CORPORATE
RISK REPORT
2024 – 2025

years

building a more sustainable world

ACEROS
AREQUIPA

TOGETHER WE STRENGTHEN RISK PREVENTION TO DRIVE OUR SUSTAINABLE GROWTH

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1 INTRODUCTION

At Aceros Arequipa, we promote a proactive risk management approach to anticipate unexpected events, protect and enhance our business value, and seize opportunities for growth and development. Our risk framework convers both strategic and operational risks.

Strategic Risks

These may affect the achievement of our vision, mission, and strategic objectives. Their nature is dynamic and evolving due to their close connection with global trends and external factors.

Process risks

These affect process performance, regulatory compliance, and codes of conduct. They are inherent to operational activities and typically have a more stable and well-known nature.

THIS REPORT FOCUSES ON THE ANALYSIS OF TRENDS AND STRATEGIC RISKS, GIVEN THEIR POTENTIAL IMPACT ON OUR CORPORATE STRATEGY AND LONG-TERM GROWTH.

2

TRENDS AND CONNECTIONS

2.1. Methodological Framework

Starting with a thorough study of global and local trends and their correlation with internal factors, we conducted a comprehensive analysis of the variables that may influence the achievement of our strategic objectives. This analysis is the primary basis for identifying and assessing our strategic and emerging risks within the framework of our Annual Strategic Management Cycle.

11
STRATEGIC RISKS

4
EMERGING RISKS

TRENDS
We identify and analyze the main global trends provided by the World Economic Forum (WEF) and other external sources, selecting and exploring those most relevant to Aceros Arequipa.

CONNECTIONS
We link trends and business factors to create a map of trends and connections, consolidating the global variables that shape our context.

INTERNAL SYSTEMS
Through our Strategic Management Cycle and our Integrated Risk Management Methodology (GIRO), we incorporate trend analysis and their business connections into the process of identifying, assessing, and managing strategic risks and opportunities.

2.2. Tendencias

We identified global and local trends that could have a significant impact on our operations and the achievement of our strategic objectives. To do so, we analyzed the information available on the World Economic Forum's Business Intelligence platform, the trends described in the Global Risks Report, and other industry sources such as WorldSteel, the OECD, the IMF, and others. We selected the trends relevant to Corporación Aceros Arequipa, which are described next:

RELEVANCE TO CAASA

Environment and climate change

- A Increase in Recycled Steel Consumption
- B Net Zero Strategies in the Steel Industry
- C New green energy sources for the steel industry
- D Government Role in Climate Action
- E Carbon Taxes on Steel Products
- F Recycling and Circularity
- G Shortage of water and energy

Political, social and economic

- H Overcapacity and Increased Steel Exports from China
- I I. Geopolitical Conflicts and Trade Wars
- J Supply Chain Resilience and Security
- K Political, Social and Economic Instability in Latin America
- L Institutionality in Peru and business integrity
- M Urban infrastructure and services

