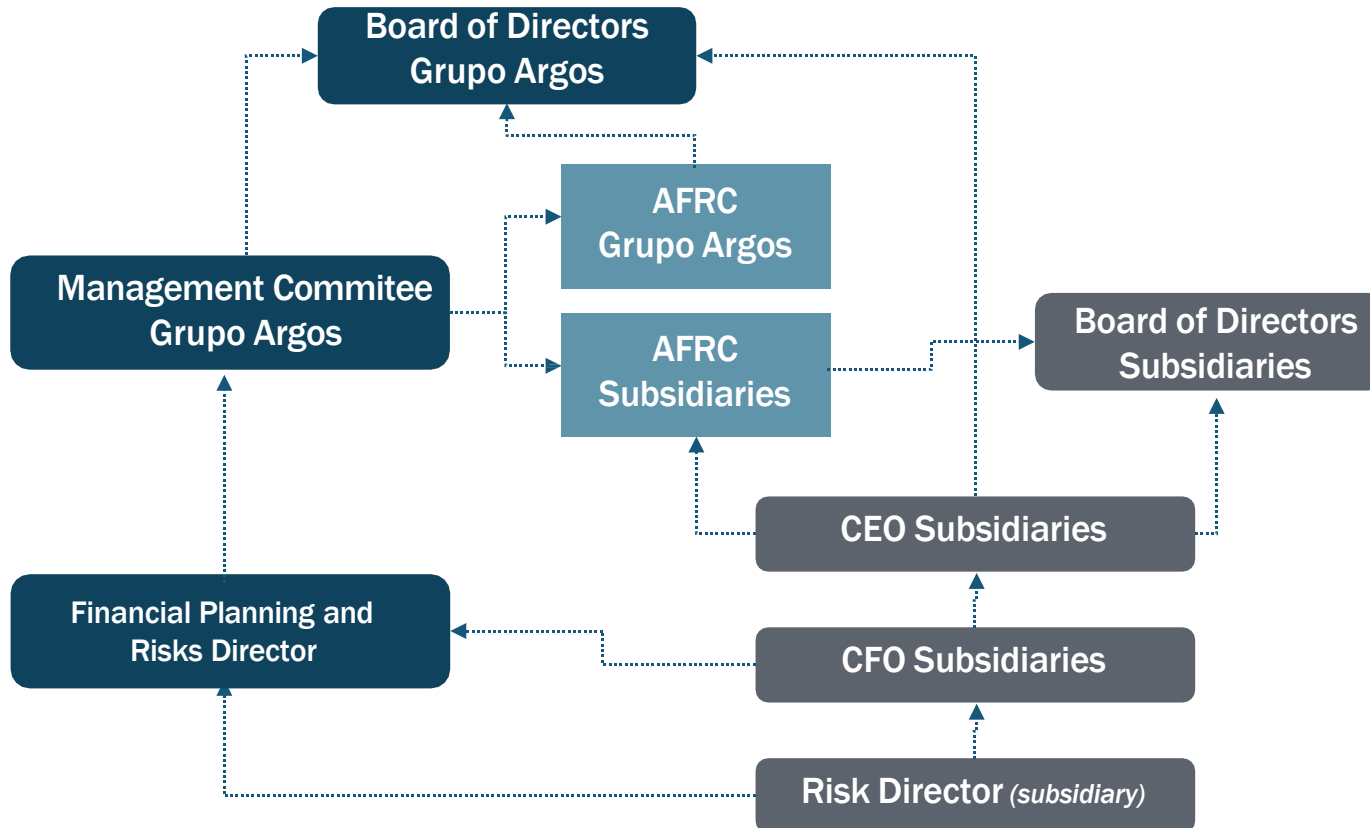




RISK  
GOVERNANCE

## STRATEGIC FRONT

# RISK MANAGEMENT GOVERNANCE MODEL



## RISK GEVERNANCE:

- Ensure a risk profile consistent with the shareholders' tolerance.
- Oversee risk scenarios based on quantitative models and KPIs.
- Understand trends and the business environment, ensuring the sustainability of the firm.
- Balance the stakeholders' expectations based on ESG criteria.
- Promote an adequate control environment and responsibility of processes and projects.
- Analyze the effectiveness of the risk system, and adopting a proactive culture against risk.

