



# INTEGRAL RISK MANAGEMENT POLICY EMPRESAS COPEC S.A.

March 2022

	Prepared by:	Reviewed by:	Approved by:
Name	Deloitte	Rodrigo Huidobro	Board of Directors
Position	External Area	CFO	Directors
Date	01.27.2022	03.11.2022	03.27.2022
Signature			

Effective from:	03.27.2022
-----------------	------------

## INDEX

1. INTRODUCTION.....	4
2. OBJECTIVE.....	4
3. INTEGRAL RISK MANAGEMENT POLICY.....	5
4. POLICY PRINCIPLES AND GUIDELINES.....	5
5. ROLES AND RESPONSIBILITIES.....	7
6. RISK TOLERANCE .....	11
7. INTEGRAL RISK MANAGEMENT PROCESS.....	13
8. INTEGRAL RISK MANAGEMENT MODEL.....	14
9. DEFINITIONS.....	14
10. APPROVAL AND AMENDMENTS .....	16
11. VALIDITY.....	16
12. DISSEMINATION MECHANISMS .....	16
13. ANNEXES	
ANNEX No. 1.....	17

## 1. INTRODUCTION

The development of any activity is exposed to situations that may impact and affect the objectives set. The diversity of these risks requires appropriate, timely, in-depth, methodological and systematic management.

Empresas Copec S.A. has approved this Integral Risk Management Policy, in order to define a formal risk management methodology to reinforce decision-making. This methodology considers the process of identifying them, evaluating them, weighing their impact, mitigating them and monitoring them.

The integral risk management model is based on COSO ERM and ISO 31000 international standards, current legal regulations and best practices.

## 2. OBJECTIVE

The objective of this document is to define, establish, formalize and disseminate the guidelines of Empresas Copec S.A. for an appropriate Integral Risk Management, providing a common approach and language and ensuring an adequate risk management environment.

The main objectives are:

- Raise awareness of the need to identify and manage risks.
- Improve stakeholder confidence and trust.
- Provide information for decision making and strategic planning.
- Allocate and effectively use resources for risk management.

### 3. INTEGRAL RISK MANAGEMENT POLICY

This Policy seeks to systematically recognize internal or external events of the Company that may pose risks to the achievement of business objectives.

This requires the implementation of tools to evaluate them consistently, determine their consequences and be able to develop mitigation actions to keep them at an acceptable level.

It is the Company's policy:

- Establish, formalize and implement an integral risk management methodology.
- Define and establish the acceptable level of risks.
- Design and implement risk mitigation plans.
- Perform periodic evaluations of the procedures in use for risk control.
- Maintain business continuity based on the definition and execution of its processes, as well as the management of associated risks.

### 4. PRINCIPLES AND GUIDELINES OF THE INTEGRAL RISK MANAGEMENT POLICY

#### 4.1. Principles of the Integral Risk Management Policy:

Business risks arise from the occurrence or absence of certain events.

Risk is an inseparable aspect of the business and must be adequately administered and managed, being therefore necessary to analyze and consider the existence of conditions, situations or events that may be triggered and result in consequences for the Company, its employees, the environment, the community or its shareholders.

The aforementioned principles apply to all areas of the Company's business: operational, financial, project, environmental, human resources, health and safety of employees and contractors, legal and regulatory, as well as community, reputational and social issues.

The Company must have risk policies and an integral risk management and control system.

#### 4.2 Guidelines of the Integrated Risk Management Policy:

- Empresas Copec S.A. is committed to adopting and applying this Integral Risk Management Policy as a strategic tool for decision-making.
- The Integral Risk Management implemented is aligned with and complies with regulatory requirements, best practices and international standards (COSO ERM, ISO 31000).
- Empresas Copec S.A. has established the roles and responsibilities regarding risk management both at the level of risk managers, the Person Responsible for the Risk Function and the Person Responsible for the Internal Audit Function; as well as their relationship with Senior Management, the Committee of Directors and the Board of Directors.
- Empresas Copec S.A. promotes its risk management culture through decisions, the definition of procedures and the conduct of all its members.
- Due to the fact that risks are dynamic, the Company adopts an Integral Risk Management and establishes that the main risks must be identified, evaluated, prioritized and treated in accordance with this Policy.
- The Company's risks are updated at least once a year by the Responsible of the Risk Function.
- Empresas Copec S.A. manages risks according to their severity, reflecting its risk tolerance.

