

# Risk Control and Management General Policy

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## 1. Purpose

The Board of Directors of Cementos Molins, S.A is responsible for determining the Risk Control and Management General Policy, including therein tax risks, and the supervision of internal information and control systems, as stated in Article 5.n of the Board of Director Regulation and Article 529 of the Capital Companies Act (LSC).

The purpose of this policy is to discover the principles and general guidelines of the risk control and management system implemented within the Molins Group.

## 2. Scope of application and consequences of non-compliance

### 2.1 Scope of application

This policy applies to all the Spanish companies of the Molins Group and to the international individually-controlled subsidiaries.

In subsidiaries where control is not direct or is shared, the Board of Directors of the subsidiary is responsible for ensuring that the internal Risk Control and Management Policy is aligned with the general guidelines of this policy, making the changes necessary to ensure their alignment.

### 2.2 Communication of non-compliance with the Policy

All employees of the Molins Group must comply with Corporate Governance Policies and communicate to the Ethics and Compliance Committee any breaches of the guidelines and procedures described in this document in the shortest possible time and through the channel established for this, i.e., the Group's complaints channel. The Management of the Molins Group will determine the regime of sanctions to apply proportionally to the seriousness of the act to the person directly responsible for the breach of the Corporate Governance Policies and to those who, having the duty to prevent the breach, have not acted diligently to prevent it. In addition a sanction will be applied in a proportionate manner to those who, knowing the existence of the breach, did not duly report it.

## 3. Definitions

### 3.1 Risk

A risk is an internal or external factor or influence which causes uncertainty as to whether the objectives fixed in the Molins Group's strategic plan will be achieved.

### 3.2 Risk Management

Risk Management refers to all the activities designed to identify risk and manage eventual risks by ensuring their mitigation.

### 3.3 Internal Control

Internal Control refers to all the activities designed to provide a reasonable assurance as to the achievement of business objectives, reliability of the financial information, compliance with the rules applicable to the organisation and safeguarding of assets.

## 4. Responsibilities

The roles and responsibilities of the risk control management are as follows:

- The Board of Directors: is responsible for defining the risk control and management policy and for supervising internal information and control systems.
- The Auditing and Compliance Commission: is responsible for supervising the risk control and management system.

As stated in Article 27.8.7 of the Board of Director Regulations, the Auditing and Compliance Commission is responsible for the following tasks regarding risk control and management.

- Identifying at least the different types of risks, both financial and non-financial (operational, technological, legal, social, environmental, political, reputational, etc.) faced by the Company, including amongst the financial or economic risks, the contingent liabilities and other risks not included on the Balance Sheet;
- Setting the Company's acceptable risk level;
- Defining the measures provided to mitigate the impact of the risks.

Besides, it assumes the following tasks regarding the risk control and management policy:

- Ensure the correct operation of the risk management and control systems and, in particular, ensure that said systems identify, manage and quantify all significant risks that may affect the Company.
- Actively participate in drafting the risk strategy and in the decisions significant to their management.
- Ensure that the risk management and control systems adequately mitigate the risks within the framework of the policy established by the Board of Directors.
- The Corporate General Management: is responsible for providing the resources that may be necessary for proper risk control and management, and for identifying the risks which may affect the Group.
- The General Operational Directorate: is responsible for managing and supervising the risks which are specific to both commercial and industrial operations.
- The Management of each functional areas: is responsible for risk management on a daily basis and for monitoring the control measures that are implemented in order to avoid the materialisation of the identified risks.
- The Internal Audit Department: is responsible for assessing the effectivity of the risk control and management system and for reporting the results of the assessments to the Auditing and Compliance Commission.

- The General Management of each company: is responsible for holding meetings with the Internal Audit Department in order to analyse the risks identified in each area.

## 5. Risk categories

The risk categories assessed in the Risk Control and Management System of the Molins Group are as follows:

### 5.1 Corporate Governance Risks

Corporate Governance risks are risks related to non-compliance with the internal rules established by the Group in relation to compliance with the principles set forth in the Capital Companies Act (LSC) and the Recommendations of the Good Governance Code of Listed Companies.

