# Strategic and Emerging Risks

## TRENDS

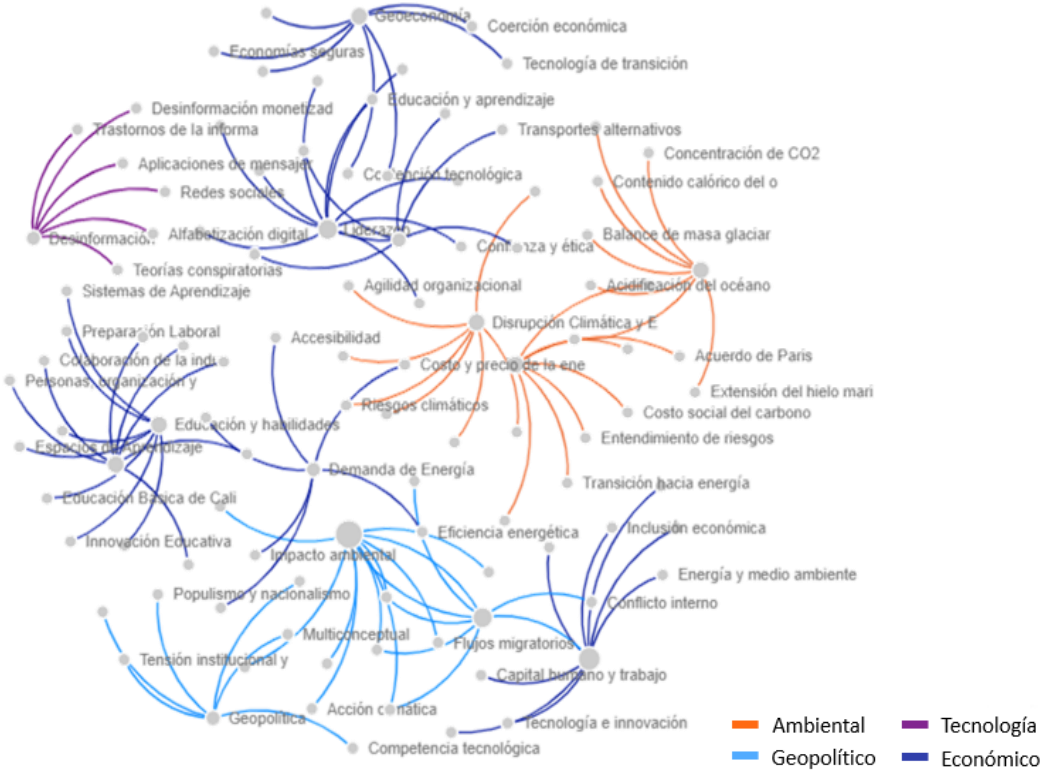
Through online workshops, various teams within the company vote on the most relevant trends

## CONNECTIONS

The most voted trends and WEF connections enabled the construction of our integrated map

