



Audit Committee.

Proposed Risk Control and
Management Policy
Madrid, 23/02/2016



PROSEGUR



Risk Control and Management Policy

1. Purpose.

This policy defines the basic principles for controlling and managing any type of risk faced by Prosegur Compañía de Seguridad and all other companies in the Prosegur Group (hereinafter, "Prosegur").

2. Scope of Application.

The risk control and management policy applies to all companies which are part of Prosegur.

3. Risk Factors.

Prosegur understands risks as any threat that an event may occur and negatively affect the attainment of its goals.

In general terms, the risk factors which affect Prosegur are as follows:

Regulatory Risks.

Prosegur operations are governed by regulations both in Spain and other countries and usually require authorisations to be able to provide security services. Prosegur's activity is mainly affected by the regulations on private security, workplace and social security regulations, tax regulations, regulations on arms control, regulations on capital markets and anti-money laundering regulations.

Prosegur's operations and structure include procedures that ensure compliance with local laws and regulations.

Changes to regulations may require changes to operational models which, in turn, may result in additional costs. Prosegur's P&L may also be affected by unfavourable changes in regulatory conditions such as tax legislation or restrictions on how to obtain permits and licences.

On the other hand, non-compliance with the laws or regulations could result in substantial fines or the revocation of permissions to operate.

Risks due to Incidents involving Assets under Custody or Lost Cash.

Prosegur is responsible for the cash which it transports or places under custody for its customers. For this reason, it takes out insurance cover for lost cash. Additionally, Prosegur may be responsible for the goods under custody in surveillance services.

Offering a reliable and high-quality insurance cover is an important factor for attracting and retaining customers and managing business risks, especially with regard to the valuables in transit and cash management businesses. An increase in the number of claims could result in an increase in the insurance cover prices and this would affect Prosegur's P&L.

Business Risks.

Prosegur's operates in sectors and markets that may be undergoing concentration processes or



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other adverse situations which may significantly affect Prosegur's business volume. European markets especially are seeing a reduction in demand due to the unfavourable economic climate, the concentration of the financial sector or the public sector status. Additionally, Prosegur's operations in Latin America may be affected by the economic recession.

If adverse market conditions resulted in a substantial reduction in the demand for services or facilities, Prosegur would not reach the business volume which has been forecast in its budgets and, as a consequence, its P&L would be affected. These adverse conditions include concentration processes in the financial sector; prolonged reduction of cash use which would mainly affect the valuables in transit and cash management businesses; reduction in the demand for security services from the public sectors; cost containment policies with regard to private companies which would mostly affect the surveillance business; reduction in the number of construction projects; and slowdown of the real estate market which would mostly affect the technology and alarm businesses.

Additionally, Prosegur operates in highly competitive sectors and markets with pricing pressure. Surveillance markets especially are very fragmented and register relatively low barriers to entry. Prosegur does not compete in terms of prices. However, due to the difference in the services with regard to its competitors and to brand awareness, the measures taken by its competitors (particularly aggressive pricing policies) may place considerable pressure on Prosegur's business and affect its rates, margins and P&L.

Reputational Risks.

Prosegur's continued business success is to a large extent based on the trust derived from service quality and control, its reputation as a company and the integrity of its employees.

Prosegur's reputation and the reputation of its brand and particularly its clients' trust could be negatively affected if there were real or perceived incidents that affected its ability to operate in an ethical, responsible and safe fashion. Prosegur's reputation may also be affected if the expectations of key stakeholders are not met.

Financial, Counterparty and Fiscal Risks.

Prosegur's P&L and equity may be affected by unexpected variations in interest or exchange rates.

There is also the possibility that a counterparty, especially its customers, does not fulfil its contractual obligations and affects Prosegur's financial situation and its P&L.

Lastly, incorrect analysis or interpretation of tax regulations may result in delays in reimbursement of taxes, greater tax burden and even fines.



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Operational and Technological Risks.

Prosegur's activity is very dependent on its IT and communications infrastructure, especially its operations linked to valuables in transit and cash management services and the connections to alarm centres. Certain significant problems with the infrastructure (e.g. insufficient phone systems or interruption thereof, prolonged application downtime or unauthorised access to information systems that could delay service provision) hinder Prosegur's ability to manage its businesses and involve large costs for their correction.

During its daily activities, Prosegur gathers, manages, processes and stores sensitive and confidential information, including commercial and operational information about its customers and personal details about its customers and employees.

Despite the existing security measures in both the premises and IT systems, Prosegur's information could be vulnerable to security breaches, computer viruses, data loss, human errors or other similar events.

Any security breach caused by misappropriation, loss or any other type of unauthorised disclosure of confidential information by individuals linked to Prosegur or third parties could significantly damage Prosegur's reputation, result in litigation and have adverse material effects on Prosegur's operations.

4. General Principles of Risk Management and the Risk Control and Management System.

Prosegur implements control activities through adequate policies and procedures that help to prevent and detect risk materialisation and, if risks do occur, help to mitigate, compensate for or correct their impact.

The aim is to ensure that the risks assumed by Prosegur are compatible with its short- and medium-term goals.

The risk control and management system is based on procedures and methods that make it possible to identify and assess risks in view of achieving Prosegur's relevant goals.

Risk assessment is carried out in accordance with predefined tolerance levels so that it can be used to determine how risks will be managed.

Consequently, Prosegur's basic risk management principles include:

- Continued identification, assessment and prioritisation of critical risks based on their possible impact on Prosegur's relevant goals.
- Risk assessment in accordance with procedures based on key indicators which make it possible to control them, develop their management and monitor their progress over time.
- Periodic follow-up on assessment results and the effectiveness of measures implemented by Prosegur's management so as to prevent, mitigate, compensate for or correct the effects of risk materialisation.
- Review and analysis of results by the Corporate Risk Committee.



- Direct system supervision by the Audit Committee.
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