

## ANNEX I

### ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

#### ISSUER IDENTIFICATION DATA

**DATE OF END OF REFERENCE YEAR**

31/12/2017

**Tax ID number:**

A28165587

**CORPORATE NAME**

PRIM, S.A.

**DOMICILE**

CALLE F Nº 15 - POL. IND. Nº 1 ARROYOMOLINOS, (MÓSTOLES) 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	No. 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 direct and indirect owners of significant stakes, and of their stake at year-end, excluding directors:

Name of shareholder	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Ms M <sup>a</sup> DOLORES PRIM GONZALEZ	977,187	0	5.63%
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%
LA FUENTE SALADA S.L.	2,416,058	0	13.93%
BROWN BROTHERS HARRIMAN	1,692,478	0	9.76%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Date of transaction	Description of the transaction
BARTAL INVERSIONES, S.L.	30/06/2017	The stake fell below 5% of capital stock
LA FUENTE SALADA S.L.	04/07/2017	The stake exceeded 10% of capital stock.

A.3 Complete the next tables regarding the members of the company's board of directors who hold voting rights in the company:

Name of director	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Mr JOSE LUIS MEIJIDE GARCÍA	115,969	0	0.67%
Mr 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%
Mr ANDRÉS ESTAIRE ÁLVAREZ	162,624	0	0.94%

Name of indirect owner of holding	Through: Name of direct owner of stake	No. of voting rights
Mr VICTORIANO PRIM GONZÁLEZ	Ms TERESA MARTINEZ SIERRA	3,403

Total % of voting rights held by the board of directors	11.09%
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Complete the next tables regarding the members of the company's board of directors who hold rights to shares in the company

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

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 any Shareholders' Agreements have been notified to the Company pursuant to the provisions of articles 530 and 531 of the Capital Companies Act. In the event, give a short description and list the shareholders that are party to the agreement:

Yes  No

Indicate if the company is aware of the existence of concerted actions between 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 Act. If so, identify it:

Yes  No

Comments

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

**At year-end:**

No. of direct shares	No. of indirect shares (*)	Total % of share capital
20,697	0	0.12%

**(\*) Through:**

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

### 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 24 June 2017, the Shareholders' Meeting authorised the Board of Directors of Prim, S.A. to acquire own shares 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 18 June 2016, in the part not used.

#### A.9. bis Estimated free float:

	%
<b>Estimated free float</b>	37.52

### 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 State whether the General Meeting adopted measures to neutralise a takeover bid under the provisions of 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 SHAREHOLDERS' 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 % other than as established as a general rule in article 193 of the Capital Companies Act	Quorum % other than as established in article 194 of the Capital Companies Act for the special cases set out in article 194
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 change of legal form, 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. For capital increases or reductions and other amendments to the Articles of Association.

**B.2 Indicate and, if applicable, explain whether there are differences with respect to the rules provided by the Corporations Law for the adoption of corporate resolutions:**

Yes  No

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

	<b>Supermajority other than that established in article 201.2 of the Capital Companies Act (CCA) for the cases set out in article 194.1 CCA</b>	<b>Other cases of a supermajority</b>
<b>% established by the company for approving resolutions</b>	66.66%	0.00%

**Describe the differences**

In order for the Shareholders' Meeting, whether ordinary or extraordinary, to decide on the change of legal form, merger, de-merger, assignment en bloc of the assets and liabilities or the transfer of the registered offices to another country, the decision must be adopted by at least two-thirds of the share capital present or represented, whether at first or second call. For capital increases or reductions and other amendments to the Articles of Association.

**B.3 Describe the rules that apply to amendments of the company's Bylaws. In particular, disclose the majorities established for amendment of the Bylaws, as well as any rules for the protection of shareholders' rights in the amendment of the Bylaws.**

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. For capital increases or reductions and other amendments to the Articles of Association.

