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Risk Management and Control Policy

MASORANGE Group

(This document has been translated from the current valid Spanish version for informational purposes only. If in doubt, please refer to the Spanish version)

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1.0	27/06/2024	*Initial Release*

Reference to other documents

1. Statutes and By-Laws of the Board
2. Code of Ethics
3. Internal Control Policy
4. Structure and functioning of the Risk Committee (CR)
5. Risk Assessment Matrix: Probability and Impact Scales
6. MASORANGE Risk Management Glossary

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1. Introduction

The Board of Directors of MASORANGE, S.L. (hereinafter, the "Group" or "MASORANGE"), in accordance with the provisions of the Spanish Capital Companies Act[1], is responsible for determining the Risk Management and Control Policy.

Risk management provides added value to the organization by providing specific responses to mitigate or avoid the risk, and where appropriate, transferring or accepting the risk to a third party. This policy is based on a series of specific principles, which are derived from experience, best practices and recommendations of Good Corporate Governance, and contribute to the objective of continuous improvement in business performance.

1.1 Objective

The main objective of this document is to define the Group's Risk Management and Control Policy, establishing the principles and guidelines that ensure that the risks that could affect the Group's strategies and obligations are at all times defined, identified by category, quantified, communicated and, as far as possible, controlled within the risk appetite defined by the Board of Directors for the Group.

MASORANGE's Risk Management and Control Policy is part of the methodology developed to address the various operational, legal, financial and non-financial risks faced by the Group and is based on an organization and procedures put in place by the Executive Committee, Senior Management and employees with the aim of providing reasonable assurance that MASORANGE will meet its strategic and operational objectives, in accordance with current laws and regulations, and publish reliable financial and non-financial information.

1.1 Scope of application

The Risk Management and Control Policy is applicable to all the persons who make up MASORANGE, S.L. and all the legal entities that make up its Business Group, as well as the investee companies that are not part of the Group over which it has effective control.

It is the responsibility of each company, management or department to adopt this policy, taking care to respect its principles, and to disseminate a management culture with all its employees that takes into account the risks of the organization.

1.1 Regulatory framework of reference

MASORANGE's Risk Management and Control model is based on international standards such as **COSO** (*Committee of Sponsoring Organizations*, of the Treadway Commission) and the **ISO 31000** standard, which facilitate and serve as a reference in the company for the establishment of risk management and control policies and methodologies.

[1] Ley de Sociedades de Capital

2. Definition of risk

As a result of the activities carried out by the Group, there are risks inherent to the environment, regulatory framework and operations that need to be identified and controlled through the risk management systems established by the company.

MASORANGE understands that a risk is a potential event whose consequences, if it were to occur, would prevent MASORANGE or one of its entities from carrying out its mission, fulfilling its commitments, achieving its objectives or could affect the people, property, environment or reputation of the entity. Risk can be measured in terms of impact and probability. An event can be internal or external, it can be an action, a changing situation, or a natural phenomenon.

The risk categories to which the Group is generally subject are:

- STRATEGIC RISKS: probability of occurrence of an event that has negative consequences on the Group's strategy. Specifically, MASORANGE understands that these are risks related to the business model and its governance, resilience, communication and branding, mergers and acquisitions, innovation and transformation, the socio-political, technological and macroeconomic context, resource planning and allocation, and environmental and climate risks.
- FINANCIAL AND REPORTING RISKS: probability of occurrence of an event that has negative financial consequences for the Group. Specifically, MASORANGE understands that these are risks related to the information reported, the market, the exchange rate, the interest rate, liquidity, taxation, indebtedness, solvency and credit.
- OPERATIONAL RISKS: probability of the occurrence of an event related to the Group's operations that has negative consequences (economic, reputational, organizational, etc.). Specifically, MASORANGE understands that these are risks related to external threats, commercial, logistical, organizational, security, network infrastructure, and those related to third-party systems and technological risks.
- REGULATORY AND COMPLIANCE RISKS: probability of occurrence of an event related to non-compliance with the law, regulations and the Code of Ethics that may negatively affect the Group, either from an economic or reputational point of view. Specifically, MASORANGE understands that these are risks associated with contracts, the legislation and regulations of the sectors in which the Group operates (including the legislation applying to both mother companies, if applicable), litigation, the criminal risk prevention model and the protection of personal data.

3. Risk appetite

MASORANGE's Risk Management and Control model will seek to achieve the acceptable level of risk established at corporate level. This acceptable level of risk is the risk appetite or tolerance and represents the nature and amount of risk that MASORANGE is willing to accept in the pursuit of its strategic objectives. Determining this tolerance will facilitate the

balance between business development and potential risk management without compromising its strategic objectives.