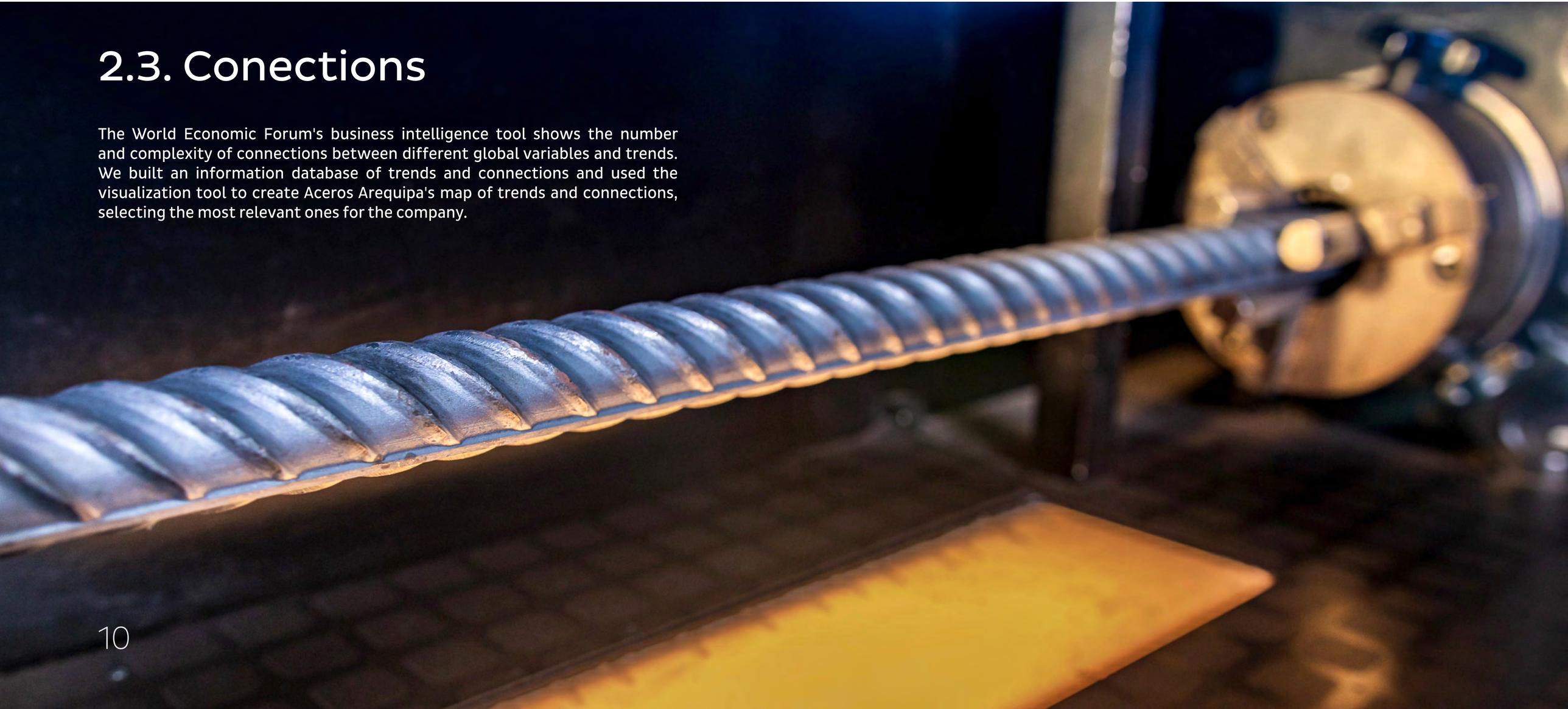
Technology and cybersecurity

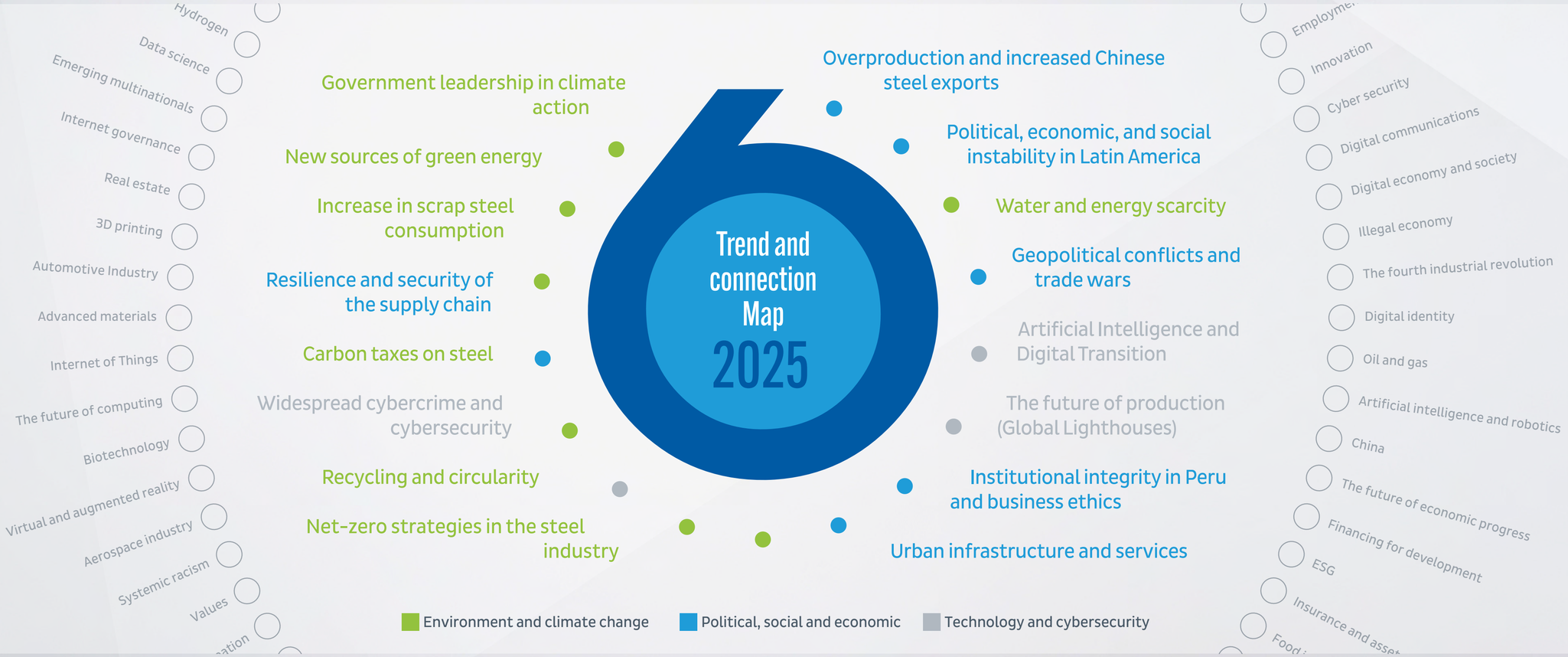
- N AI and Digital Transformation
- O The Future of manufacturing (Global Lighthouses)
- P Widespread Cybercrime and Cybersecurity