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

<b>Date of General Meeting</b>	<b>Attendance data</b>				<b>Total</b>
	<b>% in attendance</b>	<b>% represented</b>	<b>% remote voting</b>		
			<b>Electronic voting</b>	<b>Other</b>	
24/06/2017	38.31%	28.97%	0.00%	11.27%	78.55%

**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.**

## 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:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	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	Election procedure
Mr JOSE LUIS MEIJIDE GARCÍA		Other External	DIRECTOR	23/12/1996	29/06/2013	GENERAL MEETING DECISION
Mr IGNACIO ARRAEZ BERTOLIN		Independent	VICE-SECRETARY DIRECTOR	14/06/2012	14/06/2012	GENERAL MEETING DECISION
Mr VICTORIANO PRIM GONZÁLEZ		Executive	CHAIR	26/06/1993	28/06/2014	GENERAL MEETING DECISION
Mr ENRIQUE GIMENEZ-REYNA RODRIGUEZ		Independent	DIRECTOR	14/06/2012	14/06/2012	GENERAL MEETING DECISION
Ms BELEN AMATRIAIN CORBI		Independent	DIRECTOR	21/12/2015	18/06/2016	GENERAL MEETING DECISION
Mr ANDRÉS ESTAIRE ÁLVAREZ		Executive	DEPUTY CHAIRMAN	01/07/2017	01/07/2017	CO-OPTATION

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

Name of director	Director's category at time of removal	Date of removal
BARTAL INVERSIONES, S.L.	Proprietary	30/06/2017

#### 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's organisation chart
Mr VICTORIANO PRIM GONZÁLEZ	Executive Chairman
Mr ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman

<b>Total number of executive directors</b>	2
<b>% of total Board</b>	33.33%

## PROPRIETARY EXTERNAL DIRECTORS

## INDEPENDENT EXTERNAL DIRECTORS

### **Name of director:**

Mr 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.

<b>Total number of independent directors</b>	3
<b>% of total number of Board members</b>	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.

<b>Total number of other external directors</b>	1
<b>% of total number of Board members</b>	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			
	2017	2016	2015	2014	2017	2016	2015	2014
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	1	1	1	0	33.33%	33.33%	33.33%	0.00%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	1	1	1	0	16.67%	16.67%	16.67%	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.

<b>Detail such measures</b>
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In line with the policy of appointing women, the Board of Directors will continue to analyse appropriate female candidates in the future for appointment to the Board on a gradual basis.

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

<b>Detail such measures</b>
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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.

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



**Detail 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.**

Under the director selection policy, the Appointments and Remuneration Committee will take the appropriate steps to fulfil that objective by 2020.

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

For the purposes of article 529 duodecims of the Capital Companies Act, it is hereby noted that Mr Victoriano Prim González represents a significant holding in the company (9.44%) but, since he has executive functions, he is classified as an executive director.

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:

**Name of director:**

BARTAL INVERSIONES, S.L.

**Reason for resignation:**

Loss of the status of shareholder with a significant holding.

On 30 June 2017, Mr Andrés Estaire Álvarez, the person representing proprietary director Bartal Inversiones, S.L., informed the Company by letter addressed to its Chairman that, in compliance with the provisions of article 69.2 of the Articles of Association of Prim, SA, and as a consequence of the sale of the significant stake in the Company held by Bartal Inversiones, S.L. to another significant shareholder of same, Bartal Inversiones, S.L. presented its resignation as director of Prim, S.A.

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 Group company	Position	Does he/she have executive functions?
Mr VICTORIANO PRIM GONZÁLEZ	ENRAF NONIUS IBERICA PORTUGAL LDA.	MANAGER	YES
Mr VICTORIANO PRIM GONZÁLEZ	INMOBILIARIA CATHARSIS. S.A. (Sociedad Unipersonal)	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	ESTABLECIMIENTOS ORTOPÉDICOS PRIM. S.A.	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	SIDITEMEDIC. S.L. (SOCIEDAD UNIPERSONAL)	Joint & Several Administrator	YES
Mr VICTORIANO PRIM GONZÁLEZ	ANOTA S.A. (SOCIEDAD UNIPERSONAL)	Joint & Several Administrator	YES
Mr ANDRÉS ESTAIRE ÁLVAREZ	ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	Joint & Several Administrator	YES
Mr ANDRÉS ESTAIRE ÁLVAREZ	INMOBILIARIA CATHARSIS, S.A. (Sociedad Unipersonal)	Joint & Several Administrator	YES
Mr ANDRÉS ESTAIRE ÁLVAREZ	SIDITEMEDIC, S.L. (Sociedad Unipersonal)	Joint & Several Administrator	YES
Mr ANDRÉS ESTAIRE ÁLVAREZ	ANOTA S.A. (SOCIEDAD UNIPERSONAL)	Joint & Several Administrator	YES
Mr ANDRÉS ESTAIRE ÁLVAREZ	ENRAF NONIUS IBERICA PORTUGAL LDA.	Manager	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 Group company	Position
Ms BELEN AMATRIAIN CORBI	EUSKALTEL S.A.	DIRECTOR