## CONTEXT OF THE RISK MANAGEMENT SYSTEM

# RISK MANAGEMENT STRUCTURE

## VICE PRESIDENT OF STRATEGY AND CORPORATE FINANCE

ALEJANDRO PIEDRAHITA

- Align the company's strategy and the capacity to assume risks
- Communicate with the Board of Directors the risk profile and the management activities
- Guarantee the effectiveness of risk management at the subsidiaries. as a member of their Board of Directors
- Recommend improvements to the risk management system

## FINANCIAL PLANNING AND RISKS DIRECTOR

EDUARDO SÁNCHEZ

- Advise the Management Committee regarding the risk profile, asset allocation and capital structure decisions
- Lead the communication process in risk identification and their quantification (strategic and ESG)
- Consolidate the risk governance with Grupo Argos's Directors and the subsidiaries' risk departments
- Recommend risk transfer and financing structures

## RISK TEAM

MARIA MERCEDES AGUILAR – DANIEL ESTEBAN GALLEGO

- Establish the methodology, instruments and procedures to identify, measure, control and manage risks
- Coordinate with Grupo Argos' areas, indicators documentation, controls and actions
- Design and set up risk management's internal and external reports
- Lead risk culture and training plans
- Manage the insurance program

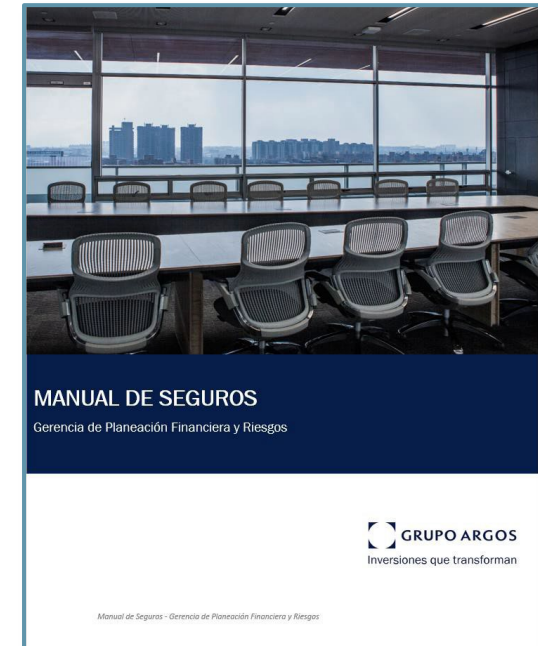
## CONTEXT OF THE RISK MANAGEMENT SYSTEM

**RISKS POLICIES AND PROCEDURES****RISK POLICY**

- General action framework
- Mandate of Managers and Directors
- General statements of the Risk Management System

**RISK MANUAL**

- Corporate guidelines on risk management
- Roles and responsibilities
- Measurement criteria of probability
- Measurement criteria for impacts
- Risk management methodology

**INSURANCE MANUAL**

- Roles and responsibilities in insurance management
- Detail of policies and contracted coverages
- Policy activation process (claims)

STRATEGIC FRONT

# RISK MANAGEMENT IS AN ITERATIVE PROCESS OF MULTIPLE SOURCES

Risk Management System:



TOP 6 of strategic risks (incorporates GTR's results\*)



\*Suramericana's Risk Management and Trends Workshop (GTR)

