Molins

Corporate Credit Risk Policy

Internal reference: P.10.2017.V1
Date of approval: 31 March 2017
Effective date: 15 May 2017
Person responsible for the document: Corporate Finance Department
Person responsible for updates: Corporate Finance Department
Current version: Version 1

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1. Purpose

The Board of Directors of Cementos Molins, S.A. has the power to approve the Corporate Credit Risk Policy.

The purpose of this policy is to define the general guidelines for the Molins Group’s credit risk management, in order to prevent and mitigate the materialisation of counterparty risk and credit risk / customer insolvency.

2. Scope of application and communication of non-compliance with the Policy.

2.1 Scope of application

This policy applies to all the Spanish companies of the Molins Group and to the international subsidiaries on an individual basis.

In subsidiaries where control is not direct or is shared, the Board of Directors of the subsidiary is responsible for ensuring that the Corporate Credit Risk 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 Counterparty risk

Counterparty risk is understood as the losses caused by establishing a contractual relationship with a financial entity and that in turn causes a failure causing an economic and financial loss in the Company.

3.2 Credit risk

Credit risk is understood as the economic or financial loss in the Company caused by the non-payment and / or insolvency of a client's credit.

4. Responsibilities

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

- The Board of Directors: is responsible for defining the Credit Risk Policy and providing the necessary resources to guarantee compliance.
- The General Manager of business unit: responsible for monitoring the activity of each of the country's business units as well as performing an analysis of the cash position, indebtedness, working capital and balances receivable and payable with clients and suppliers / creditors.
- The Country Manager: responsible for monitoring the cash position, indebtedness, working capital and balances receivable and payable with clients and suppliers / creditors. All of this together with the Corporate Finance Management.
- National Finance Committee: is responsible for monitoring the loans granted to clients and reviewing the situation of clients that present solvency problems in the rest of the Group's Companies in order to establish a homogeneous framework and propose solutions.
- Commercial Committee: is responsible for approving increases in the credit limit granted to clients and to increase the approval of the General Manager of the business unit or the General Director of Operations when required by amount.
- Financial Management: is responsible for managing each of the credit risks identified and tracking the credit granted to clients and report any situation of non-payment to the Group's lawyers.
- Corporate General Management: is responsible for ensuring compliance with the principles and guidelines established in relation to the Corporate Credit Management Policy as well as reporting on the non-compliance and evaluation of the corporate credit risk management system to the Ethics and Compliance Committee for their respective business units.
- Internal Audit Department: is responsible for evaluating compliance with the standards and procedures established in corporate credit risk management, as well as to follow up on the improvement proposals and defined action plans. In addition, it is responsible for evaluating the effectiveness of controls established to mitigate financial risks, including credit risk.

5. General principles of corporate credit risk management

5.1 Principles of counterparty risk management

In order to minimise the Molins Group's exposure to counterparty risk, the Group has defined the following principles:

- To carry out the Group's investment and financing operations in financial entities with adequate capacity for payment with no evidence of insolvency risk, i.e. entities that have an Investment Grade rating (above BBB) with any of the normally accepted credit rating agencies.

- To carry out a monthly follow-up of the rating that the main rating agencies give to financial institutions in which the Molins Group holds medium- and long-term investments, cash surpluses and liquid assets.
- To withdraw investments made in financial institutions that show signs of insolvency.
- To establish mechanisms to supervise and monitor investments made outside the countries of origin of the companies forming part of the Molins Group.

5.2 Principles of customer credit risk management / insolvencies

In order to minimise the Molins Group's exposure to credit risk / customer insolvencies, the Group has defined the following principles:

- To assign all customers a credit limit at the beginning of the business relationship.
- To not grant credit to customers that are not insured by credit cover with the exception of customers who otherwise ensure their solvency.
- To periodically monitor credit granted to customers, especially those who reach 80% of their granted credit limit, in order to identify possible insolvency risks.
- To automatically block the orders of clients that have exceeded the established credit limit and / or are in default in the ERP.
- To manage client's overdue debt collection through the legal department of the Group and the external advisors.

6. Credit risk management

6.1 Counterparty risk management

The Molins Group is not exposed to counterparty risk since it carries out its investment and financing operations with financial institutions that have adequate capacity for payment and for which there are no indications of insolvency.

Nationally, it carries out its investment and financing operations only with the 5 large national financial entities and internationally with financial institutions that have an Investment Grade rating granted by the main rating agencies.

6.2 Credit risk / customer insolvency management

The National Companies of the Molins Group manage the credit risk / insolvency of clients by contracting credit and surety insurance.

The international companies of the Molins Group conduct an individualised analysis of the client's creditworthiness and assign them a credit limit.

The companies of the Molins Group that do not insure credit with customers through credit and surety will not grant loans to clients that are not insured and / or do not present guarantees or have a high credit rating issued by the main rating agencies that ensures their solvency.

If, during the business relationship with the customer, the credit granted to the client is to be increased, the approval flow set by the Group must be followed and in all cases with the express approval of the Commercial Committee. When the credit increase is significant, the approval of the General Director of Operations will be required.

The National Finance Committee carries out a review of the aggregated credit granted to customers for all the national companies, analysing in detail the situation of loans that reach 80% of the credit limit granted.

In the event that the different companies of the Molins Group maintain commercial agreements with the same customers, a global analysis of the credit limit granted and an overall follow-up of the customer's debt with the Group will be carried out.

If the credit limit granted in one of the Group Companies is reached, the same supply blocking measures will apply as in the rest of the Companies in which the client has commercial agreements.

In the event of default, the Financial Department must notify the Group's attorneys (internal and external) to perform debt collection and follow-up of non-payment.

7. Monitoring of key financial parameters and credit risk

Each month, the General Managers of the business units and the Country Managers, along with the Corporate Finance Department, monitor the activity of each of the Companies as well as the main financial parameters and risks. Specifically, a review of the following parameters is performed:

- Reserves of currencies of the Central Bank of the country.
- Balances receivable from customers and balances payable to suppliers and creditors.
- Secured debt and total balances to clients.
- Overdue debt with clients and customer in recovery.

The most relevant issues resulting from the reviews are reported to the Group's Managing Director. In relation to financial parameters, these are reported to the Corporate General Manager.

The Board of Directors of the Group and its commissions, the Corporate Managing Committee and the Commissions of each of the business units meet periodically to evaluate the risks and try to minimize them as far as possible.

8. Communication with Stakeholders

8.1 Information to be included in the Annual Corporate Governance Report

The Group’s Board of Directors has the function of approving the Annual Corporate Governance Report as established in Article 5.s of the Board of Directors Regulations.

As set forth in article 262, section 4 of the Capital Companies Act, the Management Report includes the following information related to corporate credit risk:

- The Company's financial risk management objectives and policies, including the policy applied to cover each significant type of envisaged transaction for which hedge accounting is used.
- The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk.

The Shared Services Management is responsible for annually communicating the information detailed above to those responsible for preparing the Annual Corporate Governance Report.

9. Reference documents

This section includes the documents referenced in this policy, which are:

- Annual Accounts of Cementos Molins S.A.
- Capital Companies Act (LSC)