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

Yes  No

**Detail such 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)	894
Amount of accumulated pension rights held by current directors (thousand euro)	0

<b>Amount of accumulated pension rights held by former directors (thousand euro)</b>	0
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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 CARLOS VELASCO IGLESIAS	MANAGER
Ms ESPERANZA DEZA ANTA	CFO

<b>Total remuneration of senior management (in thousand euro)</b>	485
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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, between board members and significant shareholders and/or subsidiaries in their group:

**Name of related director:**

Mr VICTORIANO PRIM GONZÁLEZ

**Name of related significant shareholder:**

**Ms M<sup>a</sup> DOLORES PRIM GONZALEZ** 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 Describe 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, chapters 1 and 4 of Title III 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:

<b>Description of changes</b>
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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 with the assistance of an external consultant, if any, 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 group company.

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 Do any decisions require a supermajority, other than the legal majority?

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

<b>Issues on which there is a casting vote</b>
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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

<b>Maximum term (years)</b>	3
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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.

<b>Number of Board meetings</b>	14
<b>Number of Board meetings held without the chairman</b>	0

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

<b>Number of meetings</b>	0
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Indicate the number of meetings held by board sub-committees in the year:

<b>Committee</b>	<b>No. of meetings</b>
APPOINTMENTS AND REMUNERATION COMMITTEE	3
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:

<b>Number of Board meetings held with all directors in attendance</b>	14
<b>Attendance as a % of the total number of votes during the year</b>	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:

<b>Name of secretary</b>	<b>Representative</b>
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 the total fees billed to the company and/or its group:

Yes No 

	Company	Group	Total
<b>Fees for work other than auditing (thousand euro)</b>	34	0	34
<b>Fees for work other than auditing/Total fees billed by the audit firm (%)</b>	32.38%	0.00%	29.70%

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
<b>Number of consecutive years</b>	3	3
<b>No. of years audited by the current audit firm/No. of years that the company has been audited (%)</b>	84.00%	84.00%

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 45.1 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 State and detail any procedures in place to ensure that Directors can obtain the information they need to prepare in good time for meetings of the Board and committees:

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 enable them to make decisions in connection with each item on the agenda.

C.1.42 State and detail any rules in place that oblige the directors to report any circumstances that might jeopardise the company's credit and reputation and, if appropriate, resign:

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 faced criminal charges or has been arraigned for any of the offences listed in Article 213 of the Capital Companies Act:

Yes

No

State whether the Board of Directors has analysed the case. If so, give a reasoned explanation of the decision taken as to whether or not the Director should remain in office or, where applicable, detail the actions taken by the Board of Directors until the date of the report or 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 Identify in overall terms, and indicate, in detail, any agreements between the company and its Directors and senior executives or employees that include indemnities, guarantee or severance clauses, in the event of their resignation or unfair dismissal or if the contractual relationship is terminated due to a takeover bid or other 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.