STRATEGIC RISKS / STRATEGIC OPPORTUNITIES

2.3. Conections

The World Economic Forum's business intelligence tool shows the number and complexity of connections between different global variables and trends. We built an information database of trends and connections and used the visualization tool to create Aceros Arequipa's map of trends and connections, selecting the most relevant ones for the company.




Trend and connection Map 2025
Government leadership in climate action
New sources of green energy
Increase in scrap steel consumption
Resilience and security of the supply chain
Carbon taxes on steel
Widespread cybercrime and cybersecurity
Recycling and circularity
Net-zero strategies in the steel industry
Overproduction and increased Chinese steel exports
Political, economic, and social instability in Latin America
Water and energy scarcity
Geopolitical conflicts and trade wars
Artificial Intelligence and Digital Transition
The future of production (Global Lighthouses)
Institutional integrity in Peru and business ethics
Urban infrastructure and services
Hydrogen
Data science
Emerging multinationals
Internet governance
Real estate
3D printing
Automotive Industry
Advanced materials
Internet of Things
The future of computing
Biotechnology
Virtual and augmented reality
Aerospace industry
Systemic racism
Values
Innovation
Cyber security
Digital communications
Digital economy and society
Illegal economy
The fourth industrial revolution
Digital identity
Oil and gas
Artificial intelligence and robotics
China
The future of economic progress
Financing for development
ESG
Environment and climate change
Political, social and economic
Technology and cybersecurity

Environment and Climate Change

For Aceros Arequipa, climate change is both a challenge and a strategic opportunity. Our production process uses Electric Arc Furnace (EAF) technology, which emits significantly less CO_2 compared to Blast Furnace (BOF) technology. In addition, we have made major investments in eco-efficiency and cleaner production, achieving an emissions intensity 78% below the global industry average. We have made significant progress on our decarbonization roadmap and remain firmly committed to achieving carbon neutrality by 2050.

To achieve this goal, we face the challenge of further reducing our emissions through projects focused on eco-efficiency, equipment electrification, and the gradual replacement of natural gas, among other strategies aligned with our 2050 Decarbonization Roadmap.

Below are the main trends in the environment and climate change that could have an impact on our strategic objectives:

Learn more about our climate change strategy **Climate Action Report**

INCREASE IN RECYCLED STEEL CONSUMPTION

According to the International Energy Agency (IEA), recycled steel is projected to account for 48% of the metallic input in steel production by 2050, up from 32% today. Boston Consulting Group also forecasts global demand for recycled steel will grow faster than supply (3.3% vs. 3%), potentially creating a 16-million-ton shortfall by 2030.

Additionally, the adoption of circular business models—particularly in industries such as automotive—is driving backward integration strategies, where companies recycle scrap from their products and produce or outsource their own steel. This intensifies competition for recycled steel.

At Aceros Arequipa, recycled steel is our primary raw material. We are therefore implementing a long-term sourcing strategy to ensure a sustainable and competitive supply.

78%

LOWER THAN THE GLOBAL INDUSTRY AVERAGE IS OUR EMISSIONS INTENSITY.

