

F.2.1. What are the chief characteristics of the risk identification process, including error or fraud, in relation to:

- If the process exists and is documented.

The company takes the necessary action to identify risks, paying particular attention to financial risks, even if the procedure is not documented.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; valuations; presentation, itemisation and comparability; and rights and obligations), and if it is updated and how often.

The financial information that is drawn up each month is reviewed by the Controller's Office in order to check its accuracy and identify any risks.

- The existence of a process for identifying the consolidation scope, taking into account, among others, whether there are complex corporate structures, instrumentality companies or special purpose vehicles.

The consolidation scope is defined and, given the group's stability, it would only be necessary to review it in the event of a change in the group's composition.

- If the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

Other risks, such as operational, technology and environmental risks, are considered to be minor for the purposes of financial risk control.

- What governing body of the companies supervises the process.

The Audit Committee is the governing body with ultimate responsibility for supervising the process of risk identification.

F.3 Control activities

State whether the company has at least the following, and describe their characteristics:

F.3.1. Review and authorisation procedures for financial reporting and description of ICFR, to be disclosed to the securities markets, indicating those responsible, and risk documentation describing the flows of activities and controls (including those related to fraud risk) for the various types of transactions that may have a significant effect on material judgements, estimates, valuations and projections.

The financial information from each group company is drawn up by the corresponding sections of a single accounting department, consolidated by the finance department and validated by the CFO's office.

F.3.2. Internal control policies and procedures on security, the information systems (amongst others, access control, change control, operation of the same, operating continuity and segregation of functions) that support the major processes of the entity with regard to the formulation and publication of financial reporting.

There are internal control procedures for the financial reporting systems that control and guarantee secure user access, using personalised logins and passwords, in line with their level of responsibility. The system automatically logs any changes.

Operational continuity is guaranteed through redundant servers and an established contingency policy and backups under the responsibility of the Systems Department.

As regards the segregation of functions, there is an appropriate separation of functions between the persons who authorise transactions, those who safeguard the assets and those who register transactions.

F.3.3. Internal control policies and procedures for managing outsourced activities, and measurement, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Company does not subcontract nor has it outsourced any activity related to the financial information or its production, except for the employee payroll, which is drawn up by KPMG.

F.4 Information and reporting

State whether the company has at least the following, and describe their characteristics:

F.4.1. A specific function responsible for defining the accounting policies and keeping them up to date (accounting policies department or area) and for resolving doubts or conflicts arising from their interpretation, maintaining regular communication with the persons responsible for operations within the organisation, together with an updated accounting policies manual distributed to all the entity's operating units.

The CFO's Office is responsible for defining and updating the accounting policies based on current regulations and keeping the operating divisions informed. It is also responsible for resolving any doubts or conflicts of interpretation that may arise and keeping the Audit Committee informed.

F.4.2. Mechanisms using standard forms for gathering and preparing financial information, for application and use by all units in the company or group, to support the main financial statements and notes as well as detailed disclosures on ICFR.

All companies in the group follow the same chart of accounts, apply the same accounting practices and use the same ERP.

F.5 Supervision of system operation

Report on at least the following, giving details of their main features:

F.5.1. The supervision of ICFR performed by the Audit Committee, and whether the entity has an internal audit function with the duty of supporting the committee in supervising the internal control system, including ICFR. Also provide information on the scope of the evaluation of ICFR carried out during the year and the procedure by which the head of assessment reports the results, whether the entity has an action plan setting out corrective measures and whether its impact on financial reporting has been considered.

ICFR information is reviewed by the Audit Committee before it is published.

F.5.2. Is there a discussion procedure through which the auditor (in accordance with the provisions of the Audit Technical Standards), the internal audit function and other experts can report to senior management and to the audit committee or company directors on any significant internal control weaknesses identified during the review of the financial statements, or any other entrusted to them? Also report on whether there is an action plan to remedy or mitigate identified weaknesses.

The Company has a discussion procedure whereby the external auditor communicates material internal control weaknesses identified during the process of auditing the financial statements to the Audit Committee. Once it has been apprised of any weaknesses, the Audit Committee makes a proposal to the Board with regard to the appropriate measures to correct or mitigate such weaknesses.

