

Comprehensive risk management

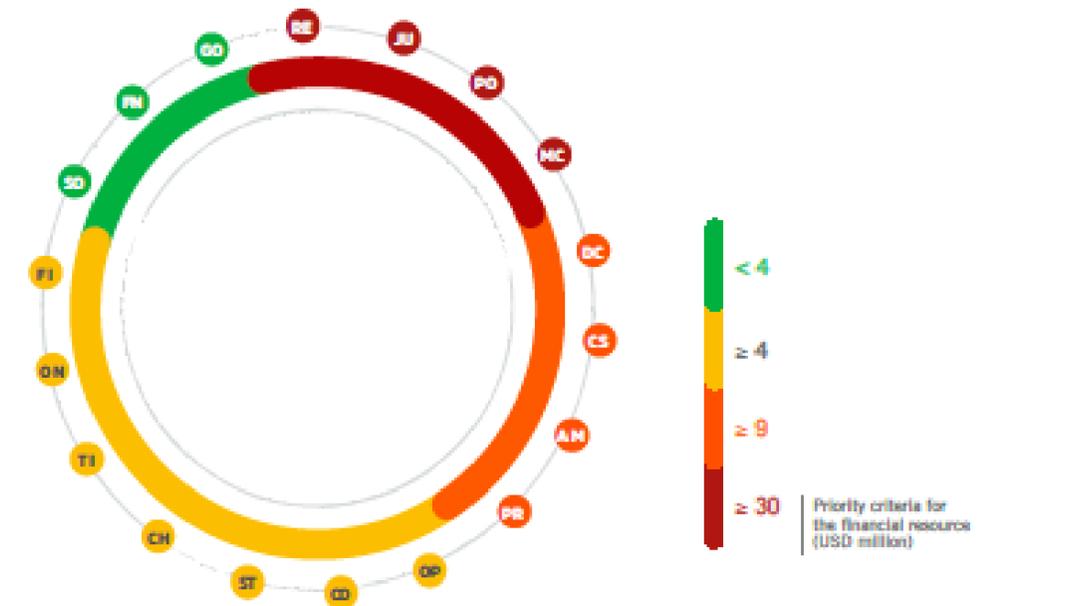
The Board of Directors regularly monitors relevant risks across the organization through the Governance, Sustainability, and Risk Committee. Also, every year, it reviews and approves criteria for prioritizing risks, establishing the Group's appetite and tolerance for business and operations.

ISA and its companies' Comprehensive Risk Management (GIR) seeks to preserve the integrity of corporate resources and the continuity and sustainability of business units. For this purpose, ISA and its companies systematically identify, analyze, evaluate, monitor, and communicate risks to which companies are exposed to minimize impacts on financial and reputation resources and to benefit from opportunities that may come from them. Each affiliate of the group applies the risk cycle and then generates a map that includes identification, assessment, and administration measures. This information is updated and consolidated on a quarterly basis.

During the period, the company made some adjustments like updating the risk dimensions and categories, and criteria for prioritizing risks in ISA (based on the concepts of appetite and risk tolerance). Also, organizational adjustments to strengthen risk management were approved. At the end of the period, the consolidated risk map for ISA and its companies showed the following scenario in its 18 risk categories:

RISK MAP OF ISA AND ITS COMPANIES

The Board of Directors and the Senior Management are strongly committed to risk management.



ECONOMIC

- RE Regulatory
- JU Legal
- PO Political
- MC Market, competition, mergers, and acquisitions
- FI Market, liquidity, and credit
- GO Governance

OPERATING

- DC Project design and construction
- CS Supply chain
- OH Operation of the business
- TI Cybersecurity and information technologies
- CH Human capital and labor relations
- ST Occupational Safety and Health
- CO Compliance

SOCIO-ENVIRONMENTAL

- AM Environmental
- PR Property
- OP Public order and citizen security
- FN Natural phenomena and extreme climate changes
- SO Social

Relevant risks

Message from the CEO

ISA Group in the context of the pandemic

Company profile

Strategy

Materiality analysis

Financial results

Annexes

Relevant risks

[GRI A- RI1]

