

Risk Control and Management Policy CASH

INTERNAL AUDIT AREA



**PROSEGUR
CASH**

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1. Owner

Corporative Director of Internal Audit.

2. Scope

This Policy shall be applied by all the companies that make up Prosegur Cash, that is, all the companies over which Prosegur Cash has effective control, within the limits provided for in the applicable regulations governing the activities carried out in the different countries.

The Risk Control and Management Policy shall be applied, as a framework policy, by all the businesses and support areas of Prosegur Cash. The risk control and management model shall cover all types of risks that may jeopardise the achievement of Prosegur Cash’s objectives.

Prosegur Cash undertakes to develop all its capacities so that all types of risks are adequately identified, measured, prioritized, managed, supervised, controlled and mitigated.

3. Purpose

The purpose of this Policy is to establish the basic principles and overall framework for action for the control and management of risks faced by Prosegur Cash S.A. (hereinafter “Prosegur Cash”) and the subsidiary companies that make up the Prosegur Cash Group.

The Policy defines the risk control and management model, the types of risk, the level of risk deemed acceptable, the measures to mitigate the impact of risks, the control and information systems used to control and manage risks, the definition of competencies, functions and responsibilities of the positions involved in the risk management process and where, within the corporate governance structure, does the responsibility for risk supervision lie.

4. Preparation and Approval

Drafted by:	Corporative Director of Internal Audit				
Revised by:	Global Legal Area	Javier Aparicio Alfaro			
	Process Transformation Office				
Approved by:	Audit Committee			Date:	08/04/2022
Replacing:	Risk Control and Management Policy	Version:	01	Date:	28/07/2020

5. Implementation

5.1. Roles and Responsibilities

All of the persons that make up Prosegur Cash have some responsibility in risk control and management.

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5.1.1. Supervision of the risk control and management system

In addition to the general function of supervision, the Board of Directors of Prosegur Cash is ultimately responsible for determining the general risk management and control policies and strategies of Prosegur Cash, delegating to the Audit Committee of Prosegur Cash the power to inform, advise and propose in relation to these policies and strategies and to monitor the functioning of the risk management and control unit, through the Internal Audit Department of Prosegur Cash.

The Risk Committee, as risk control and management unit of Prosegur Cash, ensures the proper functioning of the risk control and management systems and, in particular, that all significant risks affecting Prosegur Cash are properly identified, managed and quantified; participates actively in drawing up the risk strategy and in important decisions on risk management; and ensures that the risk control and management systems adequately mitigate risks.

5.1.2. Persons responsible for managing risks

The Heads of Prosegur Cash's Businesses and Support units shall be the risk owners of each of the identified risks and actively participate in the assessment of those risks, their effective control and mitigation, the level of risk deemed acceptable, and any decision affecting risk management. To this end, each identified risk shall be assigned to a risk manager who shall have total competence over all matters regarding the control and management of the risk, establish the effective control mechanisms and, where appropriate, draw up a mitigation plan, and effectively monitor the evolution of the risk.

In this regard, all staff shall be aware that the information provided regarding risk control and management shall meet the following requirements:

- The information is complete, ensuring that all the information that is relevant for adequately controlling and managing risks is disclosed.
- The information is true and accurate, making sure that the information disclosed contains no errors.
- The information creates value, by promoting the development of a risk control and management culture.
- The information is provided in a timely manner, i.e. as soon as it is known and is relevant for an adequate control and management of risks.

5.1.3. Internal Audit

The Internal Audit Department of Prosegur Cash shall provide objective assurance to the governing bodies of Prosegur Cash regarding the effectiveness of the risk control and management activities of Prosegur Cash, helping to ensure that key business risks are being properly managed and that the risk management and control system is working effectively.

It shall fulfil the following requirements:

- Provide assurance regarding risk control and management processes.
- Provide assurance that the risks are correctly assessed.

- Evaluate the control and risk management processes.
- Assess the reporting of key risks.
- Review the control and management of key risks.

5.2. Basic Principles

Prosegur Cash is subject to various risks inherent to the different countries and markets in which it operates, and to the activities it carries out, which can undermine, and even prevent it from achieving its goals and executing its strategies successfully.

Prosegur Cash carries out control activities by means of the appropriate policies and procedures to help prevent and detect the materialisation of risks and, if they do materialise, mitigate, compensate or correct their impact. In this way, the aim is to ensure that the risks assumed by Prosegur Cash are compatible with its objectives in the short and medium term.

