1.0 PURPOSE

This policy establishes standards and procedures for ensuring that Asset Retirement Obligations are accounted for in compliance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). This requirement is in addition to adhering to local laws, regulations, or business practices which may differ from U.S. GAAP.

2.0 SCOPE

This policy applies to all entities directly or indirectly owned or otherwise controlled by The Brink's Company ("Brink's").

3.0 POLICY

An Asset Retirement Obligation (ARO) is a legal obligation associated with the retirement of a tangible, long-lived asset resulting from the acquisition, construction, development and/or normal operation of the asset. An ARO shall be recognized in the period in which the obligation is incurred and recognition shall result in the recording of both an asset and a liability on the Balance Sheet.

At inception, the ARO liability represents the present value of the costs expected to be incurred to remove or retire the long-lived asset. The ARO asset is equal to the liability at inception.

During the period from lease inception (or identification of the legal obligation if not related to a lease) to the expected settlement date, the ARO liability gradually increases through accretion up to the future value of the obligation. The ARO asset is depreciated over the shorter of 10 years or the lease term (rather than expensing all of these costs in the period the asset is retired). The accretion of the liability is recorded as accretion expense and the depreciation of the asset is recorded as depreciation expense.

3.1 Materiality

At the start of a lease, any individual ARO valued at or greater than USD 50,000 as of the settlement date (prior to discounting to present value) must be recorded. Similarly, changes in cost estimates of USD 50,000 or greater must be recorded. This policy does not require AROs estimated below USD 50,000 to be recorded; however, entities may choose to record such AROs if desired. When AROs less than USD 50,000 are not recorded, documentation of the cost estimates for these AROs must be maintained in a listing to track the aggregated cost of amounts for consideration of USD 1,000,000 threshold described below. For any individual ARO not recorded due to this immateriality threshold, the subsequent accounting for these ARO's would be to expense the retirement costs as those costs are incurred. If an entity leases more than one building under the same lease agreement, materiality of AROs should be evaluated by building.

If at any time, however, the aggregate sum of AROs and changes in AROs individually valued at less than USD 50,000 (and therefore previously not recorded) exceeds USD 1,000,000, all such AROs and changes in AROs shall be recorded to the general ledger. At the time the aggregate sum of AROs and changes in AROs exceeds USD 1,000,000, a journal entry should be recorded to account for cumulative depreciation expense and accretion expense through the current period. A practical expedient calculation can be used to calculate such AROs. See **Exhibit C** for practical expedient example.

3.2 Leased buildings

In many countries, lease agreements for buildings require that Brink's return the leased asset to its original condition. As a result, leases should be reviewed by knowledgeable local accounting management. If the lease contains clauses requiring the asset be returned to the lessor in its original condition and Brink's later modifies the asset, an ARO may need to be recorded upon commencement of that modification.

Certain lessee obligations are generally not accounted for as an ARO. These include the following:

- Lessee obligations accounted for as minimum lease payments or contingent rentals
- Fees or penalties for not renewing or extending a lease, and
- Residual value guarantees

Costs of moving assets from one location to another also do not meet the definition of an ARO. For example, if Brink's is required under a lease agreement to remove installed equipment or other assets which Brink's plans to use in another location (i.e. security equipment that can be used in another location by either the Brink's leasing entity or another Brink's entity), the costs to remove the equipment are not asset retirement costs and, accordingly, are not within the scope of this policy. Such costs should be expensed as incurred. However, when moving an asset to another location, an entity may also incur costs to bring the building back to its original condition. These costs would still qualify as an ARO, even though the specific costs incurred to move the asset itself would not qualify as an ARO. See **Exhibit A**, Section 3.0 for an example. Additionally, the cost associated with performing general repairs and maintenance, such as carpet cleaning or painting, does not qualify as an ARO and is not within the scope of this policy. This cost should be expensed as incurred.

3.3 Accounting for AROs

3.3.1 Initial Recognition – Estimated Cost at Settlement Date

An ARO should only be recognized when the entity has a legal obligation associated with the retirement of a tangible long-lived asset (i.e., removal of leasehold improvements or restoring land to its original condition). The liability should be recorded at the present value of the estimated future cash flows that will be required to pay a third party to fulfill the entity's legal obligation to retire the asset at the ARO settlement date.

