Comprehensive risk management ISA and its companies

Comprehensive risk management process

Risk appetite and risk tolerance ISA and its companies

Risk assessment depends on the nature of each **risk category** analyzed and its prioritization is based on the established levels or limits, defined on the basis of **appetite and tolerance criteria for financial dimensions or resources, reputation and risk declarations or aversions**. The Audit and Risk Committee is responsible for reviewing and approving the prioritization criteria.

ISA and its companies review and establish the criteria annually considering the financial results and the proposed goals against the organization's objectives.

Dimension or financial resource

Continuous probability and impact values are used. The assessment is quantitative.

Financial Resource Scale
USD million

0 ≥11 ≥23 ≥62

Reputational Dimension or Resource

Discrete values of probability and impact are used. The assessment is semi-quantitative

Probabilidad				
Muy alta (>75%)	8	16	32	64
Alta (>50-≤75%)	6	12	24	48
Media (>25-≤50%)	4	8	16	32
Baja (≤25%)	2	4	8	16
Impacto	Leve 2	Moderad 4	Crítica 8	Muy Crítica 16

IMPACTO EN LA REPUTACIÓN Se genera un concepto público	CONFIANZA	PÚBLICOS CLAVE	MEDIOS, REDES SOCIALES Y CANALES
LEVE 2	Muy baja	Conocen	Leve
MODERADO 4	Baja	Observan	Moderada
CRÍTICO 8	Media	Cuestionan	Crítica
MUY CRÍTICO 16	Alta	Acusan	Muy crítica

Approved by the Audit and Risk Committee

1. Risk limits for financial and reputational risks

Appetite

Low — Risks that ISA and its companies are willing to accept in order to achieve their objectives

Tolerance

Medium

High

Maximum risk that ISA and its companies are able to bear in the achievement of their objectives without affecting the sustainability of the organization

Very high — Risk that ISA and its companies are not willing to assume

2. Risk disclosures (independent of limits)

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Supplementary statements on comprehensive risk management

These are red lines or limits of an action or decision on key issues of comprehensive risk management.

These statements were approved by the February 2022 Governance, Sustainability and Risk Committee.

Aversion to:

- Actions that may cause serious or fatal accidents to employees, suppliers and the community

Discrete probability and impact values are used to determine prioritization. The assessment is semi-quantitative

Probabilidad				
Muy alta (>75%)	8	16	32	64
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	Leve 2	Moderad 4	Crítica 8	Muy Crítica 16
	Impacto			

	Calificación	Valor	Descripción
Escalas impacto personas	Leve	2	Se afecta temporalmente la integralidad física o emocional, psicología e intelectual de la persona (funcionario, contratista o comunidad), puede requerir intervención reparadora de bajo nivel de complejidad y sin incapacidad.
	Moderada	4	Se afecta temporalmente la integralidad física o las habilidades motrices, emocionales, psicológicas e intelectuales de la persona (funcionario, contratista o comunidad), requiere intervención reparadora, puede requerir incapacidad o retorno con restricciones laborales temporales.
	Crítica	8	Se afecta permanentemente la integralidad física o las habilidades motrices, emocionales, psicológicas e intelectuales de la persona (funcionario, contratista o comunidad), se requiere intervención reparadora, y quedan secuelas o consecuencias permanentes que pueden llevar a juna reubicación laboral o incapacidad total.
	Muy Crítica	16	Perdida de la vida (funcionario, contratista o comunidad).

- Irreparable environmental damage*

- Illegal or unethical actions

- Unfavorable deviations in the reference values of key service indicators

In the face of risk transfer:

The acceptable level for the transfer of insurable risks in its aggregate value of premium, deductible and retention after coverage, will be the limit of the green band of the financial resource ("Low" level - USD 10 MM). Applies to insurable risks associated with cybersecurity, property damage and all risks construction and erection.

*Irreparable definition: Absolute loss of the biodiversity component in the abiotic, biotic and social sense, the monitoring of this statement is carried out considering the management and assessment of environmental aspects and impacts within the framework of the ISO14001 standard.

Comprehensive risk management process

Risk appetite and tolerance identified in ISA and its companies

Types	Categories	Appetite, tolerance and risk disclosures
Economic	• Governance • Regulatory • Legal • Political • Market, liquidity, and credit • Market, competition, mergers, and acquisitions	Economic risks are prioritized by financial and reputational dimension, monitored quarterly by means of key risk indicators, and their evolution is reported quarterly to the Audit and Risk Committee according to an escalation scheme.
Operational	• Business operation • Design and construction • Supply chain • Occupational Safety and Health • Cybersecurity and IT • Human capital and labor relations	Follow-up and monitoring carried out quarterly at the latest considering the prioritization in the financial and reputational dimensions and the risk statements against aversion to: • Unfavorable deviations in the reference values of key service indicators • Actions that may cause serious or fatal accidents to employees, suppliers and the community In addition, the compliance with the Guidelines or policies defined in the business and by compliance is monitored transversally.
Compliance	• Fraud and corruption • Money Laundering (ML), Terrorism Financing and Financing of Proliferation of Weapons of Mass Destruction	The reporting and supervision of compliance risks shall be carried out quarterly at the latest and on demand, the corresponding levels shall be informed for their management, and their prioritization shall be carried out by means of the reputational dimension and declaration of risks in the face of aversion to: • Illegal or unethical actions In addition, the compliance with the Guidelines or policies defined in the business and by compliance is monitored transversally.
Social Environmental	• Environmental • Natural phenomena and extreme climate changes • Property • Social • Public order and citizen security	Socio-environmental risks are monitored on a quarterly basis by prioritizing the financial and reputational dimension and risk statements against risk aversion: • Irreparable environmental damage* • Actions that may cause serious or fatal accidents to employees, suppliers and the community

[1] Irreparable definition: Absolute loss of the biodiversity component in the abiotic, biotic and social sense, the monitoring of this declaration is carried out considering the management and assessment of environmental aspects and impacts within the framework of the ISO14001 standard.

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