## 5. ROLES AND RESPONSIBILITIES

At Empresas Copec S.A., risk management is carried out in an integral manner, including the Board of Directors, the Committee of Directors, the Chief Executive Officer and the different units that make up the Company. Integral Risk Management is linked to the Audit and Risk Management functions as follows:



\* The Committee of Directors is responsible for supporting the management of the Board of Directors in these matters, on a non-resolutionary basis.

Responsibilities related to risk management are described below:

### Board of Directors

The role of the Board of Directors is to ensure proper Integral Risk Management, as contemplated in this document, with the non-resolutionary support of the Committee of Directors.

The main responsibilities are:

- Approve the policy and general guidelines for Integral Risk Management.
- Ensure the necessary resources for proper risk management, and that the role of the Responsible of Risk Management is carried out by external professionals who are specialists and top-level experts in the field.
- Be aware of the reports to be made by the Responsible of the Risk Function.

## Committee of Directors

The role of the Committee of Directors is to support the management of the Board of Directors in these areas, in a non-resolutionary capacity.

## Chief Executive Officer

The role of the Chief Executive Officer is to promote the implementation of Integral Risk Management and provide the necessary resources to do so.

The main responsibilities are:

- Promote the implementation of Integral Risk Management, based on the policy and instruments previously approved by the Board of Directors.
- Promote the desired risk management culture, as well as good risk management practices throughout the organization.
- Require periodic external evaluations of the design and effectiveness of the Integral Risk Management model.
- Become aware of the Integral Risk Management from the reports delivered by the Responsible of Risk Management.
- Ensure oversight of the functions to be performed by the Responsible of the Risk Function.

## Responsible for the Risk Function

The responsible for the Risk function is the facilitator and direct collaborator in the implementation and operation of the Integrated Risk Management process, as well as in its continuous improvement.



The main responsibilities are:

- Define an annual planning of the activities to be carried out as part of the Integral Risk Management process at Empresas Copec S.A.
- Facilitate, train and methodologically support the implementation and operation of the Integral Risk Management process in the different units and areas of Empresas Copec S.A.
- Develop and implement programs for the dissemination of Integral Risk Management.
- Actively monitor the risk profile of Empresas Copec S.A. regarding its risk tolerance, strategy and resources.
- Follow up on the action plans committed to by the Risk Managers.
- Record the main events materialized and report them based on their criticality.
- Prepare the reports regarding the Integral Risk Management of Empresas Copec S.A.
- Report semiannually to the Committee of Directors and the Board of Directors on the progress of the risk plan and new risks identified, among other matters related to Integral Risk Management.

## Risk Managers

The Risk Manager is in charge of one or more processes within the Company and has direct responsibility for Integral Risk Management. The function is to manage risks, identify them and ensure proper risk management (identify controls, self-assess and propose and implement action plans). In addition, it must be in permanent coordination with the responsible of the risk function.

The main responsibilities are:

- Comply with the policy and general guidelines of Integral Risk Management.
- Identify, evaluate, analyze and monitor the risks of the processes under his/her responsibility.
- Report the risks under his/her responsibility, or any changes in them, to the responsible of the Risk Management Function.
- Report to the responsible of the Risk Management Function the incidents materialized in the processes under his/her responsibility.
- Determine and implement a treatment to the risks whose handling is necessary, depending on their evaluation.
- Review, at least annually, the documentation of steps, risks and controls associated with the processes under his/her responsibility and update it as appropriate.
- Ensure proper operation of the existing controls under his/her responsibility.

### Responsible for the Internal Audit Function

The role of the responsible of the Internal Audit Function is to independently evaluate the model and/or process of Integral Risk Management, as well as to propose improvements if applicable.