Risk appetite is formalized in a Risk Appetite Statement (RAS), which will be reviewed annually to ensure that it remains in line with the Group's strategic objectives and risk-taking philosophy. The appetite will also be reviewed in the event of a significant change in the organization, including, but not limited to, changes in the Group's strategy or values, significant changes in the external and/or competitive context, or if crisis management situations are triggered.

In general, the RAS articulates the acceptable level of risk through the use of appetite scales in the different risks or risk categories, defining the acceptable appetite in qualitative or (semi-)quantitative terms. Non-tolerable risks for the organization are those risks that exceed the risk appetite defined for the Group or, failing that, those that are in areas of **high** or **very high** risk, and against which mitigation measures must be taken.

The company upholds the principle of "**zero tolerance**" for the risk of corruption and, in general, of the commission of any type of crime in the activities carried out throughout MASORANGE (both within the company and by third parties).

4. Principles

MASORANGE's risk management principles are as follows:

1. Respect the internal regulations, the MASORANGE Code of Ethics and other current legislation or standards that the company must comply with.
2. Ensure that the Group's strategy takes risks into account in order to achieve long-term objectives, provide the highest level of assurance to shareholders and other stakeholders, and protect the Group's results and reputation.
3. Establish an appropriate organizational structure that ensures the effective application of the Risk Management and Control Model, assigning the necessary financial, human and technical resources, which, regardless of their functional dependency, act with capacity and objectivity, reporting periodically to the administrative bodies at the established periodicity.
4. Develop and establish appropriate policies and procedures for the management and control of the different risks that impact the Group.
5. Establish appropriate mitigation measures to keep risk within the appetite thresholds defined by the company.
6. Apply the principle of transparency on the risks to which the company is exposed and on the risk management and control process and its results.
7. Encourage the development of a risk culture and the involvement of employees in this regard, through the establishment of awareness-raising and training practices for stakeholders.

8. Application of the principle of continuous improvement on the Risk Management and Control framework, ensuring its adequate effectiveness and functioning through periodic reviews.

5. Risk Management and Control Model

The Risk Management and Control Policy and its principles are materialized through an Integrated Risk Management and Control System (IRMCS), based on the COSO (*Committee of Sponsoring Organizations of the Tradeway Commission's*) model, which improves the organization's ability to manage uncertainty scenarios and can be summarized in a process that consists of the following five phases:

5.1 Identification of risks in line with the Group's strategies

Identification of the risk universe (Risk Map): the Group's risk management and control model is based on the periodic review and updating of the company's risk map, which has been designed in line with the Group's strategies.

On an annual basis, an exercise is carried out to update and review the company's risks, which may include:

- Top-down exercise: risk review with management
- Bottom-up exercise: review of risks with operational areas

The Directors responsible for risk assessment and management are also responsible for identifying and escalating new and emerging circumstances that may jeopardize the company's strategy. This detection of new risks may be the result of individual meetings with different Directors or by detection of risks at different times.

5.2 Risk assessment and quantification

Once the risks have been identified, the Directors responsible for risks at MASORANGE evaluate them according to their impact and probability of occurrence according to the implemented methodology and the valuation matrix approved for MASORANGE[2], considering the controls implemented and their monitoring, in order to determine inherent and residual risk assessments. Quantitative variables are used in risk assessment (e.g. economic impact, impact on valuations, etc.); semi-quantitative variables (e.g. impact on strategic objectives); and qualitative variables (e.g. impact on the company's internal operations, reputational impact, etc.).

5.3 Design and implementation of the risk management system (RMS)

Once the risks faced by the company have been identified, analyzed and evaluated, the 4 T's rule is applied so that the Management can select the option best suited to the risk and context of the company, considering the residual risk and risk tolerance levels:

[2] See Reference to other documents: Risk Assessment Matrix: Probability and Impact Scales

- **Treat** the risk with the resources available in the company, to reduce its probability and/or impact. The Risk owners at MASORANGE will review the existing or to be implemented action plans to manage them, including the action plan owners and dates for their completion.
- **Tolerate** the risk as it is if it is deemed acceptable. In this case, no action is required to reduce the risk, other than regular monitoring.
- **Transfer** the risk to a third party (bank, supplier, stakeholder, etc.) in case it is not considered acceptable to the organization itself.
- **Terminate** the action that generates the risk (sale of a subsidiary, termination of the sale of a product, etc.) if it can neither be treated, tolerated, or transferred.