CONTEXT OF THE RISK MANAGEMENT SYSTEM

# FRONTS OF RISK MANAGEMENT IN GRUPO ARGOS



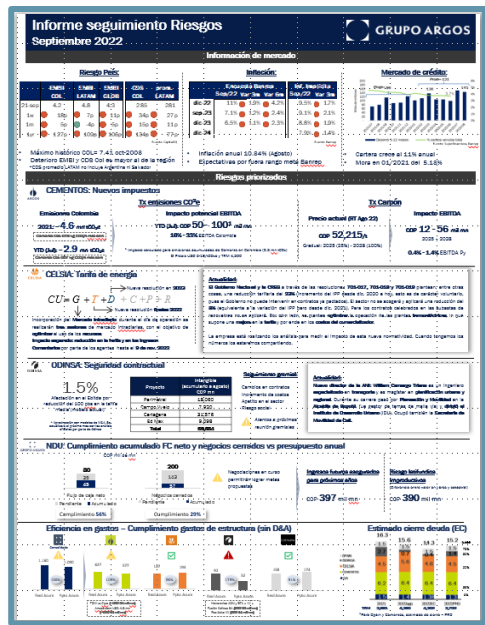
*Incorporates operational risks that have a high economic, reputational or legal impact*

WORKPLAN WITH SUBSIDIARIES	<p><b>Collaborative agenda with subsidiaries</b></p> <ul style="list-style-type: none"> <li>• Corporate risk guidelines and procedures</li> <li>• Monthly meetings with subsidiaries</li> </ul>
	<p><b>Alignment of interests with variable compensation</b></p> <ul style="list-style-type: none"> <li>• Long-term compensation (ROCE &gt; WACC)</li> <li>• Annual KPI – strategic and operational risk management in Grupo Argos (GA)</li> </ul>
	<p><b>Periodic reports</b></p> <ul style="list-style-type: none"> <li>• Monthly follow-up reports</li> <li>• Quarterly report for Audit, Finance and Risk Committees of the subsidiaries</li> <li>• Annual presentation to the Board of Directors</li> </ul>
	<p><b>Quantification models</b></p> <ul style="list-style-type: none"> <li>• Short-term VaR (EBITDA, FCF, Net Income)</li> <li>• Sensitivity long-term valuation</li> <li>• Credit rating models</li> <li>• Reputational risk model (impact on market cap.)</li> <li>• Instruments for talent risk monitoring</li> <li>• Climate change risk measurement (<i>under construction</i>)</li> </ul>
	<p><b>Risks in critical processes</b></p> <ul style="list-style-type: none"> <li>• Unified risk manual</li> <li>• Risk control and management software (Protiviti)</li> <li>• Accompaniment of risk management in Summa</li> </ul>

Activity on both fronts
  Strategic front
  Operational front

## STRATEGIC FRONT

## ISSUED REPORTS TO THE MANAGEMENT COMMITTEE



## RISKS REPORT

Quarterly

- Relevant risks follow-up in Audit, Finance and Business Risk Committees
- Political risk monitoring, quantifying the impact on each business and explaining the mitigation strategies
- Summary of progress in risk measurement and management activities



## QUALITATIVE, MACRO AND SECTORIAL REPORT

Monthly

- Monitoring of macroeconomic and sectorial indicators
- Summary of financial and operating results of the businesses

## STRATEGIC FRONT

# CONNECTION BETWEEN STRATEGIC RISKS OF HOLDING AND SUBSIDIARIES

## STRATEGIC RISK INFORMATION FLOW:

### HOLDING'S APPROACH:

- Monitoring of business plans
- Sectorial and macroeconomic analysis
- Capital allocation model
- Portfolio valuation and scenarios
- Consolidated financial flexibility

### SUBSIDIARIES APPROACH:

- Execution of business plans
- Market and competitive scenarios
- Sensitivities and Value at Risk (VaR)
- Risks in critical processes
- Separated financial flexibility



### DELIVERABLES FROM HOLDING'S RISK AREA:

- Annual presentation to the Board of Directors
- Monthly reports to the Management Committee on the performance of the businesses and their environment
- Quarterly reports for Audit, Finance and Risk Committees of subsidiaries

### DELIVERABLES FROM SUBSIDIARIES' RISK AREAS:

- Annual presentation to the Audit, Finance and Risk Committee / Board of Directors of the subsidiary
- Monthly reports to the Management Committee