The main responsibilities are:

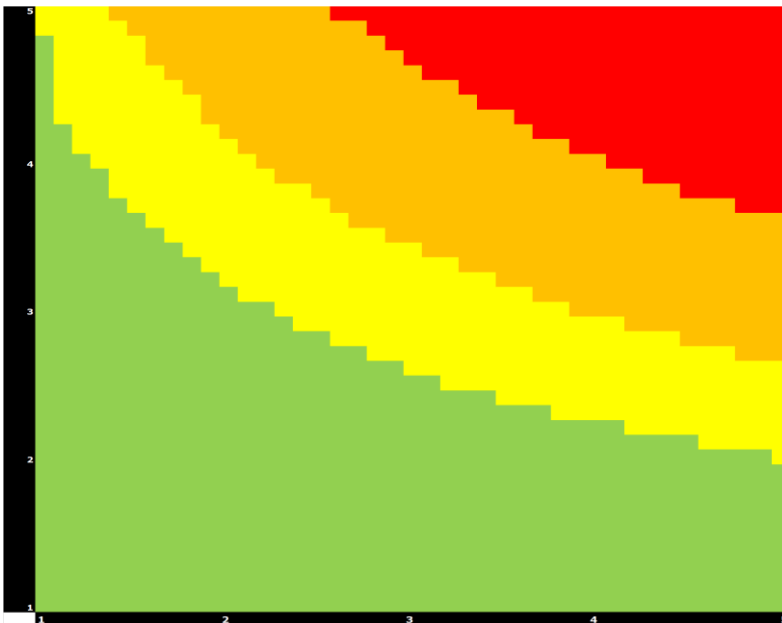
- Periodically evaluate the Integral Risk Management model and/or process.
- Evaluate the operational effectiveness of the identified controls.
- Propose improvements to identified control weaknesses and/or to the Integral Risk Management model/process, if applicable.

## 6. RISK TOLERANCE

Risk tolerance is the amount of risk that Empresas Copec S.A. is willing to accept in order to fulfill its mission, achieve its objectives and preserve and create value in line with its strategy.

It is important for the Company to manage its risks within the impact and probability limits set.

The criteria for defining probability may be statistical, based on the experience and/or knowledge of management personnel on the subject, or determined by simulation or other techniques.



Based on the severity or residual exposure level of each of the risks, based on their position in the previous map, the following levels and actions to be taken are established:

## High Level

Risks whose residual level is located in the red zone, that is, an area of high exposure. These risks will be presented to the Board of Directors, which, at the proposal of Senior Management (CEO and/or Managers), assisted by the Risk Management Function, will analyze and determine the mitigating actions, treatment and evaluations to be carried out.

## Medium High Level

Risks whose residual level is located in the orange zone, that is, in the area that normally corresponds to the maximum amount of uncertainty that the Company can withstand, putting at risk the fulfillment of some of its strategic objectives. For these risks, the Senior Management (CEO and/or Managers), assisted by the Risk Management Function, will analyze them and take the mitigating actions or treatments for risk management, as well as accept the risk.

## Medium Level

Risks whose residual level is located in the yellow zone, that is, in the tolerance area that normally corresponds to the level of exposure within the acceptable limit, and which can be assumed by the Company without compromising its strategic objectives. For these risks, the Risk Manager, that is, the Manager, Deputy Manager, head or other person responsible for its management, assisted by the responsible of the Risk Function, is the one who will take mitigating actions or treatments to be implemented, as well as may accept the risk.