NET ZERO STRATEGIES IN THE STEEL INDUSTRY

The global steel industry is responsible for around 7% of CO_2 emissions and has seen a 1.8% increase in emissions from 2019 to 2023, mainly due to production growth in China and India. As a result, the sector plays a critical role in limiting global warming to 1.5°C by 2050, as outlined by the IEA. This places high expectations on steel companies to implement Net Zero strategies, including the transition to cleaner energy sources such as green hydrogen, improved natural resource efficiency, and enhanced environmental and biodiversity protection.

HIGH EXPECTATIONS ARE PLACED ON STEEL COMPANIES TO IMPLEMENT EFFECTIVE NET ZERO STRATEGIES.

CARBON TAXES ON STEEL PRODUCTS

Carbon taxes and emissions trading schemes are mechanisms to reduce GHG emissions by assigning a cost to pollution. Initiatives like the EU Emissions Trading System (ETS) and the Carbon Border Adjustment Mechanism (CBAM) seek to discourage carbon-intensive technologies. However, the lack of global standardization and regulatory complexity can limit their effectiveness. In Peru, a steel carbon tax appears unlikely in the short term, as only 3.78% of direct carbon emissions stem from industrial processes, compared to 43.51% from land use and 31.82% from energy, according to the Ministry of Environment (MINAM).

NEW GREEN ENERGY SOURCES FOR THE STEEL INDUSTRY

The IEA projects a technological transformation in steel production and energy sources to achieve near-zero emissions by 2050. Green hydrogen—generated from renewable sources like wind, solar, or hydro—is expected to contribute 21% of the required emission reductions, according to the IEA's Net Zero roadmap.

While there are multiple global initiatives underway (e.g., the EU's Clean Steel Partnership, and Peru's Horizonte de Verano project), green hydrogen remains significantly more expensive than conventional alternatives. The World Economic Forum estimates it may become cost-competitive by the early 2030s.

RECYCLING AND CIRCULARITY

The transition toward circular business models is gaining momentum due to constraints in traditional linear models, such as input scarcity, global disruptions, and the environmental crisis. While linear models will likely persist, circularity is becoming increasingly relevant for sustainability and cost efficiency.

According to the WEF Circular Transformation Report 2025, the proportion of companies engaging in circularity has risen from 40% to 75% over the past three years, with expectations to reach 95% in the next three.
At Aceros Arequipa, circularity is central to our business: over 95% of our metallic input comes from recycled steel. We are also progressing toward becoming a zero-waste company, optimizing the reuse of industrial by-products such as zorba, zinc, and slag in collaboration with strategic partners.

GOVERNMENT ROLE IN CLIMATE ACTION

Governments are increasing investments in climate action to accelerate the transition to low-carbon economies. Initiatives include renewable energy incentives, resilient infrastructure, and stricter regulations. These create both opportunities and challenges for companies that must adapt to more demanding environmental standards.

In Peru, MINAM estimates that $49 billion is needed to meet adaptation and mitigation goals. While public investment has begun, further joint efforts from public and non-government actors are essential to meet targets for 2030 and 2050.

THESE INITIATIVES CREATE OPPORTUNITIES AND CHALLENGES FOR COMPANIES FACING STRONGER ENVIRONMENTAL DEMANDS.

Political, Social, and Economic Trends

OVERCAPACITY AND INCREASED STEEL EXPORTS FROM CHINA

Excess of capacity and production in the global steel industry, driven by subsidies and overinvestment in Asia, has generated distortions that depress prices and profitability. According to Platts, in 2024, Chinese steel exports will reach a record high of 118 million metric tons, 25% more than the previous year. This growth has intensified trade tensions, reflected in 33 actions against Chinese steel imports in 2024, more than all those recorded between 2020 and 2023, according to the China Iron and Steel Association (CISA). Furthermore, measures such as the Carbon Border Adjustment Mechanism (CBAM) in the European Union could divert future production of high-emission steel to markets without strict regulations, such as Peru and many Latin American countries, further increasing oversupply and putting downward pressure on prices. This situation represents a challenge for the regional steel industry, affecting its competitiveness and profitability.

GEOPOLITICAL CONFLICTS AND TRADE WARS

Geopolitical tensions and trade wars, which continue to redefine the global economy, affect supply chains, production costs, and market access. According to the 2025 Global Risks Report, geoeconomic confrontations represent the third most critical risk worldwide. The return of Donald Trump in 2025 is reinforcing protectionism, with higher tariffs and trade restrictions that would increase uncertainty in international trade. This would affect steel export flows and the trade of recycled steel, as protectionist measures could redirect these volumes to alternative markets, generating distortions in global supply and demand. Furthermore, the imposition of additional taxes on operators, shipowners, and maritime vessels from certain countries would impact trade patterns and increase logistics costs.

