



RISK

MANAGEMENT POLICY



GRUPO ARGOS

Investments that transform

INTRODUCTION

Grupo Argos and its subsidiaries are committed to the value generation and the sustainability of the businesses in which they participate. To this end, enterprise risk management is a priority for the company' employees.

The ongoing identification, measurement, treatment, and monitoring of the risks to which the organization is exposed has the aim of assessing, in an agile and proactive manner, the positive and negative impacts that can affect the achievement of strategic objectives and thus business performance.

As such, risk management is the combination of managing talent, processes, projects, and facilities, as well as implementing mechanisms for preventing and mitigating the risks identified. Moreover, the construction of a proactive culture of awareness and self-control regarding risk management.

Finally, Enterprise Risk Management seeks to reduce decision-making uncertainty as part of creating and protecting the value of Grupo Argos' businesses, improving their profitability and preserving the organization's reputation before its stakeholders.

1. AIM OF THE POLICY

Establish the elements and framework for a comprehensive management of risks of every kind that Grupo Argos and its companies face. This document is part of the Enterprise Risk Management System and is supported by specific risk guidelines that can be established in relation to certain businesses and processes.

2. ELEMENTS OF THE POLICY

2.1 RISK GOVERNANCE

Grupo Argos and its subsidiaries have devised the following organizational structure with authorities, roles, and responsibilities, in order to ensure the proper functioning of the **Enterprise Risk Management System (hereinafter ERMS)**:



BOARDS OF DIRECTORS

Ensure the adoption and due implementation of an ERMS. In particular, approve the Enterprise Risk Management Policy, each organization's risk appetite, and the risk-management responsibilities matrix. Moreover, they assess and monitor risks in the context of the strategic objectives and propose corrective actions in accordance with the tolerable level established, and periodically monitor these actions.

La Grupo Argos Board of Directors is responsible for approving the general risk

appetite of the company and its subsidiaries, supervising the implementation of the ERMS at company-level, and assessing and monitoring risks based on a consolidated vision as a conglomerate, periodically monitoring the action plans established for each company.



AUDIT, FINANCE AND RISK COMMITTEES

Assist the Board of Directors with all responsibilities related to supervising risk management. To this end, they review the ERMS effectiveness by monitoring risk maps, dashboards, limits, and indicators, and formulate those improvement initiatives they deem necessary to align the risk profile with the strategic objectives and established appetite.

The Grupo Argos Audit, Finance and Risk Committee monitors the ERMS implementation based on a consolidated vision for the Business Group, ensuring that the corporate risk profile is aligned with the overall risk appetite established for the conglomerate.

GRUPO ARGOS CHIEF EXECUTIVE OFFICER (CEO)



Answers to the Board of Directors and the shareholders for the risk management system implementation; in addition, he is responsible of reporting the consolidated risk profile and the progress of the mitigation plans.



STEERING COMMITTEES

Steering Committee members are required to report on ERMS functioning at respective teams, and warn of new risks identified. They report to the CEO's on the ERMS functioning at their respective companies, and on risk status and the mechanisms adopted to administer them.

CEOS OF THE SUBSIDIARIES



Ensure the ERMS implementation at their respective companies; report to the Audit, Finance and Risk Committee and to the Board of Directors on the risk profile, mitigation plan progress, and, in general, the ERMS implementation status.

GRUPO ARGOS ENTERPRISE RISK MANAGEMENT DEPARTMENT



Designs and leads implementation of policies, general processes, and corporate methodologies of the ERMS to enable the ongoing identification, measurement, and treatment of risks to which the Business Group is exposed to. Moreover, monitors the effective administration of risks that could affect the business strategy, individually and as a group, and promotes a corporate risk management culture. Its responsibilities cover the implementation of the methodology at strategic level, and support for process owners at tactical and operational levels.



RISK DEPARTMENTS OF THE SUBSIDIARIES

Lead the ERMS implementation at the respective companies, adopting corporate policies and methodologies adapted to the internal and external context of each. In addition, they monitor the effective management of risks that could affect the strategy of each company, and support corporate management to strengthen the risk management culture. Their responsibilities cover implementation of the methodology at strategic, tactical, and operational level.