## RISKS

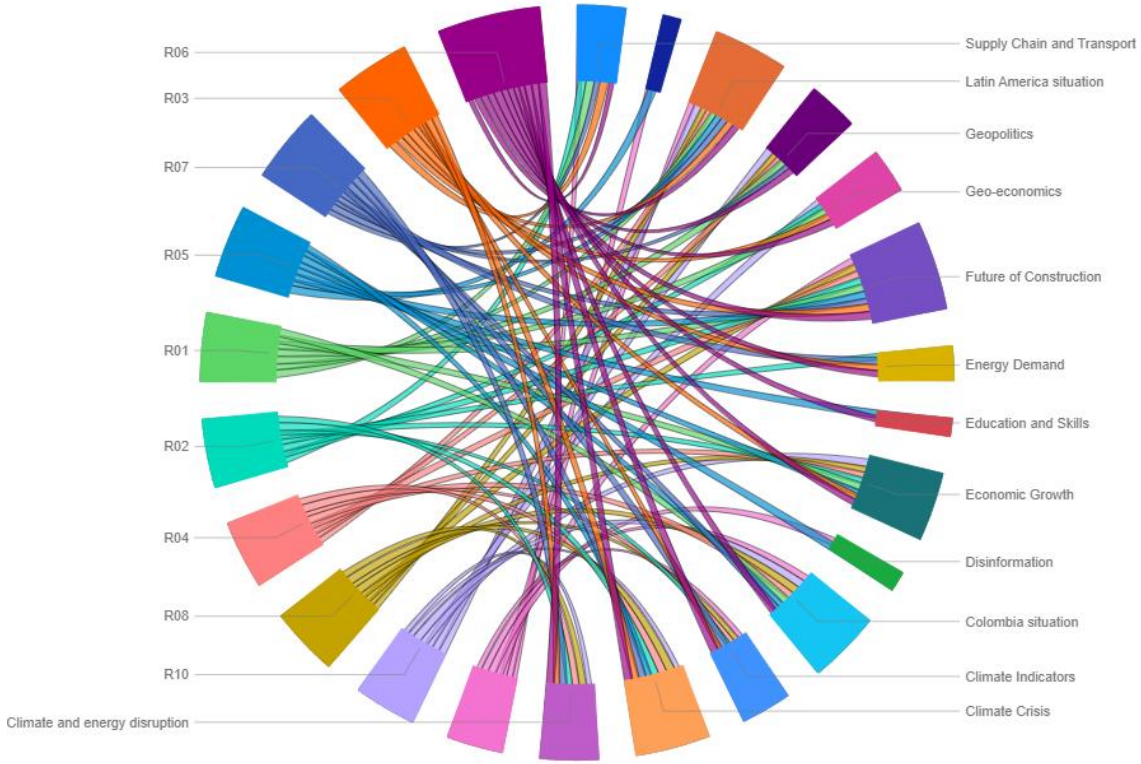
We visualized the strength of the relationship between trends, connections, and our strategic risks




**10 strategic risks | 4 emerging risks**

# Strategic Risks

*We visualized the interdependence between our environment and the 10 strategic risks defined for the company*

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|---|---|
| R01 | Lower value generation due to market factors |
| R02 | Delay in closing competitiveness gaps in technological adoption |
| R03 | Inability to adapt to changes in the value chain and our customers' needs |
| R04 | New policies or changes in regulation |
| R05 | Loss of talent and organizational knowledge |
| R06 | Inability to comply with the company's $CO_2$ emission reduction objectives |
| R07 | Occurrence of natural events |
| R08 | Legal contingencies arising from claims or legal proceedings |
| R09 | Failures in information and control systems due to cyber attacks |
| R10 | Political, social and legal instability at a global or local level |

**R01** **Lower value generation (Ebitda or other indicator) due to not reaching the volumes or prices budgeted by the company due to the market situation**

### Mitigating actions

Strategic growth plan
Emerging New Business model for portfolio diversification
Predictive models for demand behavior and the competitive environment
Models for analyzing response options in the supply chain and trading against market risks
Operational discipline and focus on efficiency and profitability
Continuous monitoring of operational and financial results
Optimization of costs and productivity in plants

### Potential impacts

Decrease in EBITDA
Limitation in expansion plans and CAPEX investments
Decline in volumes and reduction in market share
Closure of operations and modification of work plans
Value deterioration for shareholders

**R02** **Delay or impossibility of closing competitiveness gaps in the incorporation of new technologies and in the adoption of the digital transformation strategy**

### Mitigating actions

Difficulty incorporating new technological solutions due to cultural and organizational factors
Cultural change management in product sales
Lack of integration between operational platforms e Artificial Intelligence
Technological integration in production and commercial processes

### Potential impacts

Investments with returns below expectations
Talent loss and cost overruns associated with turnover
Loss of competitiveness, lower efficiencies in the cost structure, and lower market share compared to competitors

**R03** **Inability to adapt to changes in the value chain of construction and our customers' needs.**

### Mitigating actions

Business intelligence articulated across regions to maximize synergies
Businesses focused on integrated housing solutions
Portfolio of green solutions with sustainability, digital, industrialized, and packaging characteristics
Entry into new business segments and greater geographic diversification
Expansion in strategic markets with a focus on profitable growth
New aggregates platform

### Potential impacts

Loss of market associated with higher demand for substitute products or inability to offer solutions that meet clients' expectations for environmental impact mitigation
Reductions in business profitability due to failure to capture market opportunities
Loss of value capture in new businesses that could be leveraged by the company's experience in the sector