State whether such contracts must be reported and/or approved by the decision-making bodies of the company or group:



	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 Give details of all Committees of the Board of Directors, their members, and the proportion of proprietary and independent directors that form them:

### **APPOINTMENTS AND REMUNERATION COMMITTEE**

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

- 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.
- 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).
- Make proposals to the Board of Directors on the appointment of directors, so that it may appoint them directly (by co-optation) or forward the proposal to the Shareholders' Meeting, as well as proposals for the Shareholders' Meeting to remove directors.
- 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.
- 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.
- Advise beforehand on proposals for the appointment and removal of the Board Secretary.
- Make proposals to the Board as to the members who will form part of each Committee.
- Advise on the appointment and removal of the Company's most senior executives based on proposals to the Board by the chief executive.
- 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.
- Make proposals to the Board of Directors as to 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.
- 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.
- Propose measures for transparency of remuneration and ensure compliance.
- At least once per year, assess their performance and the quality of their work.
- Advise on the process of assessing the chairperson and chief executive of the company, and
- 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; all resolutions are adopted 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; no member may hold more than one proxy. 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 three times during the year, each meeting being attended by all members. The main business transacted referred to:

1. Examination and assessment of the candidate and proposal for appointment of the Prim Group Head of Compliance, and the creation of the related Department.
2. Report on the appointment of Mr Andrés Estaire Álvarez as executive director of Prim, S.A., as a result of removal of Barta Inversiones, S.L.
3. Examination and approval of the proposal to the Board of Directors regarding the degree to which the proposed contract with Mr Andrés Estaire Álvarez conforms to the required standards, in accordance with the remuneration policy approved by the Shareholders' Meeting. This is a consequence of that person being reclassified from a member of senior management with the status of employee (although he was simultaneously the representative on the Board of Barta Inversiones, S.L.) to executive director, which requires that he be engaged under a mercantile contract.

### **AUDIT COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Category</b>
Ms BELEN AMATRIAIN CORBI	CHAIR	Independent
Mr JOSE LUIS MEIJIDE GARCÍA	DIRECTOR	Other External
Mr IGNACIO ARRAEZ BERTOLIN	SECRETARY	Independent

<b>% proprietary directors</b>	0.00%
<b>% independent directors</b>	66.67%
<b>% other external directors</b>	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. Oversee the drafting and presentation of regulated financial information.
4. Make proposals to the Board of Directors, for referral to the Shareholders' Meeting, as to 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, every year it must receive 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, eight of which were attended by all members. The main business transacted referred to:

1. Creation of a Compliance Department at the initiative of the Committee.
2. Drafting, in cooperation with the Head of Compliance, of the new Internal Code of Conduct on Activities related to the Market, which was subsequently approved by the Board.
3. Examination of periodic disclosures before publication.

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.

<b>Name of director with experience</b>	Mr IGNACIO ARRAEZ BERTOLIN
<b>No. of years the chair has held office</b>	2

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							
	2017		2016		2015		2014	
	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%	1	33.33%	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 2017 as they are covered sufficiently in the Annual Performance Report on 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 with regard to their purpose and conditions:

In any event, provide details of any intercompany transactions carried out with organisations based in countries or territories that are considered to be 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.

In accordance with article 29.2 of the Articles of Association and article 6 of the Board of Directors Regulation, 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**

Indicate whether the respective areas of activity and any business relationships between them have been defined publicly and with precision, as well as those of the listed subsidiary company with other companies in the group;

**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. Based on the crime risk plan drafted in 2017, the Company is developing a Crime Prevention Plan.

### **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 company has the years 2012 to 2015 open for review by the Spanish tax authorities in connection with corporate income tax, and from April 2013 to December 2015 in connection with value added tax.

5. Crime risk

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 materialised in the form of a Risk Map that is the basis for the Crime Prevention Plan that the Company is developing.

6. Risk of loss of strategic suppliers

### **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.**

## 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. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (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 drawn up:

- Departments and/or mechanisms entrusted with: (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 the 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 it contains (indicating whether specific mention is made of the recognition of transactions and the preparation of financial information), and the body responsible for analysing non-compliance and proposing corrective actions and sanctions.

There is an Internal Code of Conduct that was updated by the Board of Directors in November 2017; it can be viewed on the company's website.

- Whistleblowing channel for reporting irregularities of a financial and accounting nature to the Audit Committee, as well as any breaches of the code of conduct and irregular activities in the organisation, indicating whether it is confidential in nature.