SUPPLY CHAIN RESILIENCE AND SECURITY

Global supply chains face increasing disruptions due to wars, natural disasters, and regulatory changes. According to the 2025 Global Risks Report, armed conflicts between states represent the greatest risk of the year and the third most critical in the next two years. Uncertainty stemming from tensions in the Middle East, the Russia-Ukraine war, and climate events can affect supply chains and logistics costs for companies. Strategies such as supplier diversification, nearshoring, and digitalization have become key to ensuring operational continuity.

POLITICAL, SOCIAL AND ECONOMIC INSTABILITY IN LATIN AMERICA

Latin American countries face recurring cycles of political and social instability, driven by factors such as ideological polarization, economic crises, corruption, and distrust in institutions. These tensions, which affect the investment climate, legal certainty, and the stability of the business environment, pose risks and challenges to sustainable growth in the region.

LURÍN DISTRIBUTION CENTER

Technology and Cybersecurity

ARTIFICIAL INTELLIGENCE AND DIGITAL TRANSFORMATION

Artificial Intelligence and digital transformation are revolutionizing the steel industry, optimizing processes, improving decision-making, and opening new business opportunities. Technologies such as IoT, Cloud Computing, Big Data, and automation enhance operational efficiency, reduce costs, and boost industrial safety. This evolution not only improves competitiveness but also strengthens sustainability and resilience in a constantly changing environment.

THE FUTURE OF MANUFACTURING (GLOBAL LIGHTHOUSES)

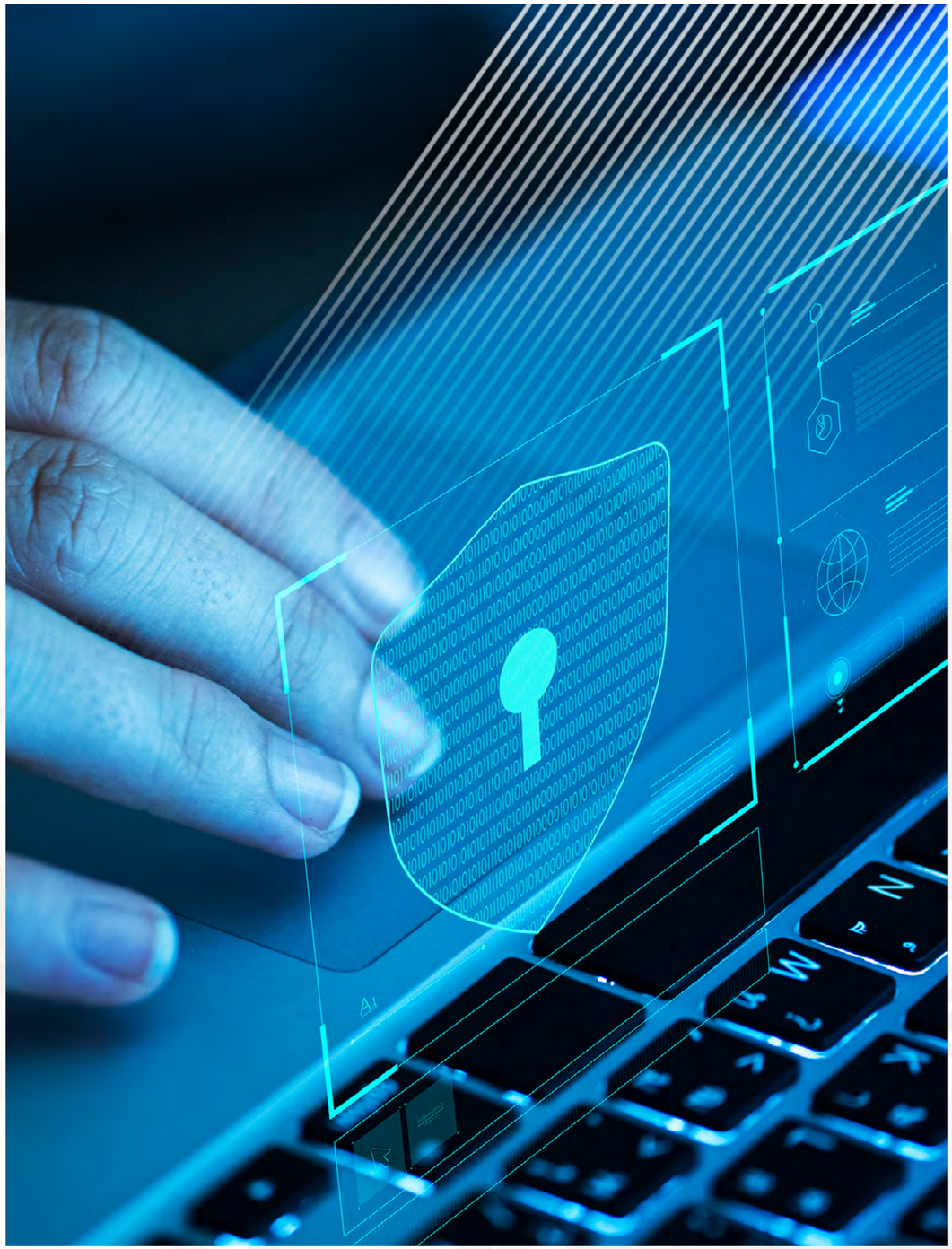
The factories of the future, led by the Global Lighthouse initiative, spearhead the adoption of advanced technologies like AI, IoT, and 3D printing to optimize production. Recognized by the WEF, these plants set new benchmarks in efficiency, sustainability, and resilience, reshaping industrial competitiveness in a digitized world.