**R04** **New policies or regulatory changes that affect the company's value creation**

### Mitigating actions

Continuous monitoring by the legal team in each country and business units of regulatory and normative changes, with representation mechanisms through industry associations before stakeholders
Strict compliance with the regulatory framework
Strengthening of corporate governance and internal control

### Potential impacts

Margin pressure due to unforeseen cost overruns derived from regulatory changes
Reputational impacts from potential non-compliance with unforeseen regulations
Loss of market share
Reduced competitiveness against imported goods due to differences in trade policies across countries

## R05 Loss and/or shortage of talent with specialized knowledge affecting the achievement of our higher purpose

### Mitigating actions

Low connection between employees' contribution and the higher purpose
Low effectiveness in talent retention; lack of alignment in the succession and attraction process
Different levels of ownership among regions, countries, generational groups, and organizational structure levels
Lack of alignment in attraction, onboarding, and promotion processes with the organizational culture
Cultural evolution toward more agile and efficient models

### Potential impacts

Low contribution to the development of the strategy
Difficulty and slowness to make the changes required by the organization
Lack of leadership in carrying out strategic projects
Loss of productivity and key talent

## R06 Failure to meet $CO_2$ emission reduction targets or increase in the cost of emissions due to changes in current regulations

### Mitigating actions

Strategic climate action initiatives, including decarbonization, green financing, climate awareness, and business opportunities related to climate change
Environmental strategy focused on climate, water, biodiversity, emissions, and circular economy, with targets and action plans
Increase in alternative fuel substitution rates and monthly monitoring of net specific $CO_2$ emissions by operation

### Potential impacts

Negative externalities impacting society
Loss of market share from not meeting customer expectations for low-carbon products
Cost overruns due to shortages of raw materials and alternative fuels
Reduced profitability from carbon pricing mechanisms
Reputational impacts from failing to meet voluntary commitments
Restricted access to sustainable financing

## R07 Occurrence of natural events that significantly affect the operations, business continuity, market share and the company's equity

### Mitigating actions

Corporate risk retention and transfer plan
Business continuity and contingency plans
Climate change adaptation plans in operations
Emergency Response Action Plan (PARE)
Models for analyzing response options in the supply chain and trading

### Potential impacts

Operational disruption
Damage to physical assets
Impact on employees and communities

## R08 Contingencies arising from claims, legal or administrative processes, or non-compliance with regulations

### Mitigating actions

Legal and governance support to ensure regulatory compliance and strong corporate governance
Quality assurance policies, compliance controls, ethics mechanisms, and disciplinary procedures
Insurance coverage, external legal advisory, and training initiatives
Management commitment to ethics, internal control, and the use of technology and AI

### Potential impacts

Fines, sanctions, and legal defense costs resulting from adverse rulings
Reputational impacts and loss of profitability from claims, sanctions, and penalties
Increased costs of risk transfer mechanisms and deductible-related losses
Potential cancellation of legal entity status, contracting disqualifications, and criminal consequences for employees or directors

**R09** **Failures in information and control systems due to cyber attacks (internal / external) that affect the integrity, availability and reliability of the information, or that cause disruptions in operations**

### Mitigating actions

Continuous monitoring and management of vulnerabilities in IT and OT systems
Definition of cybersecurity architectures for operational security, information security, and advanced malware protection
Specialized monitoring of cyber events
Cyber incident management (Incident Response Plan, threat response protocols)

### Potential impacts

Operational disruption due to the materialization of cyber threats
Reputational impact due to the loss, leakage, or theft of critical information related to stakeholders
Breaches in reporting or custody of information
Loss of competitiveness and opportunities with clients, lower revenues, and impact on results
Takeover of the control room, which may cause accidents, equipment damage, or product damage

**R10** **Political and social instability at the global or local level that may affect financial results and put investments and the organization's reputation at risk**

