

Corporate Risk Management Handbook

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Corporate Risk Management Handbook

Corporate Management of Administration and Finance, which is in charge of the Corporate Risk Management Department, disseminates this handbook as a **guide to the methodology and procedures established by Ferreycorp** for comprehensive risk management in its companies.

All risk management processes carried out in Ferreycorp (for example, HR, environmental, legal, compliance, among others) must comply with the fundamental principles of the handbook and policy, except for specific regulatory requirements.

1. Governance of Enterprise Risk Management

Ferreycorp has a strong risk governance framework:

- **Oversight of risks at the board level** is performed by the **Audit and Risk Committee of Ferreycorp's Board of Directors**. This body is responsible for high-level oversight of the Corporation's risk management and is chaired by an independent director.
- **Risk management is based on three lines of defense:**
 - I. **In the first line, each company of the corporation is responsible for maintaining a risk management process in its domain**, which shall be consistent with the complexity of its operations and in accordance with the Corporate Risk Management Policy. **This responsibility lies with the General Manager, Financial Manager** of the company and/or other responsible person designated by its General Management.
 - II. **In the second line, it is integrated by Ferreycorp's Corporate Managements**, which supervise and lead the risk management activities, ensuring an effective and coherent coordination.

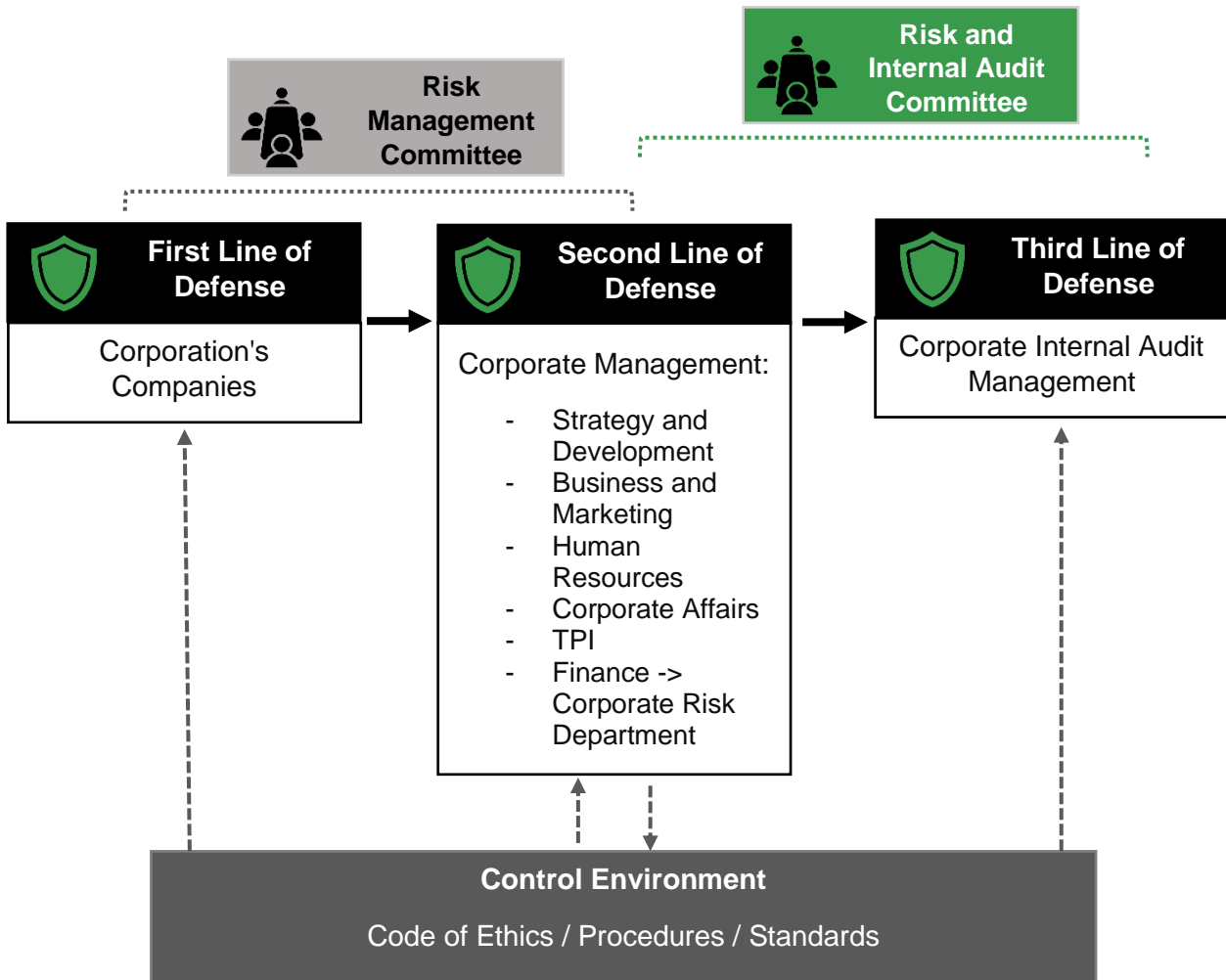
Under the leadership of the **Corporate Management of Administration and Finance**, which leads the Corporate risk management process, the Head of the department is responsible for **the review of risks in the Corporation's companies. This review is conducted on a mandatory annual basis or more if the situation warrants it.**