F.6 Other material information

F.7 External auditor report

Report on:

F.7.1. State whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The quarterly information supplied to the markets and the ICFR are not reviewed by the external auditor, although the latter is informed.

The year-end financial statements are audited by the external auditor and are released to the market with the mandatory auditors' report.

G DEGREE OF ADHERENCE TO RECOMMENDATIONS ON CORPORATE GOVERNANCE

Indicate the degree of compliance by the company with the recommendations of the Unified good governance code for listed companies.

If any recommendation is not followed or is followed only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to be able to evaluate the company's course of action. Explanations of a general nature will not be sufficient.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant

Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The respective fields of business and any business relationships between them, as well as those between the listed subsidiary and other companies in the group.

b) The mechanisms for settling any conflicts of interest that might arise.

Compliant

Partially compliant

Explain

Not applicable.

3. During the Annual General Meeting, as a supplement to the written dissemination of the corporate governance annual report, the Chairman of the Board of Directors should verbally inform the shareholders, providing sufficient detail, of the most significant aspects of the company's corporate governance and, in particular:

a) Any changes since the last General Meeting.

b) The specific reasons for which the company does not follow one or more of the recommendations of the Code of Corporate Governance and, if any, alternative rules that are of application in this matter.

Compliant

Partially compliant

Explain

4. The company defines and promotes a communication and contact policy with shareholders, institutional investors and voting advisors that fully complies with the standards to combat market abuse and that gives similar treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

Partially compliant

Explain

The Company maintains a policy of close communication with the shareholders, to whom it provides the information they request regardless of the size of their stake, while safeguarding any information that must remain confidential. This policy is not formally documented or published on the website.

5. The Board of Directors should not submit proposals to the General Meeting for the granting of powers to issue shares or convertible securities excluding pre-emptive subscription rights of an amount greater than 20% of the capital at the time of the granting of these powers.

Whenever the Board of Directors approves an issuance of shares or convertible securities, with the exception of pre-emptive subscription rights, the company should immediately publish on its website the reports of this exclusion, as referred to in the mercantile legislation.

Compliant

Partially compliant

Explain

6. Although not expressly required by company legislation, listed companies that have prepared the reports listed below, either mandatorily or voluntarily, should publish them on their website sufficiently in advance of the Ordinary General Meeting:

a) Report on the auditor's neutrality.

b) Reports on the operation of the Audit Committee and the Appointments and Remuneration Committees.

c) Report by the Audit Committee on related operations.

d) Report on the policy on the company's corporate responsibility.

Compliant

Partially compliant

Explain

7. The company should broadcast its general meetings live on the corporate website.

Compliant

Explain

The General Meetings of Shareholders held to date have not been webcast on the Company's website because it was not deemed necessary. The advisability of webcasting future Shareholders' Meetings will be considered.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

Partially compliant

Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

Partially compliant

Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant Partially compliant Explain Not applicable.

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant Partially compliant Explain Not applicable.

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that is sustainable over time in pursuit of continuity while maximising the company's economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant Partially compliant Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant Explain

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published upon convening the general meeting that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

Partially compliant

Explain

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

Partially compliant

Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

Explain

Due to the small number of directors, a single proprietary director accounts for 20% of the non-executive directors, which is greater than the shareholding they represent (7.57%).

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Compliant

Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, whatever their nature.
- c) Statement of the director class to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Compliant

Partially compliant

Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant Partially compliant Explain Not applicable.

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant Partially compliant Explain Not applicable.

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should give a reasoned report on this in the annual report on corporate governance.

Compliant Partially compliant Explain

23. Directors should express their clear opposition when they feel that a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant Partially compliant Explain Not applicable.

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant Partially compliant Explain Not applicable.

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant Partially compliant Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant Partially compliant Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant Partially compliant Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant Partially compliant Explain Not applicable.

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant Partially compliant Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant Explain Not applicable.