### Mitigating actions

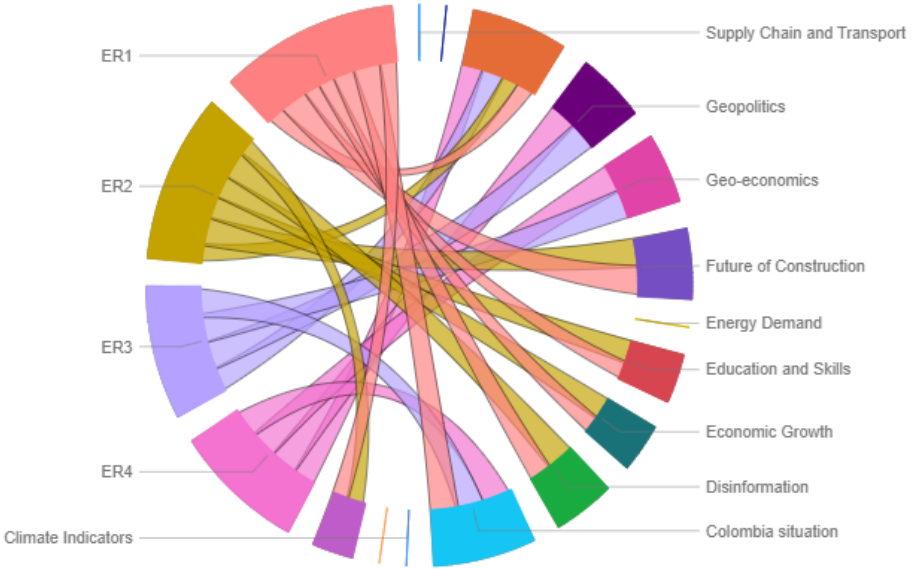
Monitoring at the local and corporate level of signals and trends in the political and economic environment
Participation in construction sector associations to evaluate or propose new response mechanisms
*Continuous monitoring of the economic and political environment
Active management of the investment portfolio

### Potential impacts

Impact on operational continuity and profit margins
Impact on the company's assets
Impact on the company's equity and investments

# Emerging Risks

*Risks whose nature and consequences are highly uncertain, occur on a large scale, and arise from global trends*




**ER1.** Slow pace in adapting, resilience, and development of disruptive technologies enabling the company to align with new societal or governmental expectations, demands, and/or requirements.

**ER2.** Inappropriate application of generative technologies in digital and information systems leading to misinformation within the company and rejection by external stakeholders, which could affect its image or reputation.

**ER3.** Increase in societal activism that can lead to significant changes in social and/or environmental demands on the company, potentially causing disruptions in the ordinary course of business

**ER4.** Radical ideological changes in the global environment that impact the supply chain and international trade.

# Emerging Risks

**ER1** **Slow pace in adapting, resilience, and development of disruptive technologies enabling the company to align with new societal or governmental expectations, demands, and/or requirements**

### Mitigation Actions

Incorporation of digital adoption indicators into the company's strategic management

Competitive compensation schemes enabling greater talent attraction and retention

Continuous monitoring of technological integration needs in production processes

### Potential Impacts

Loss of competitiveness, innovation capacity, and regulatory compliance

Inability to meet changing customer demands and adapt to new technological trends

**ER2** **Inappropriate application of generative technologies in digital and information systems leading to misinformation within the company and rejection by external stakeholders, which could affect its image or reputation**

### Mitigation Actions

Definition, implementation, management, and continuous improvement of technological controls in identities, infrastructure, networks and cloud, information systems, and operations

Ongoing assessment of vulnerabilities in information and operational systems (ethical hacking)

### Potential Impacts

Decrease in market share, loss of customers, or difficulty attracting investors

Violation of applicable laws and regulations, facing legal and regulatory consequences such as fines, sanctions, or lawsuits

# Emerging Risks

**ER3** **Increase in societal activism that can lead to significant changes in social and/or environmental demands on the company, potentially causing disruptions in the ordinary course of business**

### Mitigation Actions

Monitoring of political and economic environment signals and trends at the local and corporate level

Activation of crisis committees

Participation in construction industry associations to evaluate or propose new mechanisms for action

### Potential Impacts

Disruption of operational continuity and profitability margins

Increased scrutiny from regulators, potentially resulting in the imposition of stricter regulations or facing penalties for non-compliance

**ER4** **Radical ideological changes in the global environment that impact the supply chain and international trade**

### Mitigation Actions

Monitoring of political and economic environment signals and trends at the local and corporate level.

Activation of crisis committees.

Participation in construction industry associations to evaluate or propose new mechanisms for action.

### Potential Impacts

Erosion of confidence in international institutions and organizations, as well as weakening of collaborative efforts and diplomacy between countries.

Negative impacts on international trade and economic cooperation between countries