A basic principle of all the actions of Prosegur Cash is the proper management of risks and opportunities and taking controlled risks in order to:

- Achieve the strategic objectives approved.
- Provide the maximum level of guarantees to shareholders.
- Defend the interests of shareholders, customers and other stakeholders concerned with the development of Prosegur Cash.
- Protect its results and its reputation.
- Ensure sustained financial stability and soundness.

The risk control and management system is based on procedures and methodologies that allow risks to be identified and assessed in order to achieve these objectives.

Risk assessment is carried out according to pre-established tolerance levels, so that the assessment forms the basis for determining how risk management will be carried out.

The actions aimed at controlling and mitigating risks are summarised below:

- Identification, prioritisation, and evaluation of critical risks on an ongoing basis, considering their possible impact on the strategic objectives of Prosegur Cash.
- Evaluation of risks according to procedures based on key indicators that allow risk control, risk management evaluation and monitoring the evolution of risks over time.
- Periodic monitoring of the effectiveness of the measures applied by those responsible for the risks to prevent and mitigate the effects of the materialisation of any of the risks.
- Review and analysis of results by the Corporate Risk Committee of Prosegur Cash.
- Supervision of the system by the Audit Committee, through the Internal Audit Department of Prosegur Cash.

5.3. Risk Map

The Risk Map is the management and information tool through which Prosegur Cash’s risks are controlled and managed that graphically displays the diagnosis of the risk assessment process. It is determined through the interaction of the probability and impact of the risks on the different processes, activities and functions of a business or support area. It is a helpful tool for the review of the internal control in place to mitigate risk impact.

The risks included in the map are assessed qualitatively, in order to establish their probability of occurrence, and are also assigned a quantitative indicator, in terms of impact level.

Each person responsible for managing risks continuously evaluates each of the identified risks, establishes the effective control measures that are to be taken and proposes the implementation of corrective or mitigation measures.

The Internal Audit Department of Prosegur Cash promotes and coordinates the model by drawing up the risk map, along with corporate and country managers, and through the follow-up information submitted to the Risk Committee.

The Audit Committee shall review Prosegur Cash’s risk map as often as considered necessary to ensure an adequate monitoring of risks, with the support of the Internal Audit Department. The updating of the risk map, both at corporate level and in each of the businesses, shall be carried out by each of the persons responsible for managing the risks.

5.4. Risk Factors

5.4.1. Operational and business risks

Prosegur Cash devotes significant effort to managing operational risks due to their potential impact on the commitments undertaken with stakeholders, particularly customers and employees. The different business areas are covered through the control of infrastructure, processes and people.

With regard to security, special attention is paid to legal regulations and to two critical areas of operations: information security and security at operational sites and facilities.

The particular nature of Prosegur Cash’s operations requires continuous management of operational risks which are mitigated through: counting of cash and valuables under custody, operational controls, security of facilities, remote monitoring of account closures of all operational sites, and compliance with legal regulations.

Moreover, the typology of Prosegur Cash’s business can give rise to internal fraud and external attacks. In addition to internal control measures, insurance programmes from external companies should be in place, both at the corporate level and in the various countries, to provide an insurance basis, to ensure that the impact on the financial statement is minimal.

If, due to adverse market conditions, such as concentration processes in the financial sector or prolonged decline in the use of cash and a substantial reduction in demand for services Prosegur Cash might not be able to achieve its planned turnover, which would affect its results.

On the other hand, Prosegur Cash’s operations are carried out in sectors and markets that, although the entry barriers are relatively high, are highly competitive and with price pressures. Although

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Prosegur Cash does not compete only on price, due to the difference in services provided with regard to its competitors and broad brand-name recognition, actions taken by competitors, especially aggressive pricing policies, can exert considerable pressure and affect Prosegur Cash’s prices, margins and results.

5.4.2. Technological Risks

The activities carried out by Prosegur Cash and the other companies of the Prosegur Cash Group are highly dependent on its information technology infrastructure and communications. Significant problems with the infrastructure, such as inadequacy or disruption of telephone and technology systems, prolonged disruption of applications, or intrusion into information systems could halt or delay the provision of the service to customers, hinder the ability to manage businesses and may result in significant costs being incurred.

In the normal course of business, Prosegur Cash collects, manages, processes, and stores sensitive and confidential information, including business and operational information relating to its customers and personal information of customers and employees.

Despite the security measures in place in facilities and IT systems, the information held by Prosegur Cash could be vulnerable to security breaches, computer viruses, data loss, human error, or other similar events.