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

- Training and regular refresher programmes for the personnel involved in the preparation and review of financial information, as well as assessment of the ICFR, covering at least the following: accounting standards, audit, 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; completeness; valuation; 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 other aspects, 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 the ICFR, to be published in the securities markets, indicating those responsible, together with documentation describing the flows of activities and controls (including those related to the risk of fraud) of the various types of transactions that may have a significant effect on the financial statements, including the accounting closing procedure and specific review of the judgements, estimates, evaluations and major 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 information systems (including access control, change control, operation of same, business continuity and segregation of functions) that support the institution's major processes with regard to the authorisation 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 and assessment 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 undertaking'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 undertaking 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, give the reasons.

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 COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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, give 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.

Complies

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.

Complies  Partially complies  Explain  Not applicable

3. During the Annual General Meeting, in addition to the written 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.

Complies  Partially complies  Explain

4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy 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 entrusted with its implementation.

Complies  Partly complies  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 to grant powers to issue shares or convertible securities while overriding pre-emptive subscription rights for 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 required in mercantile legislation in connection with overriding pre-emptive rights.

Complies  Partially complies  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-party transactions.
- d) Report on the company's corporate responsibility policy.

Complies

Partially complies

Explain

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

Complies

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.

Complies

Partially complies

Explain

9. The company should disclose its conditions and procedures for accrediting 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.

Complies

Partially complies

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) Re-issue the attendance card or proxy appointment or remote voting form in a duly modified form 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.

Complies

Partially complies

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.

Complies

Partially complies

Explain

Not applicable

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

In pursuing the corporate interest, it should not only abide by the 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.

Complies  Partially complies  Explain

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

Complies  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 by 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.

Complies  Partially complies  Explain

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

Complies  Partially complies  Explain

As a result of the resignation of a proprietary director in 2017 and the immediate appointment of an executive director, the Board currently has three independent directors (50%), two executive directors (33.33%) and one director in the "other external" category (16.66%), although it is hereby disclosed, for the purposes of article 529 duodecies of the Capital Companies Act, that Mr Victoriano Prim González holds a significant stake in the Company (9.44%) although, since he performs executive functions, he is classified as an executive director.

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.

Complies

Explain

17. Independent directors should account for 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 one-third of board places.

Complies

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, of any nature.
- c) Statement of the director category to which they belong, in the case of proprietary directors, indicating 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.

Complies

Partially complies

Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors nominated by 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 who applied successfully for a proprietary directorship.

Complies

Partially complies

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 number of the latter should be reduced accordingly.

Complies

Partially complies

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 functions of a board member, or are in breach of their fiduciary duties or come under

one of the cases enumerated in the applicable legislation that disqualify a person from being classified as independent.

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 arise from the proportionality criterion set out in recommendation 16.

Complies

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, and to tender their resignation, if appropriate, and, in particular, to inform the board if they are investigated by the police and, and the progress of any subsequent court hearing.

As soon as a director is indicted or arraigned for any of the offences listed in company law, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not the director should be called on to resign. The Board of Directors should give a reasoned report on this in the annual report on corporate governance.

Complies

Partially complies

Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might impair the corporate interests. 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.

Complies

Partially complies

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 in the form of a regulatory disclosure, the reasons should be set out in the annual corporate governance report.

Complies

Partially complies

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.

Complies

Partially complies

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.

Complies  Partially complies  Explain

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

Complies  Partially complies  Explain

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

Complies  Partially complies  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.

Complies  Partially complies  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.

Complies  Explain  Not applicable

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

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.

Complies  Partially complies  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.

Complies  Partially complies  Explain

33. The chairman, as the person charged with ensuring 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.

Complies  Partially complies  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: chairing the board in the absence of the Chair and Vice-Chairs, if any; voice the concerns of non-executive directors; maintain contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the company; and coordinate the chairman's succession plan.

Complies  Partly complies  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 14.2 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 to be held within the following fifteen days, and in article 86.1 of the Regulation, which establishes that the Shareholders' Meeting must be chaired by the Lead Independent Director.