## Low Level

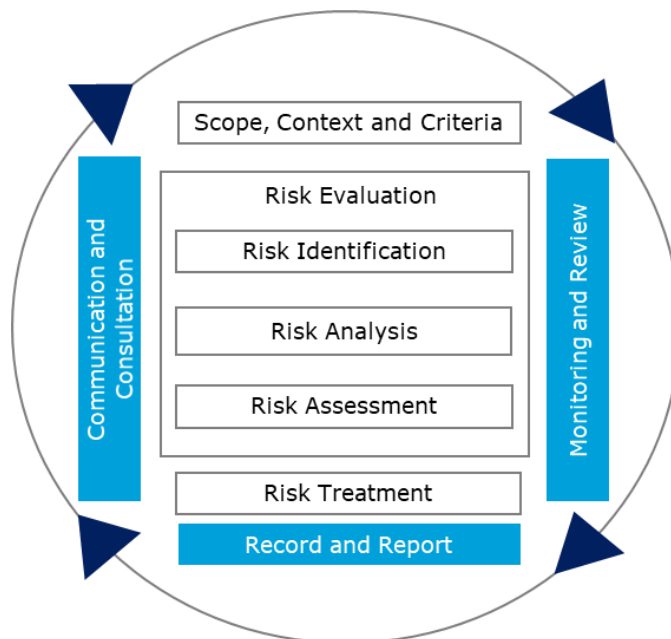
Risks whose residual level is located in the green zone, that is, in the tolerance area corresponding to low levels.

For these risks, the corresponding Risk Managers will confirm whether it is acceptable, evaluate the re-direction of resources from current controls and carry out annual evaluations and monitoring of these risks.

The development and establishment of an effective risk tolerance will be an evolutionary process that will require continuous dialogue within the Company to achieve adherence of all its members.

## 7. INTEGRAL RISK MANAGEMENT PROCESS

Empresas Copec S.A. has adopted the following risk management methodology, based on the ISO 31000:2018 standard.



Empresas Copec S.A.'s risk management methodology considers the following stages:

- I. Scope, context and criteria
- II. Risk evaluation
  1. Risk identification
  2. Risk analysis
  3. Risk assessment
- III. Risk treatment
- IV. Monitoring and review
- V. Communication and consultation
- VI. Record and report

## 8. INTEGRAL RISK MANAGEMENT MODEL

The model includes a set of concepts, definitions, tools and processes through which business process risks are identified, categorized and evaluated; the necessary control actions for their mitigation are defined; their application is monitored, and the results are reported to the Company's Board of Directors.

## 9. DEFINITIONS

### Risk

It is the effect of uncertainty on the achievement of objectives (ISO 31000:2018). It is the possibility that events will occur and affect the achievement of business strategy and objectives (COSO ERM).

### Risk Categories

**Strategic:** Correspond to risks that directly affect the achievement of the Company's strategy, which may affect one or several of its pillars.

**Compliance:** Correspond to risks that are caused by non-compliance with regulations, laws or other legal bodies to which the organization is exposed.

**Financial:** Correspond to risks that result in financial or economic losses, or a decrease in the organization's equity value.

**Operational:** Correspond to risks that affect the continuity of the organization's processes or affect them.

### Types of Risks

**Inherent Risk:** Any activity, just by the fact of being performed, has an implicit risk associated with it, that is, before applying controls. It is also called pure risk.

**Residual Risk:** The application of controls is intended to mitigate the identified risks, which may be eliminated or may continue to exist with a lesser effect on the organization. This is called residual risk. In this case, the result of the controls must

be reflected in a lower probability of occurrence, in a lower impact or in both effects at the same time.

## Risk Management

The culture, capabilities and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving and realizing value (COSO ERM).

## Risk management process

Systematic application of policies, procedures and management practices to risk communication, consultation, context-setting, identification, analysis, evaluation, assessment, treatment, monitoring and review activities.

## Processes

The development of the usual tasks and are managed by the administration.

## Event

Occurrence or change in a particular set of circumstances.

## Impact

Negative consequences faced by an organization upon the occurrence of an event.

## Probability

Possibility of something happening.

## Control

Action that seeks to reduce the probability of occurrence or impact of a risk.

## Risk Tolerance

The risk exposure that the organization is willing to accept in order to fulfill its mission, achieve its objectives and preserve and create value in line with its

strategy. Based on it, action plans can be designed to prevent, detect and/or mitigate risks.

