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Strategic Risk Management (ERM) Procedure [P-COR-SIB-01.01]

Official English Translation



	INTEGRATED BUENAVENTURA SYSTEM Strategic Risk Management (ERM) P-COR-SIB-01.01	CORPORATE	
		Versión 01	Pages. 1 de 8

1.0 OBJETIVE

To establish a systematic and consistent framework for the identification, analysis, evaluation, treatment, monitoring, and review of operational risks across the units of Compañía de Minas Buenaventura S.A.A., seeking to ensure operational continuity and the resilience of production and support processes, and to prevent disruptions that could affect production, assets, reputation, or the safety of operations.

2.0 SCOPE

This procedure applies to all activities, processes, and facilities managed by Buenaventura.

3.0 DEFINITIONS

- **Corrective Action:** Measure adopted to eliminate the root cause of a nonconformity, deviation, or control failure, with the objective of preventing its recurrence.
- **Preventive Action:** Measure intended to eliminate the cause of a potential nonconformity, deviation, or risk event before it occurs.
- **Risk Appetite:** Level of risk that the organization is willing to accept in order to achieve its strategic and operational objectives, taking into account its control capacity and institutional tolerance.
- **Area of Influence:** Geographic, technical, or process area where an operational risk may generate direct or indirect impacts on operations or neighboring communities.
- **Risk Audit:** Systematic and independent evaluation of the degree of compliance with, and effectiveness of, the operational risk management system.
- **Bow-Tie:** Graphical methodology that visually represents a risk event, showing its causes, consequences, and preventive and corrective controls. It allows critical controls and vulnerable points to be identified.
- **Control:** Measure, action, or device implemented to prevent, detect, correct, or mitigate risks. It may be preventive (acting on the cause) or corrective (acting on the impact).
- **Critical Control:** Essential control whose failure or absence may allow a priority event to materialize or significantly increase its severity. It must be verified, monitored, and maintained with performance indicators (KPI/KRI).
- **Treatment Cost:** Estimated economic value of the set of preventive or corrective actions.
- **Risk Owner:** Person responsible for managing the risk at all stages (identification, evaluation, treatment, monitoring, and communication) within their scope of control.
- **Treatment Owner:** Person responsible for designing, implementing, and verifying the controls and action plans associated with a risk.
- **EBITDA:** Financial indicator reflecting the impact of the risk on operational profitability.
- **Control Effectiveness:** Extent to which a control consistently and reliably succeeds in preventing or mitigating the risk. It is classified as effective, partially effective, or ineffective.
- **Risk Exposure:** Level of vulnerability of a process, system, or asset to the probability of an event occurring and its possible impact.
- **Control Failure:** Deficiency in the design or implementation of a control that prevents it from functioning as intended.
- **Impact:** Consequence or effect resulting from the materialization of a risk on the organization's objectives (economic, environmental, reputational, legal, social, safety, or health).
- **Dominant Impact:** Most relevant type of impact.

	INTEGRATED BUENAVENTURA SYSTEM Strategic Risk Management (ERM) P-COR-SIB-01.01	CORPORATE	
		Versión 01	Páginas. 2 de 8

- **Lines of Defense:** Risk governance structure based on three levels:
 - *First line:* risk and treatment owners.
 - *Second line:* methodological oversight (Risk Management Office) and management control (Continuous Improvement-SIB).
 - *Third line:* internal audit.
- **Magnitude:** Overall risk level considering its probability and dominant impact.
- **Heat Map:** Graphical representation combining probability and impact of risks, classifying them into exposure levels (low, medium, high, extreme).
- **Risk Materialization:** Actual occurrence of a risk event with an impact on operational objectives. It must be recorded with date, root cause, cost, consequences, and lessons learned.
- **Operational Risk Assessment Matrix:** Tool used to evaluate and prioritize risks by assigning current and residual probability and impact levels.
- **Mitigation:** Implementation of measures to reduce the probability of occurrence and/or the impact of a risk.
- **Monitoring:** Ongoing activity of observing, measuring, and tracking the performance of controls and treatments, in order to verify their effectiveness and detect deviations.
- **MEL (Maximum Expected Loss):** Estimate of the economic loss considering the residual probability (%).
- **MPL (Maximum Possible/Foreseeable Loss):** Estimate of the maximum reasonable loss should the risk materialize, without considering probability. Formula: $\text{MEL} = \text{MPL} \times \text{Probability} \%$.
- **Action Plan:** Set of planned preventive activities to reduce the probability of an identified risk materializing.
- **Contingency Plan:** Set of measures and resources established to respond to and recover operations following the materialization of a risk.
- **Probability:** Estimate of the likelihood of a risk occurring, expressed in qualitative or quantitative terms.
- **Critical Process:** Activity or set of tasks whose failure could significantly disrupt the continuity or safety of the operation.
- **RBS (Risk Breakdown Structure):** Hierarchical structure that organizes typical sources of risk (people, processes, systems, third parties, external factors, environment, etc.).
- **Operational Risk Register:** Standard format for recording and assessing operational risks in the field, used to document identification, analysis, and control at layers 1 and 2 of the ORM model.
- **Operational Risk (OR):** Possibility of loss or negative impact on operational objectives caused by failures in people, processes, systems, or external factors, excluding occupational health and safety risks.
- **Severity:** Degree of potential impact of a risk on objectives, expressed in terms of damage, economic loss, or reputational harm.
- **Risk Workshop:** Formal, structured session to identify, analyze, and treat risks with a multidisciplinary team.
- **Risk Treatment:** Process by which measures (avoid, mitigate, transfer, or accept) are selected and implemented to modify the risk level.
- **Control Validation:** Process of verifying that a designed control is appropriate, correctly implemented, and fulfills its intended purpose.
- **Risk Valuation:** Result of the risk analysis and evaluation, which allows treatment actions to be prioritized according to their criticality.