PROCESS OWNERS (MANAGERS / DIRECTORS)



Responsible for the application of enterprise risk management in their processes, according to the policies and methodologies established to this end. In particular, they are required to identify, measure, manage, and monitor the risks associated with their processes, as well as reporting on changes to risk conditions, events that have materialized, and advances in the action plans established.



RISK FACILITATORS

Employees assigned to each department to facilitate the ERMS implementation. Responsible for maintaining up-to-date knowledge of the processes under their charge, creating and updating the risk and control maps and providing support in the required training and in dissemination of the culture, as well as reporting to those that are responsible for the area and the risk areas about the ERMS performance.

ALL EMPLOYEES



Apply enterprise risk management in their respective processes according to the policies and methodologies established. In particular, they are required to alert of possible risks that might affect the normal course of their work, and report on risk events that have materialized.

INTERNAL AUDIT DEPARTMENTS



Assess ERMS efficiency and effectiveness, prepare recommendations for their improvement, monitor the effectiveness of risk-management actions adopted, and assess the functioning of key controls. In addition, they contribute to the identification of new risks during their auditing activities.

COMPLIANCE DEPARTMENTS



Lead the implementation of activities for preventing and detecting the risk of fraud, corruption, money laundering, and terrorism financing. In addition, they monitor the effective management of compliance risks that could affect each company, and support corporate management to strengthen ethics and transparency.

2.2. DECLARATIONS

Grupo Argos and its subsidiaries commit to:

- Incorporate enterprise risk management across the organization's processes.
- Adopt a methodology for the identification, measurement, treatment, and monitoring of risks that follow the best practice guidelines established.
- Identify strategic, financial, operational, and compliance risks considering their possible impact on objectives, corporate governance, sustainability, and the continuity of operations.
- Build risks matrices for strategic objectives, facilities, relevant projects, processes, and activities that enable the subsequent consolidation of the Corporate Risk Map.
- Update the risk matrices at least once per year, taking into account the different sources of risks and the associated events, causes, and situations that exacerbate them.
- Monitor, through each Audit, Finance, and Risk Committee, the status of the organization's strategic risks, as well as their mitigation plans and significant events that have materialized.
- Conduct periodic analysis of the internal and external environments to identify factors and trends that may drive the materialization of risks.
- Measure and control risks identified according to the defined methodology to enable the consolidation of results and their subsequent monitoring.
- Review the established scales of assessment at least every two years, based on events that have occurred and the projections of each company that affect the risk tolerance.
- Monitor the development of risks identified within the company and progress made in the action plans implemented for their mitigation.

- Define clear schemes for reporting to the boards of directors and senior executives on risk management performance.
- Validate on an ongoing basis the suitability and effectiveness of the ERMS performance, based on applicable best practices.
- Foster a risk management culture to raise awareness on self-control and responsibility regarding risk.
- Guarantee the independence of the department in charge of managing the ERMS from the business areas that oversee and manage risks.
- Provide the resources required by the ERMS to ensure adequate implementation and optimum functioning at each company.
- Implement information systems that allow risks evaluation, as well as a periodic and transparent communication of the results of the risk management monitoring.
- Conduct an analysis of the risks associated with projects, mergers and acquisition processes, and new products, assessing the impact on the company in a separate and a consolidated manner.
- Implement business continuity plans to mitigate the impact on risk materialization, taking into account the approved risk appetite.

3 . SCOPE

This policy applies to Grupo Argos and its subsidiaries.

4. STAKEHOLDERS INVOLVED

The following stakeholders are involved in establishing the **activities necessary for the success implementation of this policy:**

- Boards of Directors of the companies
- Audit, Finance and Risk Committees of the companies Companies' CEOs
- Grupo Argos Enterprise Risk
- Management Department Risk
- Departments of the subsidiaries
- Risk Facilitators
- Internal Audit Departments
- Compliance Departments

5. RESPONSIBLE FOR CONTROL AND APPROVAL

The Audit, Finance and Risk Committee of each company is responsible for monitoring compliance with the Risk Management Policy, while each Board of Directors should guarantee its approval.

5.1. VERSION AND UPDATE

No.	Chapter	Date	Description Version / Changes
V-001	All	30 - 07 - 2016	Initial version

5.2. REVIEW AND APPROVAL

Approvals	Date of Approval:
Audit, Finance and Risk Committee - Minutes No. 52	22 - 11 - 2016