The **Integrated Risk Management Committee**, hereinafter referred to as the **IRM Committee**, is the Corporate advisory body for risk management. Its creation is disclosed in this Handbook.

- III. **In the third line, the Corporate Internal Audit Management is responsible for the independent evaluation**, providing an objective and critical perspective to ensure compliance with the policies and procedures established in Ferreycorp.

The structure of the three lines of defense reflects Ferreycorp's commitment to transparency, responsibility and proactive risk management at all levels.

Three Lines of Defense Model



- → Reporting Line

2. IRM Committee

Definition of the IRM Committee

The IRM Committee is the advisory body at the Corporate level in matters of risk management. It should be noted that it may be attended by the Corporate General Management or any guest that the IRM Committee may consider.

Topics to be discussed in the IRM Committee

The IRM Committee will have the following items on its agenda, with the possibility of adding any additional specific topic. The Corporate Risk

Management Department will be in charge of developing the agenda and issuing the respective minutes.

- I. Presentation of the corporate results of the evaluation of the main business risks of each company.
- II. Presentation of the action plans committed by the companies and the respective monitoring and results of the plans.
- III. Presentation of risk assessment in assigned projects.
- IV. Presentation of specialized risk matrices (compliance issues, among others).

Meetings and call

The IRM Committee shall meet twice a year on a mandatory basis.

The IRM Committee is chaired by the Corporate Finance Management and formed by the Corporate General Management, Corporate Strategy and Development Management, Corporate Affairs Manager and/or any guest that the IRM Committee considers.

The first Committee of the year should be within the first quarter to present the results of the previous period. The second Committee should be in the third quarter in preparation for the information to be presented to the Risk and Audit Committee of the Board of Directors of the Corporation. It may also be held on an additional basis whenever it is required to solve any matter within the Committee's purview, at a date it deems appropriate.

The IRM Committee shall be called by the Corporate Finance Management by e-mail. The notices shall contain information on the day, time and place of the meeting. The call shall include the agenda items.

Powers of the IRM Committee

The IRM Committee has the power to:

- I. Approve or calibrate the results of the evaluation of the main business risks of each company.
- II. Approve or calibrate the action plans committed by the companies.
- III. To entrust risk assessment in projects and/or operations.

3. Functions of the Corporate Risk Management Department

- I. Update and deploy methodologies based on international standards in Ferreycorp and its companies.
- II. Establish Policies, Procedures and/or Handbooks regarding risk management in Ferreycorp and its companies.