Settlement Date
The settlement date is the date that an entity expects to exit the lease and restore the property to its original condition. In some cases, the settlement date may be stated in the lease agreement. In other cases, management must determine its best estimate of the potential settlement date or range of potential settlement dates based on the following:

- Entity's past practice – How long has the entity previously leased similar facilities and when has the entity previously retired similar assets?
- Industry practice – Within the industry, when do the entity's competitors typically retire similar assets?
- Management's intent – How long does management intend to lease the premises, and is there a plan to retire or dispose of the assets?
- Estimated economic life – What is the economic life of the asset and will it be maintained to extend the life?

Considering the above conditions, when a lease includes renewal options or there is a history of occupying properties for an extended period of time, a potential settlement date may extend beyond the initial lease term. However, entities shall not use potential settlement dates which extend more than 20 years past the initial lease term.

Estimate of Future Costs
When estimating the future costs associated with an ARO, it is possible that there may be different cash flow estimates depending on various scenarios, including a range of potential settlement dates. For AROs with an estimated undiscounted cash flow less than USD 1,000,000, management should select the most likely cash flow estimate and most likely settlement date for use in calculating the ARO liability. An entity should not delay recognition of the asset retirement obligation simply because management does not intend to perform the asset retirement activities in the foreseeable future.

In determining expected cash flows for AROs exceeding USD 1,000,000, each possible outcome should be weighted based on its estimated probability of occurrence. For this calculation, one of the outcomes an entity estimates may go beyond the 20 year limit set above, if this is considered a reasonable possibility. Any uncertainty with respect to the amount or timing of settlement should be incorporated into a weighted probability calculation. For example, an entity may estimate a 50% probability that the settlement date will be 5 years, the end of the lease term; a 25% probability that it will be 10 years, assuming 1 lease renewal of 5 years; and a 25% probability that it will be 15 years, assuming 2 lease renewals. These probabilities would be incorporated into the cash flow analysis to estimate the future cash outflows associated with the ARO. <u>Due to the complexity of this calculation Corporate Accounting must approve all such calculations. Please submit to Controller – Field Operations.</u>

Estimated cash flows should not include any estimated salvage values or other offsetting cash flows. The estimate should also incorporate expected cost increases due to inflation from the initial cost estimation date to the obligation settlement date. Estimated future cash flows should be based on the amount a third party would pay to assume the obligation. The use of internal resources in determining these estimated

cash flows is acceptable and recommended for the majority of AROs. The costs can be estimated based on discussions with engineers, facilities personnel and other operational personnel with the appropriate knowledge and experience to estimate these costs. The use of a third party to estimate cash flows should only be used for AROs expected to exceed $3 million USD.

3.3.2 Initial Recognition – Uncertainty in Cost Estimates

Brink's believes that, for the majority of AROs exceeding the materiality threshold of USD 50,000, each entity would have sufficient information to estimate the future cost, the most likely settlement date or a range of potential settlement dates, and the related probabilities of these estimates (if ARO exceeds USD 1,000,000). However, there can be situations in which there is significant uncertainty in the timing of the expected cash flows such that no reasonable estimate of fair value can be made. In these circumstances, a policy exception request must be approved by the BCO Corporate Controller in order to not record an ARO. This policy exception must be renewed annually in order to verify that the situation has not changed whereby the ARO can now be reasonably estimated and, as a result, recorded.

Because situations in which AROs are not recorded will often be highly judgmental, in order to assert that an entity does not have sufficient information to estimate the fair value of the ARO, an entity must document the following in its policy exception request:

1. The settlement date or range of settlement dates is not specified by others (either by law, regulation or contract).
2. The settlement date or range of settlement dates, and the probabilities associated with the potential settlement dates cannot be estimated because:
    a. The entity can reasonably control the settlement date (or range of settlement dates) and
    b. No current plans or expectations exist which would indicate when the ARO will be settled.

