

Appendix 1 Risk management roles and responsibilities



GRUPO ARGOS



Risk management roles and responsibilities

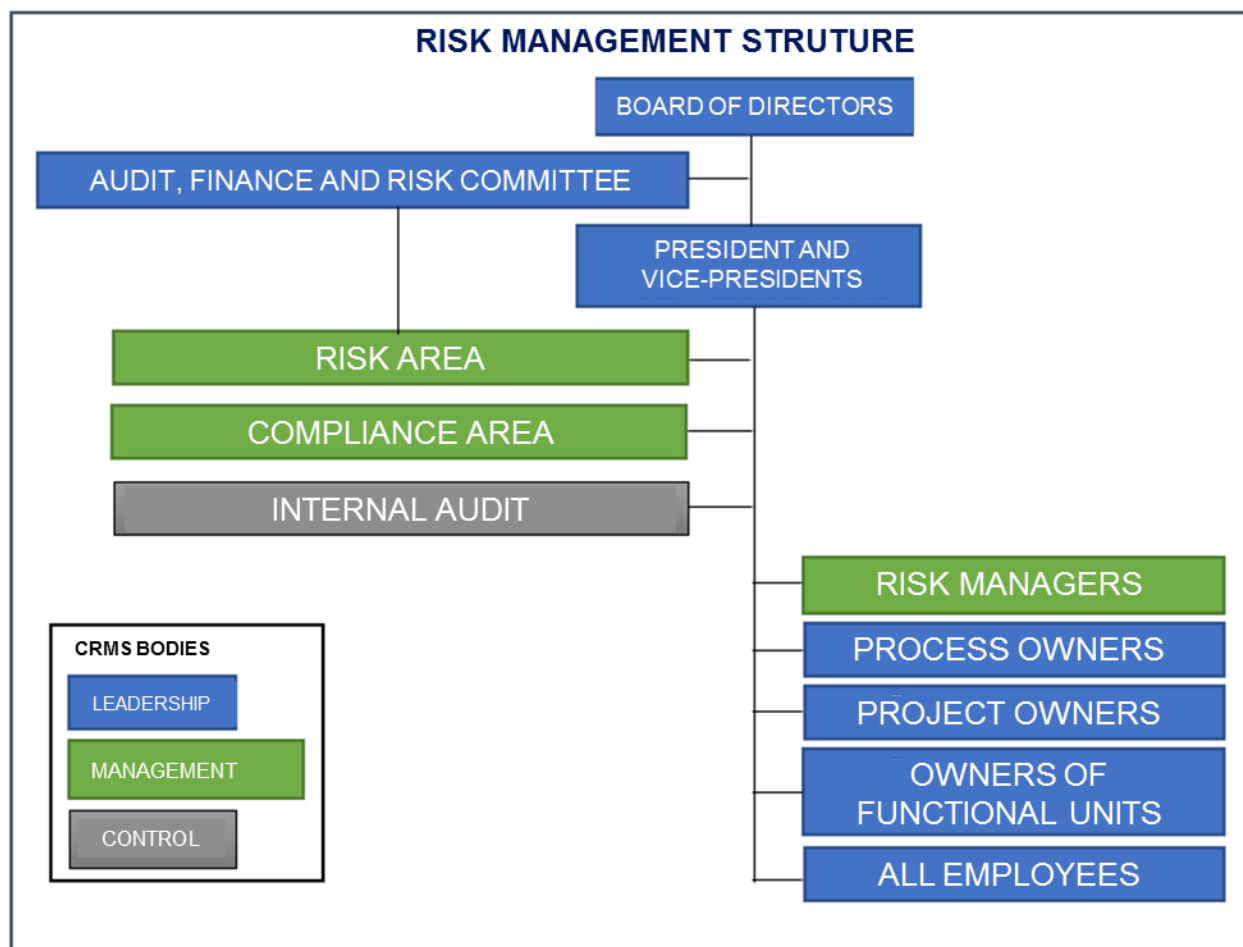
The CRMS is supported by a sound organizational structure, and it has roles and responsibilities clearly defined inside the organization and follows a management and monitoring model based on three lines of defense, as explained below:

First line of defense: is composed by the business areas and all the supporting roles that cause exposure to the risks. They are responsible for identifying, measuring, monitoring and controlling the risks of their processes and for reporting them to the position defined according to the level of exposure to the risk.

Second line of defense: is composed by the Risk and Compliance areas. Their role is to provide methodologies and tools to the first line of defense to support risk management. Likewise, they independently monitor and challenge the risk management activities carried out by the first line of defense.

Third line of defense: internal audit is responsible for monitoring and controlling. It regularly evaluates the adequacy and effective implementation of the policies, methods and procedures in all risks management and control. Particularly, it is responsible for validating the effectiveness of the controls and action plans implemented by the risk management areas.