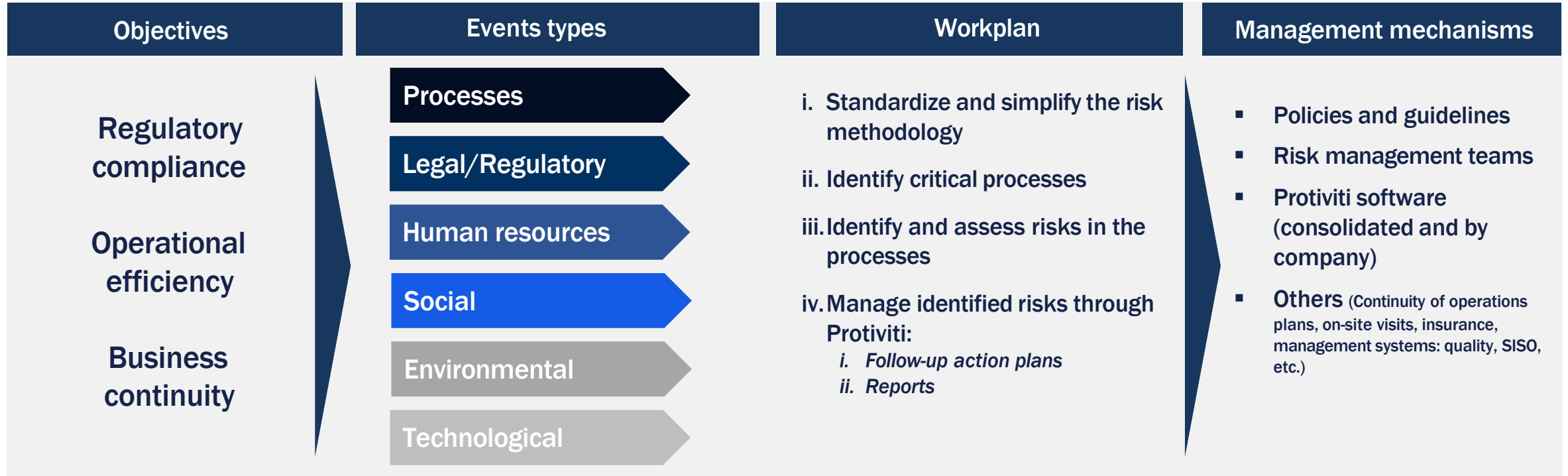
### RELATIONSHIP HOLDING / SUBSIDIARIES:

- Quarterly reports to the risk area of the holding company on strategic risks of the subsidiaries
- Monthly meetings between risk areas of the holding company and the subsidiary to follow up on key issues



## OPERATIONAL FRONT

## SUMMARY OF OPERATIONAL RISK MANAGEMENT



## OPERATIONAL FRONT

## RISK, COMPLIANCE AND AUDIT SOFTWARE

## RATIONAL OF A RISK SOFTWARE:

- Consolidation of risk management in critical processes and projects.
- Architecture of control with guidelines and unified methodology.
- Traceability and delegation of risk management responsibilities.
- Preparation for compliance with SOX and other regulations.

The screenshot displays the Protiviti Risk Management System interface. The top navigation bar includes 'Inicio', 'Registro GRC', 'Cumplimiento', 'Análisis', and 'Administración'. The main content area is divided into several sections:

- Entity Hierarchy:** A tree view on the left showing organizational structure, including 'Gerencia de Consolidación y Análisis', 'Gerencia de Estrategia, Fusiones y...', 'Gerencia de Gestión Tributaria Corp', and 'Gerencia de Planeación Financiera'.
- Riesgos (Risks):** A table listing various risks with columns for 'Nombre del riesgo', 'Probabilidad Residual', 'Impacto Residual', 'Dimensión Impacto Residual', and 'Riesgo Residual'. The table includes risks such as 'R01 - Emitir reportes que no reflejan adecuadamente el desempeño de los negocios...', 'R02 - Análisis imprecisos por modelos de cuantificación erróneos', and 'R06 - Análisis de riesgos en Proyectos que puedan tener errores, omisiones o conclusiones inadecuadas para la toma de decisiones'.
- Controles (Controls):** A table listing controls with columns for 'Nombre del control', 'Frecuencia', 'Responsable de ejecutar el control', and 'Estado del control'. Controls include 'Actualizaciones anuales de información y planeación del programa de seguros', 'Alineación de incentivos para uso de herramienta y pago del PRO', and 'Investigación de modelos apropiados al tipo de riesgo evaluado'.
- Pruebas (Tests):** A section at the bottom for test results, with columns for 'Nombre de la prueba', 'Estado de la Prueba', and 'Resumen del Resultado de la Prueba'.