See EXHIBIT A Section 1.0 and 2.0 for Examples of AROs with Uncertain Cash Flows

3.3.3 Initial Recognition – Present Value Calculation

The estimated fair value of an ARO should be calculated using the expected present value technique. To calculate the fair value, the entity should use a credit adjusted risk-free rate. This credit adjusted risk-free rate is comprised of two components:

1) a base discount rate equivalent to a risk free interest rate for an instrument such as a government treasury bond, and

2) an adjustment factor to the base discount rate to reflect the entity's credit standing.

The base discount rate used should be based on a maturity date similar to the date when the obligation is expected to be fulfilled (i.e., if an obligation is expected to be fulfilled in 20 years, then the interest rate for a 20 year government treasury bond would be appropriate). The adjustment factor to the base discount rate should reflect the entity's credit standing. Using Bloomberg, this adjustment factor will be calculated as the difference between the USD Industrial Index for the entity's credit rating with a duration similar to the settlement period less the USD risk free rate, such as a government bond. Please contact Controller – Field Operations or BCO Treasury to obtain the adjustment factor.

3.3.4 Initial Recognition – Journal Entry

The present value of the estimated future ARO cost should be recognized as an ARO Asset and an ARO liability. The ARO asset should be recorded to 1910_210 Asset Retirement Obligations – LHI. The long-term portion of the ARO liability (amounts not expected to be settled in the next 12 months) should be recorded to 2170_200 LT Asset Retirement Obligation. The short-term portion of the ARO liability (amounts expected to be settled in the next 12 months) should be recorded to 2040_300 ST Asset Retirement Obligation.

Even if past experience with a particular lessor indicates they will not enforce the ARO requirements, it is Brink's policy to record the liability in full, absent clear, specific evidence to the contrary.

3.3.5 Subsequent Measurement

The difference between the present value and the future value of the ARO is known as the discount. Accretion is the mechanism used to increase the present value of the ARO liability to its future value. This is done by debiting Accretion Expense (6400_100 or 7100_100) and crediting ARO liability (2170_200 for the long-term portion or 2040_300 for the short-term portion) on a monthly basis. If the expected settlement date of the ARO liability occurs within the next 12 months, the ARO liability should be recorded to the short-term account. Otherwise, the ARO liability should be recorded to the long-term account. Accretion expense should be calculated using the credit-adjusted risk-free rate applied when the liability was initially estimated. The result is an ARO liability balance at the settlement date equal to the estimated cost to extinguish the liability.

The ARO asset should be depreciated over the shorter of the useful life of the ARO asset as specified in Exhibit A to the Global Fixed Asset policy or the lease term. The depreciation expense should be recorded to HFM account 6400_45 or 7100_45. Accumulated depreciation on the ARO asset should be recorded to 1920_210 Asset Retirement Obligation – LHI.

3.3.6 Annual review

AROs Greater Than $50K
Whenever a lease is renewed or terminated, the estimated ARO associated with the lease should be reviewed. In addition to these reviews, each individual ARO in excess

of USD 50,000 (prior to discounting to present value) should be reviewed at least annually during the third quarter (perform review in September for liability as of August 31) to determine if there has been a change in circumstances that would affect the amount of the recorded liability. Examples include, but are not limited to:

- an expectation that the future undiscounted cost will be more or less than the undiscounted amount currently used to estimate the present value of the ARO
- an expectation that the obligation will be settled sooner or later than the settlement date currently used to estimate the present value of the ARO
- a change in lease terms affecting the asset or future obligation

If Brink's identifies one or more changes resulting in an adjustment to the ARO calculation, only those adjustments of USD 50,000 or more (prior to discounting to present value) to an existing ARO should be recorded. If an undiscounted change in the estimated ARO is less than USD 50,000, no adjustments are required.

If the adjustment is an upward revision to the ARO liability due to an increase in expected cash flows over the initial estimate, these additional cash flows (a new ARO "layer") should be discounted using the credit-adjusted risk-free rate in effect at the time of the change in estimate. The entity should then record an additional ARO asset and liability for the present value of the increase. If the expected settlement date has not changed (lease was not renewed or shortened), no change is required to the original asset and liability layer. If the settlement date has changed, resulting in the upward revision of costs (due to additional inflation during the extended period), the previous layer(s) must also be updated to reflect the new settlement date. The previous layer is updated using the original discount rate. Corporate Accounting is available to assist with or to review these calculations. Please submit to Controller – Field Operations.