Based on the three lines of defense model, below is the organizational structure, which shows the contributors to the Comprehensive Risk Management System and their responsibilities:



GRAPH No. 2 RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

1. Grupo Argos as headquarters

- To monitor the risk management conducted by affiliated companies that might have an impact on the strategy, reputation, rules and regulations (compliance and changes) and the trends associated with the business
- To approve the general risk appetite of the corporate group
- To monitor the implementation of the CRMS at corporate level
- To consolidate the strategic risks relevant to the affiliates in the corporate risk map to assess risks as a group
- To generate windows of opportunity to share best practices
- To identify risk contagion situations or systemic risk promptly
- To delineate risk management actions from the corporate point of view

2. Board of Directors

- To approve the CRMS related policy
- To approve the organization risk appetite and the risk reporting guidelines according to the business situation and the level of the system maturity

1. Project owners include projects, franchises, new businesses, new products, etc.

- To monitor and explain the risk profile of the organization
- To outline the prioritization of the strategic risks that will be subject to monitoring by the Board of Directors and the Audit, Finance and Risk Committee
- To inform about the periodic evaluation of the CRMS performed by the monitoring areas
- To identify the resources that need to be allocated to comply with the risk management programs, policies and procedures.

3. Audit, Finance and Risk Committee

- To help the Board of Directors with all risk management related tasks
- To validate the CRMS progress (development of the system and compliance with the system policies and procedures)
- In cooperation with the Senior management of the organization, state the level of risk tolerance they are prepared to bear
- To know the organization risk profile and to decide on risk treatment and mitigation measures where they deem it appropriate
- To monitor the strategic risks in order to ensure the sound management of them
- To check the effectiveness of control actions used to mitigate relevant risks
- To assess and validate contingency plans and business continuity plans developed by the company, as well as their effectiveness
- To confirm the level of risk appetite and tolerance and submit it to the Board of Directors for approval

4. President

- To ensure compliance with the policies established by the Board of Directors
- To monitor compliance with the CRMS policies, rules and procedures
- To appoint areas or positions that will be responsible for implementing and monitoring the CRMS
- To ensure that the strategies needed to create the cultural change involved in the organization risk management are implemented
- To follow-up and monitor relevant risks and take steps to manage and mitigate them, in order to contain the risk to an acceptable level
- To monitor and inform about the organization risk profile
- To assume, assess and take corrective actions based on reports submitted by the Risk Area
- To ensure the implementation of procedures for an adequate management of risks inside the organization
- To conduct periodic reviews of the CRMS based on the maturity condition
- To submit reports to the Audit, Finance and Risk Committee about the progress and relevant aspects of the CRMS, including preventive and corrective steps or actions that will be implemented and the responsible area

5. Risk Area

- To delineate the methodology, tools and procedures to identify, measure, control, mitigate and monitor the risks the organization is exposed to
- To keep the methodology updated according to the applicable regulations and the best risk management practices
- To develop and implement the internal and external reporting system in relation to the organization management system
- To support the senior management to identify and monitor relevant risks
- To support the different areas of the organization to conduct risk assessments, ensuring the implementation of the methodology in processes, initiatives, new businesses, projects, etc.
- To recommend appetite, tolerance and capacity levels
- To suggest risk indicators (KRI) to monitor the most relevant risks
- To monitor the individual and consolidated risk profile of the organization
- To monitor the implementation of the action plans established by the activity or process owners according to their implementation schedule
- To inform the Senior Management about the following aspects:
 - ✓ The consolidation of the most relevant residual risks of the organization
 - ✓ Critical processes that require immediate improvement actions
 - ✓ Early warnings about situations that might have an impact on strategic risks
- To develop CRMS training programs
- To provide the tools and training needed to document risk incidents that may occur
- Monitoring and follow-up the business continuity plans under the area's responsibility based on the risk analysis performed
- To consolidate and manage materialized incidents

6. Process, projects and functional units' owners

- To develop the inventory of their critical processes and projects
- To build, manage and monitor the risk maps, the residual risk profile of their processes and projects
- To outline and implement the preventive and corrective actions that need to be taken to mitigate their process, project or business risks
- To report risks according to their level of exposure to the position established by the risk reporting matrix
- To update the risk assessment at the design or implementation of a new product or service, or when processes or current controls change
- To report materialized risk incidents in their processes and projects to the Risk Area
- To analyze materialized risks after implementing the action plans that result from the review of the root cause which originated the materialization
- To safeguard the risk management supporting documents of their projects and processes
- To consolidate and manage the database of materialized incidents of their process/project

7. Risk Managers

- To support the risk area with the implementation of the CRMS in their corresponding vice-presidency and ensure its sustainability
- To conduct workshops for the risk analysis of their vice-presidency's processes and projects, ensuring compliance with the methodology
- To update their vice-presidency's risk map, paying special attention to those incidents classified as Critical and High level
- Follow-up the action plans that are underway and developed by the processes, projects and functional units' owners
- To conduct CRMS training inside their vice-presidencies
- To prepare reports for the risk area and vice-presidency and changes in the risk profiles
- To report the risk materialization incidents to the risk area