5.4 Periodic monitoring/updating of the Risk Map

Once the risks are detected, assessed and addressed, Risk Management monitors them through risk maps, indicators and meetings with stakeholders to ensure that the risk is up to date and that the action plans and controls implemented are in line with contextual requirements.

The risk map is the document that formalizes the risk analysis, placing them on the risk map based on the axes of impact and probability. It includes:

- Risk details and/or risk sheets, including the assessment and main management measures that are in place or planned;
- Categories or clusters that group risks of a similar nature;
- A general graphical representation (heat map) of the risks and/or categories/clusters.

The most relevant risks, the different risk maps, as well as the main risk management and internal control measures, are reviewed periodically by the Risk Committee (details in section 6.3)

5.5 Report to the Audit and Risk Committee / Board of Directors.

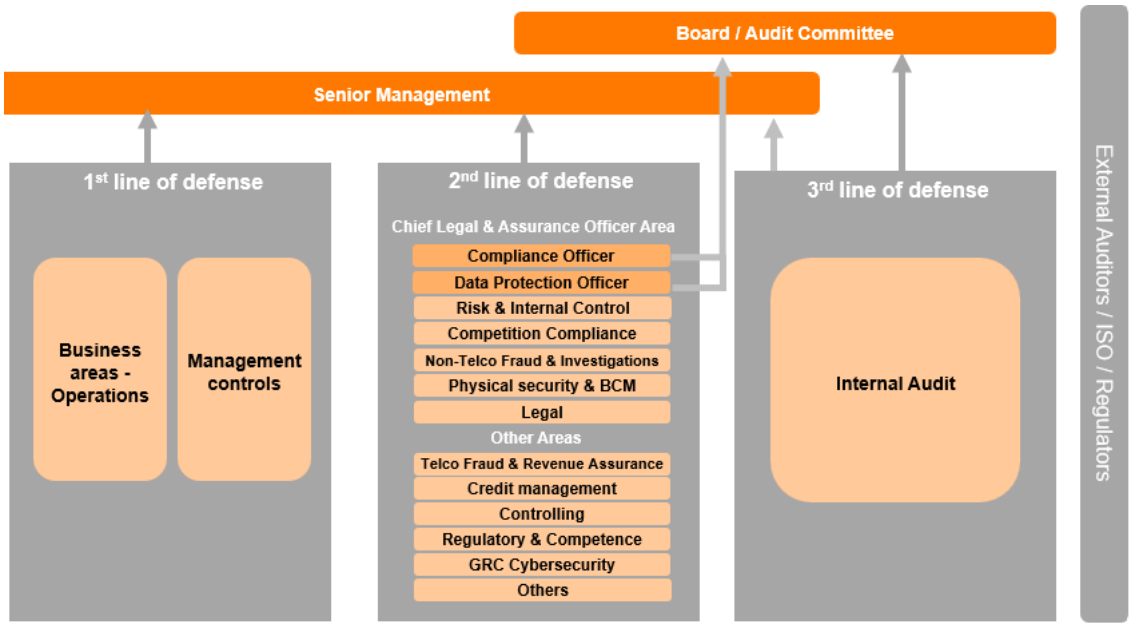
As the Group's business environment is complex and changing, it is necessary to ensure that the risk situation is regularly assessed and updated. The Risk Management and Control Model ensures the flow of information and reporting on corporate risks to the bodies in charge of their control at MASORANGE: the Audit and Risk Committee, and the Board of Directors.

Risk Management prepares the necessary documentation so that the bodies in charge of risk control at MASORANGE are adequately informed according to their needs of the situation of corporate risks, including the Group's Risk Map and treatment plans.

6. Organization & Responsibilities

6.1 Three-line model

MASORANGE's Risk Management and Control model is organized into three lines of defense:



First line of defense: Operational areas and process owners are responsible for:

- Promote an environment that facilitates the identification of activities or events that may result in the materialization of a potential risk and its main characteristics (impact, probability, etc.).
- Develop activities and mechanisms for the control and mitigation of identified risks.
- Have the appropriate tools in place to track and monitor the risks identified.
- Establish communication mechanisms with senior management and the second line of defense.

Second line of defense: the role of the different participants in the second line of defense, in their respective specialties and areas, consists of:

- Establish the policy and regulatory framework for risk management and control in the organization.
- Monitor and ensure the correct management and control of risks in the different operational areas.
- Promote a culture of risk in the organization.
- Report to senior management on the status of the different risks identified by the company.