	INTEGRATED BUENAVENTURA SYSTEM Strategic Risk Management (ERM) P-COR-SIB-01.01	CORPORATE	
		Versión 01	Pages. 3 de 8

4.0 RESPONSIBLE PARTIES / RESPONSIBILITIES

SIB Facilitator (2nd Line, Unit Level)

- Provide second-line follow-up to the owners of the mining unit's critical risks.
- Validate compliance with the ORM methodology and the execution of defined treatments.
- Verify the quality and timeliness of information reported by the first line.

Unit Continuous Improvement Manager (2nd Line, Unit Level)

- Monitor the effectiveness of risk management systems and critical controls at the unit.
- Validate risk profiles and recommend corrective or improvement actions when necessary.
- Coordinate the participation of specialists in the design and improvement of risk-related processes.
- Assess the unit's resilience and propose structural or methodological adjustments to strengthen it.

SIB Coordinator (2nd Line, Corporate Level)

- Ensure that critical processes identify and manage all priority risks.
- Integrate treatments within operating processes to strengthen resilience.
- Identify improvement opportunities based on materializations, changes in context, and industry learnings.

Risk Management Office (RMO) – 2nd Line, Corporate Level

- Define, maintain, and disseminate the corporate ORM methodology.
- Train and advise units on the correct application of the model.
- Centralize operational risk information and reporting.
- Analyze trends and prepare consolidated reports for Senior Management and the Risk Committee.

General Superintendents / Superintendents (Treatment Owners - 1st Line, Unit Level)

- Execute the controls and plans defined in coordination with the Risk Owner, ensuring their timely and effective implementation.
- Record the status and progress of treatments, reinforcing or adjusting actions when necessary.
- Periodically report progress, results, and treatment performance to the Risk Owner.
- Act under the supervision of the Risk Owner, without authority to define budgets or set risk prioritization.
- Ensure the correct application of the Operational Risk Management (ORM) system within their functional scope.
- Validate the assessments and performance of critical risks, verifying that plans and controls are executed as planned.
- Ensure personnel have the competencies, training, and coaching necessary for risk management.
- Manage the assigned budget and promptly communicate relevant alerts or deviations to their superiors.

Unit Manager (Risk Owners - 1st Line, Unit Level)

- Comprehensively manage the risks under their responsibility, covering identification, analysis, treatment, monitoring, and reporting.
- Design, approve, and oversee treatment plans and controls, ensuring the assignment of owners, resources, and timelines.

	INTEGRATED BUENAVENTURA SYSTEM Strategic Risk Management (ERM) P-COR-SIB-01.01	CORPORATE	
		Versión 01	Pages. 4 de 8

- Monitor the effectiveness of implemented controls and treatment performance, making adjustments as necessary.
- Promptly report relevant results, trends, and alerts to their superiors and to the Second Line.
- Transparently record risk materializations, documenting causes, impacts, costs, and lessons learned.
- Lead the implementation and strengthening of the Operational Risk Management (ORM) System within their unit, promoting a preventive management culture.
- Oversee the treatment of critical risks, ensuring their proper management and follow-up.
- Actively participate in field inspections, reviews, and verifications.
- Promptly escalate significant alerts or deviations detected through reports or dashboards to the Operations Management Department.

Operations Management Manager (2nd Line, Corporate Level)

- Oversee the application of ORM across all operations.
- Validate proposed annual budgets for risk management and evaluate their effectiveness.
- Provide feedback and take action in response to deviations or deficiencies in risk management.

VP of Operations (Strategic Level)

- Ensure the allocation of resources needed for operational risk management.
- Oversee and evaluate the performance of priority risks at the mining units.
- Escalate critical alerts that exceed the defined appetite or tolerance levels.
- Report quarterly to the Risk Committee on the status of operational risks.