- III. Lead and advise the enterprise risk management process in each Ferreycorp company.
- IV. Propose to the Risk and Audit Committee for its approval the annual training plan for Ferreycorp's Directors, officers and collaborators. These trainings shall be provided by the Corporate Risk Management Department or through external consultants that the Corporate Risk Management Department and the Corporate Finance Management Department deem appropriate.
- V. Attend the Integral Risk Management Committee, where the progress of risk management in Ferreycorp's companies will be present.
- VI. Any other functions related to the position that may be assigned by the Corporate Finance Management.

4. Glossary of terms

- I. Risk: Effect of uncertainty on business objectives. At a quantitative level, it is composed of the probability of an event occurring and the negative impact on the fulfillment of business objectives.
- II. Inherent Risk: Level of risk related to the company's activity, without taking into account the effect of the risk treatment carried out.
- III. Residual Risk: Level of risk resulting from the company's treatment of the inherent risk.
- IV. Strategic Risks: It groups the risks that represent the possibility of significantly affecting the strategic objectives. These include risks associated with the lack of development of competitive advantages and/or capabilities, failures and/or weaknesses in market analysis, trends and uncertainty in the environment.
- V. Operational Risks: Include risks that represent the possibility of efficiency and productivity losses, incidents in the supply chain, legal and/or tax contingencies, technological failures and/or vulnerability of systems, human accidents due to inadequate processes, lack of control or acts of fraud, climatic factors and inadequate environmental management, among others.
- VI. Financial Risks: Include risks that represent the possibility of economic losses derived from market fluctuations such as interest rate risk, foreign exchange risk; inability to meet present and future cash flow needs; uncollectibility of customers; damage to the management of assets and resources, among others..
- VII. Compliance Risks: Include risks that represent the possibility of affecting the reputation, image, brand or losses resulting from non-compliance or violations of the Corporate Compliance System and other internal rules, and the legal framework applicable in each country.
- VIII. Emerging risks: Arise from external factors, which are beyond the organization's control and could affect the Corporation's companies in the future. According to the established S&P Global methodology, emerging risks are those that comply

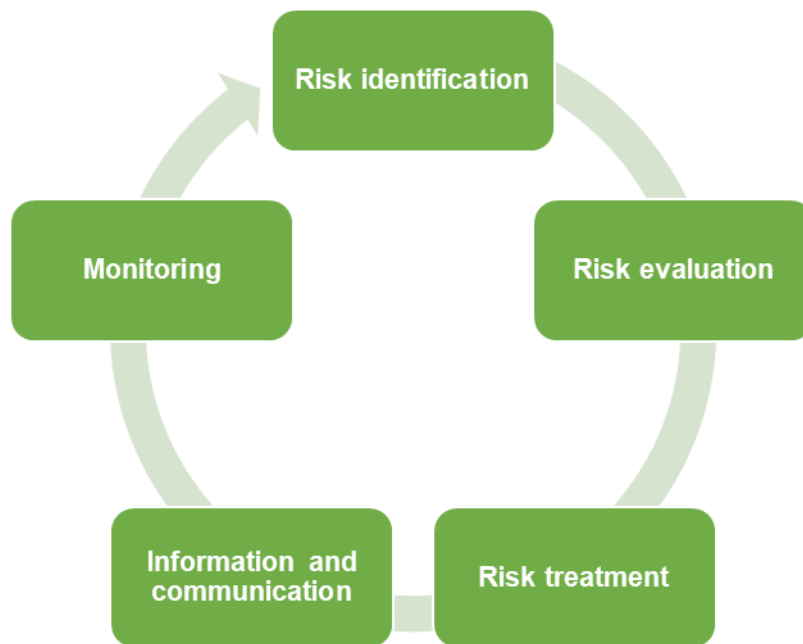
with the following aspects: a. The risk is new, emerging or of increasing significance; b. The potential impact of the risk is long-term; c. The potential impact of the risk is significant; d. The source of the risk must be an external variable; e. The risk and its impact is specific.