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*Tool that allows an orderly and iterative flow between the business, risk and audit areas*

## OPERATIONAL FRONT

## RISK, COMPLIANCE AND AUDIT SOFTWARE

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Nombre del riesgo	Probabilidad Residual	Impacto Residual	Dimensión Impacto Residual	Riesgo Residual
R01 - Emitir reportes que no reflejan adecuadamente el desempeño de los negocios y la evolución de sus riesgos	Baja	Importante	Económica	Moderada
R02 - Análisis imprecisos por modelos de cuantificación erróneos	Baja	Importante	Económica	Moderada
R03 - Pérdida de liderazgo del holding hacia las filiales en construir una agenda de riesgos con los CD y JD	Baja	Importante	Reputacional	Moderada
R04 - Uso inadecuado de Probiti que no permita el seguimiento de riesgos en procesos críticos	Moderada	Bajo	Información	Baja
R05 - Ineficiencias, errores y omisiones en el programa de seguros	Muy baja	Importante	Económica	Baja
R06 - Análisis de riesgos en Proyectos que puedan tener errores, omisiones o conclusiones inadecuadas para la toma de decisiones	Baja	Importante	Económica	Moderada

Nombre del control	Frecuencia	Responsable de ejecutar el control	Estado del control
Actualizaciones anuales de información y planeación del programa de seguros	Anual	Coordinador	Activo
Alineación de incentivos para uso de herramienta y pago del PRO	Anual	Director	Activo
Alineación en modelos de cuantificación (VaR y escenarios)	Anual	Director	Activo
Análisis sectorial y macroeconómico permanente (acceso a bases de datos especializadas)	Mensual	Director	Activo
Asesoría permanente de brokers y aseguradoras y reuniones periódicas	Mensual	Coordinador	Activo
Calibración y pruebas de estrés a modelos cuantitativos	Por evento	Coordinador	Activo
Capacitaciones a líderes de las áreas en manejo de la herramienta y la metodología de riesgos	Anual	Coordinador	Activo
Coordinación con expertos de negocio (eg. filiales, M&A, etc.)	Continuo	Coordinador	Activo
Informes trimestrales con seguimiento de asuntos relevantes para CAFR	Trimestral	Director	Activo
Investigación de modelos apropiados al tipo de riesgo evaluado	Continuo	Coordinador	Activo

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## SCANNING THE STRATEGIC BUSINESS ENVIRONMENT



**The board of directors received training on current issues and received tools for the management of moments of uncertainty and risks/opportunities in social, technological, geopolitical and political issues.**

- In the face of all the profound uncertainties and disruptions now at work across the world, business leaders have no choice but to anticipate and plan for both continuous trends and discontinuous events affecting markets.
- Such strategic foresight is now more important than ever because the geopolitical balance is shifting, demographic changes are creating new and sometimes unexpected conditions, globalization is decelerating, environmental degradation is intensifying, and governments and institutions are more embattled.
- Companies face the challenge of navigating geopolitical obstacles, observing growing ESG-related pressures, identifying and retaining talent, innovating, leveraging new technologies, meeting both familiar and new risks, and addressing broader societal issues.
- Corporate executive teams and boards of directors should now prepare for a medium-term environment marked by heightened geopolitical instability, continued erosion of US-China relations, the possibility of an increasingly fragmented international economic system marked by protectionist policies and regulations, the onset of a post-truth world, the continued rise of populism, and waves of disruptive technologies.