BY BUSINESS

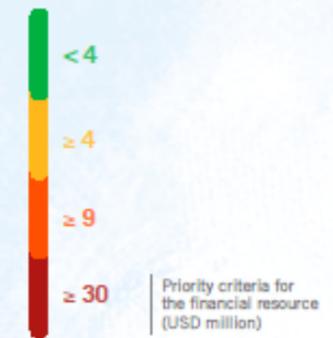
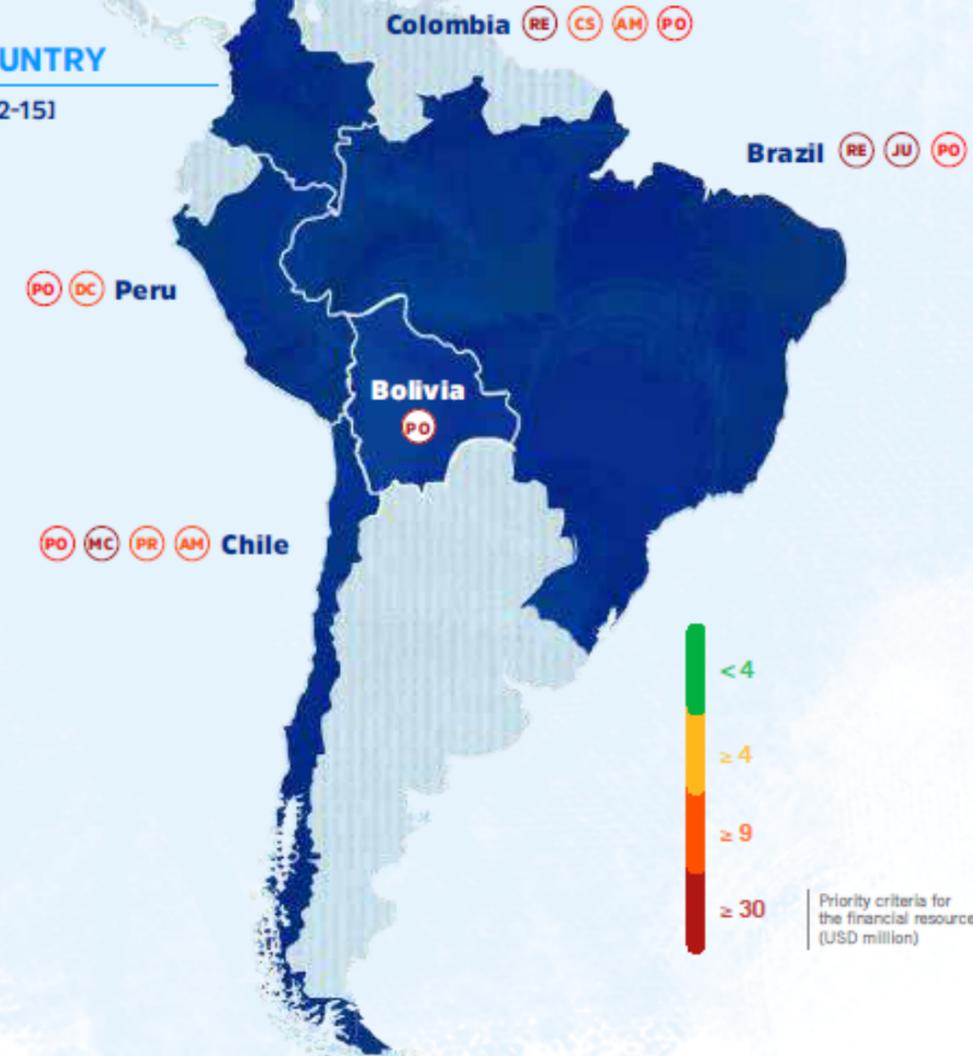
Risks

- RE Regulatory
- JU Legal
- AM Environmental
- DC Project design and construction
- CS Supply chain
- MC Market, competition, mergers, and acquisitions
- FI Market, liquidity, and credit
- FN Natural phenomena and extreme climate changes
- ON Operation of the business
- CH Human capital and work relations
- PO Political
- O Other



BY COUNTRY

[GRI 102-15]



Risk monitoring and review

At ISA and its companies, risk management is supported by processes, from where events that might affect the company's results are identified and addressed. Therefore, each person that is in charge of a process, project, asset, contract, among others, is directly responsible for proper identification, assessment, prevention, and mitigation of risks. Risk monitoring is associated with the level of responsibility along the structure of the organization, going from the layer of processes until reaching the highest levels of the companies including their boards of directors. Additionally, the audit areas, in the performance of their duties, base their work on the analysis of business risks.