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

Complies  Explain

36. The board in full should conduct an annual assessment, 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 chairs of board committees.

The evaluation of board committees should start from the reports they send to 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.

Complies  Partially complies  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 of the executive committee.

Complies  Partially complies  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.

Complies  Partially complies  Explain  Not applicable

39. The members of the audit committee, particularly its chairman, should be appointed on the basis of their knowledge and experience in accounting, auditing and risk management. A majority of committee places should be held by independent directors.

Complies  Partially complies  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.

Complies  Partially complies  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.

Complies  Partially complies  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 the law, the accurate demarcation of the consolidation scope, 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 reports 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 respect 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 regulatory disclosure, 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.

Complies  Partly complies  Explain

As for section 42.1, 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.

As for section 42.2, the Company complies with the recommendation.

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.

Complies  Partially complies  Explain

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

Complies  Partially complies  Explain  Not applicable

45. The risk control and management policy should identify 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.
- 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.

Complies  Partially complies  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 given 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 framework of the policy drawn up by the board of directors.

Complies

Partially complies

Explain

47. Appointees to the nomination and remuneration committee — or the nomination committee and remuneration committee, if separate — 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.

Complies

Partially complies

Explain

48. Large cap companies should have separate nomination and remuneration committees.

Complies

Explain

Not applicable

49. The nomination committee should consult with the company's chairman and 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.

Complies

Partially complies

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' remuneration contained in corporate documents, including the annual directors' remuneration statement.

Complies

Partially complies

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.

Complies

Partially complies

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 recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively of non-executive directors, with a majority of independents.

- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees on the basis of the directors' knowledge, skills and experience and each committee's terms of reference; discuss their proposals and reports; and provide reports on their activities and work at the first board plenary following each committee meeting.
- d) They 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.

Complies  Partially complies  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 strategy for communication and relations 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 the other 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 stakeholders.
- 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.

Complies  Partially complies  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 adhere to voluntarily 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 relating to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.

- 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.

Complies  Partially complies  Explain

The Company has planned and commenced the formal documentation of its corporate social responsibility policy, which will be completed in 2018.

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. As a result, in 2017, the main recommendations contained in the results report began to be implemented, with the involvement of all the company's departments, to ensure compliance with the principles of Corporate Social Responsibility. In order to provide the company with sufficient human resources to implement its CSR policies, a specialist in the field was hired in the last quarter of 2017 and assigned to the Compliance and CSR Department.

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

Complies  Partially complies  Explain

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 independence of non-executive directors.

Complies  Explain

57. Variable remuneration linked to the company's 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 share-based remuneration for non-executive directors provided that they must 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.

Complies  Partially complies  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 industry, 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 in 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.

Complies  Partially complies  Explain  Not applicable

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

Complies  Partially complies  Explain  Not applicable

60. Remuneration linked to company earnings should consider any qualifications stated in the external auditor's report that reduce their amount.

Complies  Partially complies  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.

Complies  Partially complies  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 stock 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.

Complies  Partially complies  Explain  Not applicable

63. Contractual arrangements should include provisions that permit the company to claw back 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.

Complies  Partially complies  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.

Complies  Partly complies  Explain  Not applicable

## H OTHER INFORMATION OF INTEREST

1. If there are any material aspects relating to corporate governance at the company or any of the group companies that has not been disclosed in other sections of this report but which are necessary to provide a more comprehensive and fully reasoned picture of the entity's governance structure and practices, describe 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, indicate if the company is subject to corporate governance legislation of any jurisdiction other than Spain, and, if so, include the obligatory disclosures that differ from those 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.

Prim is a member of the Spanish Federation of Health Technology Companies (FENIN) and, as such, has adopted the "Code of Good Practices" approved by FENIN in 2005. FENIN approved a new "Code of Ethics for the Health Technology Industry" on 20 December 2016, which came into force on 1 January 2018; Prim has also voluntarily adopted this updated version.

This annual corporate governance report was approved by the company's Board of Directors on 28 March 2018.

Indicate whether any board members voted against or abstained with respect to the approval of this report.

Yes

No