- IX. Risk appetite: Level of risk that a company is willing to assume to achieve its business objectives, within its risk capacity.
- X. Risk capacity: Maximum level of risk that a company can assume given its current resources, business objectives and contractual obligations.
- XI. Risk matrix or heat map: It is the graphic representation of the risk assessment. It allows to observe the criticality zone of each risk evaluated (Critical, High, Moderate, Low).

5. Enterprise Risk Management Process

The enterprise risk management process is divided into 5 stages::

Enterprise Risk Management Process



- I. **Risk identification:** Process by which internal and external risks that affect the strategy and business objectives are identified, classified and prioritized.

The head prepares the proposal of the main business risks (hereinafter TOP Risks) based on sources of information: a) internal, such as: Strategic Plan, annual objectives of each company of the Corporation, reports from specialized Corporate Management, among others; and b) external, such as: specialized risk reports by insurance companies and/or represented factories, benchmarks of the economic sector, among others.

In a virtual and/or in-person meeting, the head presents and discusses the proposal with the General Manager and Financial Manager of each of the Corporation's companies. These are reviewed and approved at the same meeting.

- II. **Risk Assessment:** Process by which the risks of a company, operation, project are evaluated; by means of qualitative or quantitative techniques or a combination of both.

The risk review includes the analysis of the probability and impact in its inherent and residual state, and are prioritized according to their criticality in 4 levels Critical, High, Moderate, Low.

The head asynchronously or synchronously trains the company's management team for their participation in the assessment workshop. This training includes topics such as: international risk management standards, regulatory framework for risk management in the Corporation, among others. It also prepares and leads the workshop on valuation and tools to be used.

The risk assessment workshop, virtual and/or in person, is led by the head and has the participation of the management team of each of the Corporation's companies. During the workshop, the company's heat map is drawn up.

Afterwards, in a virtual and/or in-person meeting, the head presents the results of the assessment workshop and the calibration proposal to the General Manager and the Financial Manager of each of the Corporation's companies. This proposal is reviewed and approved at the same meeting.

- III. **Risk Treatment:** Process by which it is decided to accept the risk; mitigate the risk, i.e., reduce the probability of occurrence/frequency and/or reduce the impact; transfer it totally or partially; avoid it or a combination of the above measures. These include strategic initiatives, process controls and/or action plans, according to the risk appetite for the identified risks.

The head requests the action plans to the management team for review, and if appropriate, makes recommendations for action plans. These recommendations are reviewed by the management team, on which the acceptance of the recommendations depends.

The head prepares the results report detailing the action plans. In a virtual and/or in-person meeting, the manager presents the report to the General Manager and the Financial Manager of the Corporation's companies. The report is reviewed and approved.

- IV. **Information and Communication:** Process by which the company's General Management, the Risk and Internal Audit Committee of Ferreycorp's Board of Directors and the IRM Committee (Integral Risk Management Committee, defined below) are informed in a timely manner and through an appropriate channel.

- V. **Monitoring:** Follow-up of the risk treatment defined for TOP risks.

The head requests the update of the status of the action plans to the management team. It is the responsibility of the management team to report the status of the action plans in a timely manner.

The head prepares the results report detailing the monitoring of the action plans; this is sent to the General Manager and the Financial Manager.

6. **Enterprise Risk Management Scope and Frequency**

The scope of the risk exposure review is to all the Corporation's companies. The application of the enterprise risk management process can be with a full or express methodology, this will depend on the level of annual turnover:

- Companies with annual turnover of \$ 10 MM apply the extended methodology. Where the entire management team participates, as indicated in the previous point of the handbook.
- Companies with an annual turnover of less than \$ 10 MM apply the express methodology. Exercise to be carried out with the General Manager..

The company's risk exposure is carried out on an annual basis and is mandatory, or more if the situation warrants it.

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