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant Partially compliant Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant Partially compliant Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant Partially compliant Explain

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant Partially compliant Explain Not applicable.

Neither the Company's Articles of Association nor the Board Regulation give the Lead Independent Director any functions or powers other than those established by law, apart from the power established in article 14.1 of the Regulation to convene a meeting of the Board of Directors where the Chairperson has been asked to convene a meeting and fails to do so in the following seven days; such a meeting will be held within the following fifteen days.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant Partially compliant Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant Partially compliant Explain Not applicable.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant Partially compliant Explain Not applicable.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant Partially compliant Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant Partially compliant Explain Not applicable.

42. The audit committee should have the following functions over and above those assigned to it by law:
1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the evolution of the accounting situation and the company's risks.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant Partially compliant Explain

The size of the Company has made it advisable to create and maintain a Controller's Office, reporting directly to the Board of Directors; the Audit Committee liaises constantly with that Office.

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant Partially compliant Explain

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant Partially compliant Explain Not applicable.

45. Control and risk management policy should specify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant Partially compliant Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant Partially compliant Explain

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant Partially compliant Explain

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant Explain Not applicable.

49. The nomination committee should consult with the Board chairman and the chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant Partially compliant Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.

- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant Partially compliant Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant Partially compliant Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- c) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) The committees may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Compliant Partially compliant Explain Not applicable.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant Partially compliant Explain

Those functions are the direct responsibility of the Board of Directors.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:
- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
 - b) The corporate strategy with regard to sustainability, the environment and social issues.
 - c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
 - d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
 - e) The mechanisms for supervising non-financial risk, ethics and business conduct.
 - f) Channels for stakeholder communication, participation and dialogue.
 - g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant Partially compliant Explain

The Company has not formally documented its corporate social responsibility policy. Each department is responsible for the matters directly related to its activity, under the oversight and supervision of the Board.

In the fourth quarter of 2016, the Company engaged the services of an external consultant to carry out a diagnosis of the Corporate Social Responsibility situation and define a roadmap. The main recommendations arising out of that report will be implemented in 2017.

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant Partially compliant Explain

To date, the Company has not documented its corporate social responsibility policy or formally reported on this area.

In the fourth quarter of 2016, the Company engaged the services of an external consultant to carry out a diagnosis of the Corporate Social Responsibility situation and define a roadmap. The main recommendations arising out of that report will be implemented in 2017.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant

Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant

Partially compliant

Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant

Partially compliant

Explain

Not applicable.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant

Partially compliant

Explain

Not applicable.

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

Partially compliant

Explain

Not applicable.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant

Partially compliant

Explain

Not applicable.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant Partially compliant Explain Not applicable.

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant Partially compliant Explain Not applicable.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant Partially compliant Explain Not applicable.

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any significant principle or aspect of the corporate governance practices of the company or its subsidiaries that is not covered by other sections of this report but which should be included to provide more comprehensive and detailed information on the structure and practices of governance in the undertaking or its group, detail them briefly.
2. This section may be used to provide further information, clarifications or reservations in relation to the preceding sections of this report, which should be significant and not repetitive.

Specifically, indications should be given if the company is subject to legislation other than Spanish legislation in corporate governance matters and, where applicable, include any information that the company is obliged to provide that is different to that required in this report.
3. The company may also indicate whether it has voluntarily adopted any other codes of ethics or good practices, whether international, industry-wide or otherwise. Identify any such code and the date on which it was adopted.

As a result of the recommendations contained in the final report on the analysis of crime risks commissioned from an external consultant referred to in section E.3 of this report, the Board of Directors resolved, at a meeting on 28 February 2017, to create a Compliance Department, and appointed the head of department.

Prim voluntarily adopted the Code of Good Practices that was drawn up, reviewed and approved by FENIN in 2009. That Code was redrafted and approved in December 2016 under the title "Code of Ethics for the Health Technology Industry"; Prim has adopted this updated version.

This annual corporate governance report was approved by the company's Board of Directors on 28 March 2017.

Indicate any directors who voted against, or abstained from approving, this report.

Yes

No