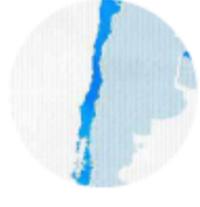
Number of risks reported in each instance: red to directors, chief officers, and area managers; yellow to general managers; orange and red to boards of directors and their equivalents.

RISK ESCALATION



Priority risks

	COUNTRY	RISK 2020	ACTIONS
REGULATORY	 Colombia	<ul style="list-style-type: none"> Change in the energy transmission remuneration scheme Uncertainty over allocation of the payment of restrictions to transporters (CREG Resolution 100 of 2019) 	<ul style="list-style-type: none"> Direct work and work through unions with the regulator, the Ministry of Mines and Energy, and the Ministry of Finance. Comprehensive technical, regulatory, legal, and financial analyses of the regulator's proposals Support during asset management to make decisions based on cost, risk, and performance criteria when defining procurement plans Work through different sectoral entities such as the National Association of Public Utilities and Communications (ANDESCO) and the National Council of Operation (CNO): <ul style="list-style-type: none"> Comments and counterproposals to the regulator Technical, regulatory, and legal analyses to define the proposal to be submitted to the regulator Efforts with the Government to communicate comments and counter-proposals Support asset management decisions on maintenance strategies and plans
LEGAL	 Brazil	<ul style="list-style-type: none"> Tax events and pension liability at ISA CTEEP 	<ul style="list-style-type: none"> Submission of relevant appeals to the regulatory authorities Handing over documentation and backups Work on unions Judicial and extrajudicial proceedings Management of collections and ongoing monitoring of process evolution Availability of a dedicated legal team

	COUNTRY	RISK 2020	ACTIONS
LEGAL	 Brazil	<ul style="list-style-type: none"> Uncertainty over receiving the total or partial value of the remuneration from the Basic Network of the Existing System (RBSE) at ISA CTEEP 	<ul style="list-style-type: none"> Permanent work with the Ministry of Mines and Energy, the Ministerio da Fazenda, the National Energy Agency (ANEEL), and the Tribunal de Contas da União (TCU) Submission of proposals and judicial management through Associação Brasileira das Empresas de Transmissão de Energia (ABRATE), in collective and individual actions Joint work with the relevant entities, providing technical-legal arguments
MARKET, COMPETITION, MERGERS, AND ACQUISITIONS	 Chile	<ul style="list-style-type: none"> Uncertainty over renewal or substitution of road concessions maturing before 2030 due to political and market situations, among others 	<ul style="list-style-type: none"> Consolidation of synergies Assessment of strategic alliance Development of private initiatives Engagement in brownfield and greenfield projects
POLITICAL	 Colombia, Peru, Brazil, Chile, Bolivia	<ul style="list-style-type: none"> Instability of governments, economies, and institutions 	<ul style="list-style-type: none"> Management through unions Close monitoring of the regulatory agenda Follow-up, management, and response to tax changes Actions aimed at obtaining a social license to operate in the long term

MATERIALIZED RISKS

- Decrease in the Allowed Annual Revenue (Receta/ Ingreso Anual Permitido -RAP-) with respect to the efficient operating cost due to abrupt changes in the calculation methodology in Brazil
- Higher value of the asset associated with the Coya-Yana project in Peru due to social, environmental, and contractual restrictions, and of the Cardones-Polpaico project in Chile due to environmental restrictions
- Losing in the rebidding process for the Talca-Chillán road concession, Chile
- Ruling in favor of Toshiba in an arbitration proceeding related to the Madeira project in Brazil

EMERGING RISKS

To supplement the quarterly evaluation of risks that could impede it from achieving the strategy, ISA studies uncertain events —generally external and complex, with many ramifications— that might affect, besides the current strategy, future business models. In this

study, trends are monitored, and the trajectory of the main variables that could amplify them or affect the ratio between them is evaluated to redesign the business models, deviate the strategy to prepare against negative impacts, or turn them into new opportunities.