Third line of defense: The role of Internal Audit is to ensure that the first two lines of defense function properly through the periodic evaluation of policies, methodologies and procedures and their implementation.

6.2 Roles & Responsibilities

The joint and coordinated risk management at MASORANGE include the following roles:

Board of Directors / Audit and Risk Committee

In accordance with current commercial regulations, the determination of the Risk Management and Control Policy is the responsibility of the Group's Board of Directors as a non-delegable power.

Management

Management must take and control the risks necessary to implement its strategy and conduct its activities. Management is responsible for identifying, managing, and controlling risks to itself and all its stakeholders, whether internal or external. It must ensure the correct application of the risk management methodology established by MASORANGE and a risk-focused corporate culture. If required, it can create, lead, or delegate to a risk committee to supervise management of the entity's risks.

Risk Management Function

At MASORANGE, the risk management function is located in the Legal and Assurance area, in the Internal Control, Risk and Compliance department, and involves different areas of the organization in risk management, in a coordinated manner and under the supervision of MASORANGE's governing bodies.

Risk Management ensures the correct implementation of MASORANGE's risk management methodology. Its main functions are as follows:

- Coordinate the identification and assessment of the entity's risks in collaboration with the general management and the relevant operational departments.
- Supervise the deployment of measures and actions to prevent and control risks, in collaboration with the corresponding operational managers and the Internal Control function.
- Update the identification and assessment of risks at least once a year, through risk mapping according to the MASORANGE methodology.
- Collect relevant events and report periodically or upon request to Management / Audit and Risk Committee.
- Support Risk Owners in the development of their functions
- Promote training to the organization in relation to risk management.
- Take into account the findings of Internal Audit in their work. Collaborate with the Internal Audit team to establish the annual audit program.

Risk Owner

Person responsible for monitoring and managing risk. At MASORANGE it is usually a Director or N2. The roles of the Risk Owner (RO) include:

- For each identified risk: review the effectiveness of established procedures and controls, collect indicators or foster new ones, analyze the causes and consequences of the risks, reassess the probability of the risk and its potential impacts based on the level of control and in accordance with the current risk assessment matrix.
- For each risk identified as out of control/tolerance thresholds: propose and implement Action Plans to strengthen the level of control/mitigate the risk, follow up on the action plans and evaluate their effectiveness once implemented.
- Identify regulatory, technological, operational, or any other changes that affect the risk context and may pose new risks to be considered.
- Direct communication with the Risk Manager in all matters related to the risks under his/her supervision.
- Promote a GRC[3] culture at MASORANGE.

6.3 Governing bodies

- **Audit and Risk Committee**: in its advisory and reporting role, it assists the Board of Directors with respect to its oversight of compliance with risk management and internal control policies and procedures at MASORANGE, business risks, both financial and non-financial, sustainability issues including environmental, social and governance (ESG), affecting the Group's business model and strategy. It also assists the Board of Directors in monitoring the efficiency of the Integrated Risk Management and Control System (IRMCS). It reviews the Group's risk appetite as prepared by management and monitors emerging risks and changes in the Group's risk appetite.
- **Risk Committee**: its function is to coordinate the policies and actions of the different areas involved in risk management and control (Second Lines of Defense). It carries out review activities in the application of essential elements of risk management (prioritization of main risks, risk appetite, risk methodology, risk assessment matrix, etc.), as well as informative meetings and monitoring of the evolution of the main risks, their controls, action plans and indicators. In addition, it can raise issues for the CEO/Executive Commitee for its attention or suggestions in order to improve risk management or internal controls (See in the section on referenced documents: Structure and functioning of the Risk Committee (CR).
- **Ethics and Compliance Committee**: acts as the body that drives and promotes the transmission of MASORANGE's Code of Ethics and Anti-Corruption Policy to employees, suppliers, customers and shareholders.
- **Information Security Committee**: is responsible for ensuring compliance with MASORANGE's information security policies, standards, procedures and practices,

[3] Governance, Risk and Compliance

as well as applicable laws and regulations on information security and data protection.

- **Privacy Committee**. It assumes the functions of supervising compliance with the organization's existing personal data protection management system, including the monitoring of privacy incidents, the management of detected security breaches, the analysis and resolution of customer complaints, and the proposal of implementation actions and investments.

7. Glossary of terms

MASORANGE has a Risk Management Glossary (see list of referenced documents) in which the terms and acronyms used in this document are described.