If the adjustment results in a downward revision to the ARO liability due to a decrease in expected cash flows over the initial estimate, the new estimate of undiscounted cash flows should be discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized. If there have been multiple changes to the liability, it may not be possible to identify the prior period (and discount rate) to which the revision relates. In these situations, the entity should use a weighted-average credit-adjusted risk-free rate for all previous discount rates used. The entity should debit the ARO liability and credit the ARO asset for this decrease. If a downward revision results in a decrease to the ARO liability that is greater than the remaining book value of the ARO asset, a credit to depreciation expense should be recorded equal to the excess of the ARO reduction over the ARO asset book value. Controller – Field Operations should be notified of reductions to depreciation expense exceeding USD 250,000.

Business units should contact Regional and Corporate financial management for further guidance upon the occurrence of any of these events, as an interim analysis and potential adjustment may be needed. Impairment analysis is discussed further in the Fixed Asset Policy.

See EXHIBIT B for examples on accounting for the initial measurement of an ARO as well as subsequent changes in cash flows and timing of settlement.

AROs Calculated using Practical Expedient
If the practical expedient calculation is used, each individual ARO should be assessed for any changes in the estimated future cost and/or the estimated settlement date as described above. Changes in timing and cost of the individual AROs within the calculation should not be adjusted unless the changes exceed USD 50,000. If this threshold is triggered, the additional cost should be accounted for outside the practical expedient calculation as a separate layer (See Exhibit B for example). The entity should then document that the total cost of the ARO is covered between the practical expedient calculation and the additional layer calculation. If the USD 50,000 threshold is not met, the change should be maintained in a listing to track the aggregated cost of all such amounts below USD 50,000 for consideration of the USD 1,000,000 aggregation threshold.

For example, assume an initial ARO has an estimated cost of USD 40,000 but is required to be included within the practical expedient calculation as the aggregate sum threshold of USD 1,000,000 has been met. If it is later determined that the total cost for this individual ARO has increased to USD 95,000, this USD 55,000 increase in the total cost is greater than the above noted USD 50,000 threshold for unrecorded changes in cost estimates. As a result, in this case, Brink's would account for this USD 55,000 increase as a separate ARO (See Exhibit B). It is expected this situation would be infrequent.

- Initial ARO included in practical expedient calculation USD 40,000
- Incremental ARO recorded separately USD 55,000
- Total recorded for this ARO USD 95,000

3.3.7 Settlement of AROs

As mentioned in Section 3.3.1 above, the estimated cash flows required to settle the future ARO must be based on the amount a third party would charge to perform the services. However, it may be feasible for an entity to settle the AROs using internal resources (i.e., current employee labor time). When internal resources are used, salary and other payroll costs related to the employees performing the work should be reclassified out of salary/payroll expense and should be recorded as a debit against the ARO liability. In this instance, a gain will generally be recognized when the settlement occurs, since generally it will cost less to complete this work internally compared to the third party costs (since the third party would include a profit margin on these costs). This gain should be recorded as a reduction (credit) to Accretion Expense (HFM Account 6400_100 or 7100_100). The entry to record the settlement of the ARO liability would be a debit to HFM Account 2040_300 ST Asset Retirement Obligation (to reduce the liability to 0, if the entire obligation has been fulfilled), a credit to salary/payroll payable account or salary/payroll expense account (for the amount of internal labor performed to settle the obligation) and a credit to Accretion Expense (for any gain recognized).

AROs Calculated using Practical Expedient

Upon the exit of a lease included within the practical expedient, no changes occur to the practical expedient calculation. Depreciation and accretion entries should continue as calculated. The actual ARO costs should be compared with the ARO cost estimate (undiscounted) included in the practical expedient for the individual lease. If the actual costs are less than the estimate, the difference should be written off as a debit to the ARO liability and a credit (gain) to Accretion Expense. If internal resources perform the restoration work, the gain to Accretion Expense should be reduced by salary/payroll payable or salary/payroll expense as described in the paragraph above.