- 1 Instability of governments, economies, institutions, or government relations
- 2 Reconfiguration of the energy sector's value chain (energy transition)
- 3 Deep social instability in countries of interest
- 4 Legal and regulatory uncertainty and new revenue schemes
- 5 Climate turning points and catastrophic external events
- 6 Cyber-vulnerability and critical information fraud
- 7 Acceleration of new technologies (artificial intelligence, new materials, and cable free solutions and remote operating models)
- 8 Changes in user preferences or technologies that affect the use of current road infrastructure

EMERGING RISKS	DESCRIPTION	POTENTIAL IMPACTS ON THE ORGANIZATION	ACTIONS
Instability of governments, economies, institutions, or government relations	<ul style="list-style-type: none"> High uncertainty over the regional governments' ability to face political and economic challenges, accentuated by several election periods (in Peru, Colombia, and Brazil) and the constitutional process in Chile 	<ul style="list-style-type: none"> More restrictions to business development and growth, which forces to adjust the strategy Greater demands from society Increased volatility of macroeconomic variables, particularly interest rates and exchange rates 	<ul style="list-style-type: none"> Monitoring of the regional environment and adjustments to strategy Business and market (geographies) diversification Proactive relations with stakeholders and leadership in sectoral economic revival Financial hedges
Deep social instability in countries of interest	<ul style="list-style-type: none"> Social unrest and potential turmoil over economic reforms, worsened quality of life, and inequality. This is closely correlated with political and economic risks 	<ul style="list-style-type: none"> Impact on the Energy business model, on competitiveness, and current revenues More opportunities for investment and growth of the value chain 	<ul style="list-style-type: none"> Dynamization of the entry into new energy businesses (storage and distributed energy services) Development of new business models in early stages Preparation of human resources Proactive regulatory management
Reconfiguration of the energy sector's value chain (energy transition)	<ul style="list-style-type: none"> Entry of new stakeholders into the value chain as well as uncertainty over technological and regulatory developments to address the energy transition, especially batteries and distributed generation 	<ul style="list-style-type: none"> Damage to property and infrastructure Impact on service provision Acceleration of climate finance 	<ul style="list-style-type: none"> Expansion of conservation programs (Conexión Jaguar) Portfolio of forest offsets Entry into green financial markets Implementation of preventive and corrective measures due to climate variation and its impact on infrastructure
Legal and regulatory uncertainty and new revenue schemes	<ul style="list-style-type: none"> Great uncertainty over the possible recalculation of energy revenue schemes, associated with the energy transition 	<ul style="list-style-type: none"> Impact on service availability Impact on information Impact on productivity and competitiveness 	<ul style="list-style-type: none"> Protection mechanisms, cybersecurity culture, and recovery plans Monitoring and application of better practices, according to security challenges
Climate turning points and catastrophic extreme events	<ul style="list-style-type: none"> Uncertainty over extreme weather phenomena, among other causes, due to global failure to deal with global warming and pollution 	<ul style="list-style-type: none"> Decreased need for energy transmission services and decreased road traffic 	<ul style="list-style-type: none"> New energy businesses Early stage business models Innovation system evolution
Cyber-vulnerability and fraud over critical information	<ul style="list-style-type: none"> Increased activity and uncertainty over the types of attacks at a global level, accentuated by the use of technology during the pandemic 	<ul style="list-style-type: none"> Opportunity to develop new products and services 	
Acceleration of new technologies	<ul style="list-style-type: none"> Uncertainty over how quickly new technologies are being developed as well as their relationship with existing technologies and processes 		
Changes in user preferences or technologies that affect the use of current road infrastructure	<ul style="list-style-type: none"> Uncertainty over the speed of incorporating the green trend into business and correlation with social demands 		