### 5.2 Strategic Risks

Strategic risks are the risks that arise both from external factors and internal to the Group and that affect the long-term objectives.

Generally speaking, strategic risk causes the Group's companies or the Group itself to lose value for unwanted activities that affect demand. Below are some examples of this type of risks:

- Brand and reputation risk.
- Risk of inability to adapt to changes.
- Competitive, country and market risk.
- Risk of customers needs.
- Risk in the communication strategy.

### 5.3 Financial or Reporting Risks

Financial or reporting risks are the risks that arise from the inability to finance the business obligations and risks that the information provided to third parties (Financial Statements) is not reliable and complete. Below are some examples of this type of risks:

- Budget Risks.
- Cash Flow Risk.
- Financial Statement Risk.

### 5.4 Operational Risks

The operational risks are the risks of the own activities carried out by the Molins Group. This typology includes risks of business management and risks of internal and external communication. Some examples of this type of risks are:

- Risk in Cost Management.
- Business Continuity Plan Risk.
- Quality Risk.

## 5.5 Compliance Risks

Compliance risks are the risks of non-compliance with the internal and external regulations to which the member companies of the Molins Group are exposed. Some examples of this type of risks are:

- Risks arising from the nature of listed company of Cementos Molins, S.A.
- Regulatory risks in social, economic and environmental matters.
- Tax Risks.

## 6. Risk Control and Management System

The Molins Group has designed a risk control and management system that allows risks to be appropriately managed. The risk control and management system is implemented in the following phases:

- Preparation of the inventory of risks: the Internal Audit Department of the Molins Group, on the basis of the Group's knowledge, the monitoring activities performed and the business goals established by the Group, prepares an inventory of the risks that may occur in each company at both the corporate level and the operational level.
- Identification: the General Management, the area managers and the Internal Audit Department identify, through the inventory of risks, the risks to which the companies of the Molins Group are exposed.
- Assessment: after identifying the risks to which the Group's companies and the Molins Group itself are exposed, risks are assessed to identify which are the most relevant. The value of the risks is determined by the probability of occurrence, the impact and the number of businesses and / or areas in which the risk can materialize.

In risk assessment, techniques based mainly on the knowledge, judgement and experience of the people involved are used.

- Risk Map: Following the selection of the most significant risks, we proceed to prepare the Group's risk maps, corporate risk map and operational risk map for each of the subsidiaries. These risk maps reflect the importance of each of the risks in the business.

The General Corporate and Operations Management carries out a review of the Risk Maps prior to their submission to the Audit and Compliance Committee for subsequent approval by the Board of Directors.

- Control: After preparing the risk map and its evaluation, the Management of each of the companies, the Internal Audit Department and functional areas determine the measures necessary and define the controls necessary to mitigate the risks identified. The Internal Control System is defined at this stage and will be evaluated by Internal Audit.
- Supervision: the risk maps and the control measures identified are the basis of the Annual Internal Audit Plan.

The assessment of the risk control and management system is conducted every years and results are reported to the Auditing and Compliance Commission. If necessary, action plans are defined for those controls presenting issues in terms of effectiveness or design.

There are also regular audits and the main issues and actions plans are submitted to the Auditing and Compliance Commission and the Board of Directors.

Once a year the scope of the risk management model is described through the Corporate Governance Annual Report, stating the risks materialised during the year and the status of the Risk Control and Management System.

## 7. Related Risk Control and Management Policies

The aforementioned guidelines regarding risk control and management are developed through specific risk policies prepared by the functional areas for the purpose of covering all the particularities arising from their business activities. The Molins Group has the following specific policies:

- Corporate Credit Risk Policy
- Corporate Market Risk Policy
- Corporate Tax Policy
- Investment Policy
- Quality Policy
- Purchase Policy
- IT Policy
- Confidentiality Policy

The Molins Group has also specific procedures to develop the Internal control system on the Financial Information in order to revise the information provided to the Securities Market, as well as operation procedures belonging to the quality and environmental system.

## 8. Reference documents

This section includes the documents referred to in this policy, namely:

- Board of Director Regulations (reference DOC.2.2017.V1).