

Risk Management at Empresas Carozzi

At Carozzi we have implemented a methodology for the continuous management of our risks. Annually we prioritize risks according to a comparative analysis with those that emerge both in the industry and in the world, plus our internal and local perception. This activity is carried out by the executives of all business lines and results in a work plan that is approved and monitored by the Sustainability and Risk Committee, which reports its progress to the Board of Directors.

External Consultant Advisory:

A diagnosis was carried out in collaboration with the company NEXT Consultores, with the purpose of evaluating our Risk Management Model:

- The analysis was carried out by an expert third party, following best practices and considering ISO 31000 and COSO ERM standards.
- The methodology employed included document review, analysis of management tools and interviews.
- Five key components of the Risk Management Model were evaluated: Governance and Structure, Culture and Awareness, Policies and Procedures, Risk Management Tools and Measurement, and Risk Appetite.

Based on the results of this assessment, a work plan was designed to address the main gaps in the search for continuous improvement and strengthening of the risk management model.

Risk Management Culture and Awareness:

Promoting a risk management culture in organizations is essential according to the COSO ERM and ISO 31000 frameworks because it directly influences the organization's ability to identify, assess and manage risks effectively, which strengthens resilience and the achievement of strategic objectives.

In this context, a cross-cutting training plan was designed for the entire organization, using various communication channels, such as internal communications, the My Carozzi App, the internal magazine, e-learning and lectures. The process began with the sending of a series of internal mailings, and during 2025 we will move forward with the implementation of the rest of the planned initiatives.

Emerging Risks

As part of our risk management process, we are alert to emerging risks that could have a significant impact on the business in the future. We consider those that may arise from regulatory, environmental, social and economic changes, among other factors.

Environmental Damages under Chile's Economic Crimes Law

In 2024, Chile introduced the Economic Crimes Law, establishing a stringent regulatory framework to address economic crimes, including environmental damages. These are now classified as serious economic crimes, carrying severe penalties for both legal entities and individuals.

Penalties for Legal Entities

Organizations found responsible for environmental damages may face:

- Extinction of the legal entity.
- Disqualification from contracting with the State.
- Loss of tax benefits.
- Fines based on the company's income (fine days).
- Confiscation of profits.

Penalties for Individuals

Natural persons may face prison sentences of **3 years and 1 day to 10 years** in severe cases.

Business Implications

Significant environmental damage can lead to the suspension of business activities, resulting in:

- **Production Interruptions:** Temporary closures of critical facilities, such as processing plants.
- **Revenue Loss:** Inability to meet market demand, directly impacting sales.
- **Reputation Damage:** Loss of consumer trust and stakeholder confidence, affecting customer loyalty and future growth.

Controls for Environmental Damages

Main controls for environmental damages in Carozzi include:

- **Emissions:**
 - Annual measurements for stationary sources (boilers, furnaces, dust collectors).
 - Preventive maintenance plans for boilers, furnaces, and dryers.

- **Wastewater:**
 - Monitoring physical-chemical parameters and discharge flow.
- **Groundwater Extraction:**
 - Monthly measurement of water table and flow parameters.
 - Preventive maintenance plans for well extraction systems, pumps, and meters.

Health and safety

In February 2025, **Decree Law No. 44** will come into force, introducing a stricter regulatory framework in Chile to enhance occupational health and safety. This law imposes greater responsibilities on companies to safeguard their workers and third parties involved in their operations.

The decree emphasizes the **prevention of occupational risks**, with significant consequences for non-compliance. These include fines issued by the Labor Directorate and administrative sanctions through the Regional Ministerial Health Secretariat. In the event of serious workplace accidents, operations at the site may be suspended, potentially causing prolonged delays and leading to substantial operational, financial, and reputational impacts.

Decree No. 44 mandates the implementation of a **comprehensive occupational risk prevention management system**. Key requirements include:

- Developing and maintaining a **risk detection and evaluation matrix**, which must be updated at least annually.
- Implementing a **preventive work program** that incorporates measures to control and mitigate identified risks.

The decree also places greater emphasis on the **education and training** of workers. Employers must conduct training sessions at least every two years, ensuring records of these sessions are properly maintained.

To facilitate compliance, the law requires companies to record and document all occupational risk management activities, preferably in electronic format. As part of its compliance efforts, the organization has standardized the use of **Hazard Identification and Risk Evaluation Matrices (MIPER)** to ensure consistency. Additionally, the company transitioned its safety mutual insurance provider to ACHS, which offers a digital platform that enhances control and oversight of occupational health and safety practices.