## 10. APPROVAL AND AMENDMENT

This Policy was approved by the Company's Board of Directors at a meeting held on December 21, 2017, and amended at a meeting held on March 27, 2022. In the event of amendments, the date of the meeting of the Company's Board of Directors at which the amendment in question was approved shall be included in this section.

## 11. VALIDITY

This Policy, which is effective as of March 27, 2022, replaces the previous one that was in effect since December 2017, and will be in effect indefinitely as long as the Company's Board of Directors does not adopt another resolution in this regard.

## 12. DISSEMINATION MECHANISMS

The full and updated text of this Policy will be made and maintained available on the Company's website ([www.empresascopec.cl](http://www.empresascopec.cl)).



### 13. ANNEXES

#### ANNEX No. 1: RISK QUANTIFICATION CRITERIA Impact / Consequence

Impact / Consequence						
If there is more than one type of loss, use the most severe consequence						
Type of Loss (There may be more than 1 type of loss). Identify and measure impact of each.	Type of risks to which the criterion applies	1 Insignificant	2 Minor	3 Moderate	4 High	5 Catastrophic
Personal injury Safety / Health	All types of risks	Case requires first aid / Minor health exposure.	Case requires medical treatment / Major health exposure.	Case resulting in Lost Time / Reversible type health impact.	Case resulting in 1 fatality or loss in quality of life / Irreversible impact on health.	Case resulting in multiple fatalities / Health impact with fatal outcomes.
Environment Environmental Impact	All types of risks	Minor environmental damage - Remediabile within 6 months.	Material environmental damage - Incident remediabile in the short term (6 months - 1 year).	Severe environmental damage - Incident remediabile within 1 to 3 years.	Major environmental damage - Incident remediabile in more than 3 years.	Extreme environmental damage. An incident of a magnitude that could be irremediabile or irreversible.
Operational Disruption / Material / Financial Damage and other associated losses	Strategic Risks, Process Risks: Consolidation of Financial Statements, Development	Economic losses less than US\$ 100,000	Economic losses from US\$ 100,000 to MMUS\$ 1	Economic losses from MMUS\$ 1 to MMUS\$ 10	Economic losses from MMUS\$ 10 to MMUS\$ 100	Economic losses over MMUS\$ 100
Operational Disruption / Material / Financial Damage Other Damages	All other risks other than the above	Economic losses less than US\$ 50,000	Economic losses from US\$ 50,000 to US\$ 100,000	Economic losses from US\$ 100,000 to MMUS\$ 1	Economic losses from MMUS\$ 1 to MMUS\$ 10	Economic losses over MMUS\$ 10
Legal and / or Regulatory Legal / Regulatory	All types of risks	Negligible legal or regulatory issue. Report to authority / Possibility of prosecution and/or penalty.	Minor legal issue / Failure to comply with regulations or violation of the law. Report to authority / Possibility of prosecution and/or penalty.	Significant violation of the Law / investigation / report to authority, possibility of prosecution and/or moderate penalty. Partial loss of tax benefits or outright prohibition to receive tax benefits for a specified period.	Serious violation of the Law, prosecutions and major penalties. Prohibition of the State to contract services from the company. Total loss of tax benefits or outright prohibition to receive them for a certain period of time. Possibility of prosecution and/or major penalty.	Substantial penalties and prosecutions. Dissolution/Cancellation of legal personality.
Reputation, Social, Communities	All types of risks	Minor impact public attention, but no concern.	Limited impact public concern about the case.	Considerable impact regional concern about the situation.	National Impact national concern about the situation.	International Impact international public attention.

## Probability of Occurrence

Probability	
Level of Estimation	Definition parameters
5 - Almost Certain	The event will happen within 10 years. Probability of 90% to 100%.
4 - Expected	The event is expected to occur within 10 years. Probability of 50% to 90%.
3 - Probable	The event is likely to occur within 10 years. Probability of 20% to 50%.
2 - Improbable	The event may occur sometime within 10 years. Probability of 10% to 20%.
1 - Remote	The event may occur under exceptional circumstances within 10 years. Probability less than 10%.