Any breach of security through misappropriation, loss or other unauthorized disclosure of confidential information by persons connected to Prosegur Cash or by third parties outside the company, could cause significant damage to Prosegur Cash’s reputation, result in litigation and have a material adverse effect on Prosegur Cash’s results of operations.

5.4.3. Legal, social and regulatory risks

The private security sector has a wide variety of regulations that are subject to change, which are applicable to Prosegur Cash. The increase in regulations could have a significant impact on the company’s activity, financial position and the results of operations.

The activity of Prosegur Cash is directly or indirectly affected by the legislation or administrative requirements of the authorities of the countries in which it operates. The activity of Prosegur Cash is subject to requirements for the periodic renewal of licenses, permits for the provision of security services and for the use of weapons, and personnel training certificates.

Some customers of Prosegur Cash, such as financial institutions, are subject to regulations that affect the activity, financial position and results of Prosegur Cash.

Changes in rules and regulations can pose a risk in three directions: on the one hand, they may involve additional investments to adapt to regulatory changes; on the other hand, a relaxation of regulatory requirements could increase competition for Prosegur Cash by giving entry to new market participants; finally, the company may also be subject to financial penalties or revocation of permits for non-compliance. The results of Prosegur Cash may also be affected by unfavourable changes in other regulatory conditions, such as labour or tax legislation.

Prosegur Cash’s operations and the structure of the businesses include procedures to ensure compliance with laws in all of the countries in which it operates, although failure to comply with laws could result in fines, limitations on activity or revocation of authorisation to operate.

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5.4.4. Financial, interest rate, exchange rate and tax risks

Prosegur Cash is exposed to interest rate risk due to the monetary assets and liabilities recognized on its balance sheet. Exposure to interest rate risk is analysed dynamically. Most of the financial liabilities subject to floating interest rates are held in euros.

Prosegur Cash is also exposed to exchange rate risks arising from income generated in different currencies, as the reference currency is the euro. Exchange rate fluctuations also affect the company's financing costs for instruments denominated in currencies other than the euro. Changes in exchange rates may have an adverse effect on the company's financial position and results. The mitigation strategy is based on natural hedging, i.e. controlling the investment capital needs in each country, and ensuring that these are consistent with the operating cash flow generated.

Finally, an inadequate analysis or interpretation of the tax rules could lead to delays in the recovery of deferred taxes, a higher tax burden and even penalties.

5.4.5. Reputational Risks

The success over time of Prosegur Cash's businesses is largely based on the trust that comes from the quality and control of the services it provides, its reputation as a company and the integrity of its employees.

The reputation of Prosegur Cash and its brand and, in particular, the trust bestowed upon the company by its customers, could be seriously damaged by real or perceived incidents that affect the ability to carry out its operations in an ethical, responsible and safe manner. Likewise, the reputation of Prosegur Cash may be damaged if it fails to meet the expectations of key stakeholders.

5.4.6. Environmental Risks

Environmental risks are those referring to direct or indirect economic losses caused by external events, some of which associated with climate change. Non-compliance with environmental regulations could lead to sanctions or a negative perception by Prosegur Cash's customers.

5.4.7. Political Risks

Prosegur Cash operates in several countries. The political risk is that which affects the economic interests of the company as a consequence of changes or lack of political stability in a country or region.

The various repercussions it may have range from increase in operating costs, to commercial and economic losses or even the closure of our activities.

5.4.8. Risks of Corruption and fraud

Prosegur Cash carries out its activities through various operating companies located in different countries, which may be affected by cases of corruption and/or fraud. These risks may affect the economic development of these countries and even jeopardise their state and governance model, undermine the principles of equality and competition in the markets and cause serious damage to social order, political stability, and the economy.

Although Prosegur Cash has a strong crime prevention programme in the countries in which it operates implemented through policies, procedures and the establishment of controls to prevent corruption, fraud and any other illegal activities in which an employee, director, shareholder, customer or supplier or any related third party acts dishonestly. However, the materialisation of these risks can affect the company's reputation and financial situation.

5.5. Approval and Dissemination

This Global Risk Control and Management Policy was approved by the Board of Directors on 28 July 2020, following a favourable report from the Audit Committee, and shall be in force as from this date.

The Heads of the Businesses and Support areas shall take the necessary measures to ensure dissemination, training and compliance with this policy.

6. Documents Associated with the process

Code	Name