Risk Committee (Senior Management)

- Approve the operational risk appetite and tolerance.
- Validate the allocation of strategic resources and evaluation tools.
- Oversee severe risks at the corporate level and define strategic measures to reduce them to acceptable levels.

Internal Audit (3rd Line)

- Conduct risk audits to provide independent assurance that the ORM is operating effectively.

5.0 PROCEDURE

5.1 General Aspects

- ⊕ Buenaventura's Operational Risk Management (ORM) Procedure is based on the Three Lines Model:
 - **First Line (Operational Management):** Operating personnel and management are the risk owners; they implement critical controls and execute action plans.

	SISTEMA INTEGRADO BUENAVENTURA GESTIÓN DE RIESGOS ESTRATEGICOS (ERM) P-COR-SIB-01.01	CORPORATIVO	
		Versión 01	Pág. 5 de 8

- **Second Line (Oversight and Advisory):** The Risk Management Office (RMO) establishes the methodology, advises, oversees, and consolidates information at the corporate level; the Continuous Improvement Manager and the SIB Facilitator provide second-line training and monitoring.
- **Third Line (Independent Assurance):** Audit Committee.

⊕ Scope of Application:

This procedure applies to all corporate levels and operating units of BVN involved in:

- The formulation and execution of corporate strategy.
- The identification and management of strategic risks of the business and the industry.
- The evaluation, monitoring, and treatment of such risks.
- The preparation of reports for the Vice Presidents' Committee, the Audit Committee, and other relevant governance bodies..

⊕ Risks Covered:

- **Strategy risks:** risks that could affect the validity, execution, or success of strategic initiatives.
- **Strategic business or industry risks:** risks arising from the sector, regulatory, economic, technological, social, and other environments.
- ***Note:*** This procedure does not replace or duplicate operational or project risk management, but rather complements it from a strategic and corporate perspective.

5.2 Risk Identification

- ⊕ Conduct workshops with BVN vice presidents.
- ⊕ Use the "Cause - Risk - Impact" format.
- ⊕ Classify risks under the Strategic RBS.
- ⊕ Enter identified risks into Buenaventura's Strategic Risk Register (see Section 6.0 Formats and Records).
- ⊕ **Information sources:** Strategic RBS, workshops with vice presidents, strategic surveillance, benchmarking, lessons learned.

5.3 Risk Analysis

- ⊕ The analysis consists of determining the probability and impact of the risk, considering:
 - Its current condition (with existing controls).
 - Its residual condition (after the planned treatment).
- ⊕ Determining the current risk level.

5.4 Risk Evaluation

- ⊕ Classify risks according to their criticality.
- ⊕ Determine whether treatment or acceptance is required.

5.5 Risk Treatment

- ⊕ Define strategies (mitigate, avoid, transfer, or accept).
- ⊕ Assign implementation owners.
- ⊕ Define action plans, contingencies, and preventive or corrective controls (see Section 6.0 Formats and Records).
- ⊕ Estimate the residual risk level.

	SISTEMA INTEGRADO BUENAVENTURA GESTIÓN DE RIESGOS ESTRATEGICOS (ERM) P-COR-SIB-01.01	CORPORATIVO	
		Versión 01	Pág. 6 de 8

5.6 Monitoring and Follow-up

- ⊕ Update the Risk Register on a monthly basis.
- ⊕ Report to the Risk Committee if the risk is strategic.
- ⊕ Follow up monthly on action plans.
- ⊕ Review the effectiveness of applied treatments.
- ⊕ Close risks once they have been resolved or are no longer relevant.

5.7 Frequency

- ⊕ Risk workshops: To be held once a year.
- ⊕ Follow-up and review: In accordance with the action plans approved by the Risk Committee.
- ⊕ Report to the Audit Committee: Every quarter.

5.8 Review and Improvement

- ⊕ The Risk Management Office will review this procedure annually or whenever relevant changes occur in the risk management policy or governance structure.

6.0 FORMATS AND RECORDS

For the following information, consult the Risk Management Office:

- ⊕ Strategic Risk Assessment Matrix (Impact Scope Assessment Table, Heat Map).
- ⊕ Strategic RBS.
- ⊕ Strategic Risk Register Format.
- ⊕ Action Plan Format.

7.0 REVIEW

- ⊕ Apply Procedure `P-COR-SIB-04.08 Document Management.

8.0 LEGAL REFERENCES AND OTHER STANDARDS

- ⊕ ISO 31000
- ⊕ COSO ERM
- ⊕ PMI
- ⊕ OmniRiesgo Methodology
- ⊕ Buenaventura Risk Management Policy

9.0 ANNEXES

- ⊕ Annex 01: Risk Management Flow Diagram.

	SISTEMA INTEGRADO BUENAVENTURA GESTIÓN DE RIESGOS ESTRATEGICOS (ERM) P-COR-SIB-01.01	CORPORATIVO	
		Versión 01	Pág. 7 de 8

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Annex 01
Risk Management Flow Diagram