If the actual costs exceed the estimate included in the practical expedient, the difference should be recorded to Accretion Expense immediately (they should not be amortized over a future period).

3.4 Communication with Corporate Accounting

The recognition of a new ARO liability and asset, as well as any subsequent changes in the estimate of this ARO, represents non-cash transactions on the balance sheet. These non-cash items should be communicated to Corporate Accounting on a quarterly basis through the Non-Cash Transactions A-schedule in Dataflow.

4.0 EFFECTIVE DATE AND TRANSITION GUIDANCE

This policy revises 2010-03: Asset Retirement Obligations: Uncertain Cash Flows. 2010-03 was effective March 31, 2011. For any ARO recorded as of March 31, 2011 that was less than the materiality threshold of USD 50,000, that ARO and the associated asset should not be removed from the ledgers and should continue to be accounted for under the ARO guidance per this policy. Changes in future cost estimates of these AROs should only be recognized if they exceed USD 50,000 (prior to discounting to present value).

The effective date for this revised policy is January 1, 2014.

EXHIBIT A – ACCOUNTING EXAMPLES

1.0 Accounting Example – Lessee Rights

Certain countries in which Brink's operates have laws which provide for

(i) the lessee's legal right to renew a leased facility beyond any stated lease renewal periods or legal opinion (external or internal) stating that current local laws protect Brink's such that Brink's could remain in the lease longer than any stated renewal period and

(ii) the amount of rent payable under any renewed or revised lease would be subject to local indexes such that arbitrary onerous rental increases would be prohibited during the renewed lease term.

Management has, upon entering the leased facility, constructed significant leasehold improvements which must be removed under the terms of the lease. Because of the significant investment in the leased facility and because of the existing favorable tenant laws, management believes that based on current business conditions, it will be in the leased facility for a considerable length of time and is, as a result, unable to estimate reasonably the fair value of the ARO associated with the leased facility since it cannot reasonably estimate the period of time in which it will occupy the facility.

In order to support why the entity has not recognized an ARO, local management must be granted an approved policy exception request.

2.0 Accounting Example –Underground Fuel Tanks

Local law requires that if an owned building is sold, the current underground fuel tanks will need to be removed. If the owned building is not sold, the current underground fuel tanks can remain on the property indefinitely provided that the tanks are maintained such that no underground contamination is occurring. The building is in good condition.

Management has owned the facility for many years and has no current business plans or expectations that it will sell the facility. The underground tanks are not leaking and are maintained such that no underground contamination exists.

In order to not record an ARO, the entity shall obtain an approved policy exception request. The entity shall support that the settlement date cannot be reasonably estimated due to the fact that the tanks are in good condition and that no event has occurred indicating underground contamination. Additionally, the entity shall support that it has no plans or expectations that it will relocate to another location and therefore the ARO has an indeterminate settlement date.

3.0 Accounting Example – Moving Costs

Upon leasing a new branch facility, an entity installed a vault. The cost of the vault and the cost to install the vault on the leased premises were capitalized as costs to put

the asset into service. Once the lease ended, the entity expected the vault could be used in another branch. The entity was also required to remove a wall from the building to accommodate the vault installation. The costs incurred to remove this wall were capitalized as leasehold improvements. As part of the lease agreement, the entity has a legal obligation to return the leased building to its original condition. In addition, the lease agreement stated all carpets must be cleaned and walls must be freshly painted at lease termination. Upon exiting the lease, the entity estimated it will incur the following costs:

- Costs to remove the vault
- Costs of minor wall repairs and painting caused by removal of the vault
- Costs to replace the wall in the building
- Costs to clean the carpets and apply fresh paint to all walls

Since the vault will be removed from the building and used in another branch location, the asset is not being retired and therefore, these costs are not AROs and should be expensed as incurred. Any related costs such as minor wall repairs caused by the removal of the vault would also be expensed as incurred. However, the costs to replace the wall that was removed (including materials, labor, painting, etc.) would be considered an ARO as the leasehold improvement is being retired as a direct result of a legal obligation in the lease. Finally, costs related to cleaning carpets and applying fresh paint to the location (generally due to normal wear and tear) should be expensed as incurred since the entity did not own the carpet or the building/walls and no asset existed to be retired.