WIDESPREAD CYBERCRIME AND CYBERSECURITY

Technological advancement and global interconnectivity have fueled the rise of cybercrime, exposing organizations and governments to increasingly sophisticated attacks. Threats such as data theft, ransomware, and attacks on critical infrastructure highlight the need for investments in cybersecurity, AI-powered defenses, and stronger regulations. According to the WEF's Global Cybersecurity Outlook 2025, Latin America is perceived as the least prepared region to respond to large-scale cyber incidents affecting critical infrastructure.

As AI and digital processes evolve, so do cybercriminal tactics, increasing the vulnerability of organizations. At Aceros Arequipa, our digital transformation strategy involves adopting Industry 4.0 technologies in IT and industrial networks, which requires a proactive approach to cybersecurity to mitigate risks and ensure operational resilience.

OUR DIGITAL TRANSFORMATION STRATEGY INVOLVES ADOPTING INDUSTRY 4.0 TECHNOLOGIES IN BOTH IT AND INDUSTRIAL NETWORKS



3 STRATEGIC RISKS

3.1. Trends, Connections, and Risks

We analyzed the most relevant trends for Aceros Arequipa and linked them to our business to identify strategic and emerging risks.

STRATEGIC RISKS

01	Supply of recycled steel at required cost and quality	A B F I J
02	Revenue concentration in specific products and segments	H I K M
03	Macroeconomic vulnerability, political and social instability in countries of influence	C D F G K
04	Increased competition in operating markets	H I K
05	Integrity of employee and contractor health and safety	N O
06	Business continuity interruptions due to internal and external factors (including cybersecurity)	G J K P
07	Regulatory and compliance-related contingencies	E L K P
08	Deterioration of relationships with stakeholders	G K L
09	Damage to reputation and corporate image	K L P
10	Investments not achieving expected returns and objectives	A H K
11	Financial sustainability to support our growth	I J H K

TRENDS

- A Increase in Recycled Steel Consumption
- B Net Zero Strategies in the Steel Industry
- C New green energy sources for the steel industry
- D Government Role in Climate Action
- E Carbon Taxes on Steel Products
- F Recycling and Circularity
- G Shortage of water and energy
- H Overcapacity and Increased Steel Exports from China
- I Geopolitical Conflicts and Trade Wars
- J Supply Chain Resilience and Security
- K Political, Social and Economic Instability in Latin America
- L Institutionality in Peru and business integrity
- M Urban infrastructure and services
- N AI and Digital Transformation
- O The Future of manufacturing (Global Lighthouses)
- P Widespread Cybercrime and Cybersecurity

Environment and Climate Change | Political, Social, and Economic | Technology and Cybersecurity

3.2. Strategic Risk Assessment

Based on the trends and connections analyzed—and in accordance with our Integrated Risk Management Methodology—we identify and assess the company's strategic risks at least once a year, using the risk appetite and tolerance criteria defined at the corporate level (see Annexes 1 and 2).

In alignment with good corporate governance practices, we connect strategic planning with risk management and performance evaluation. This ensures our teams have the proper incentives to contribute to achieving strategic objectives while effectively managing risks that could threaten them (see Annex 3).

TOLERANCE

	R11	R10	R9	R8	R7	R6	R5	R4	R3	R2	R1
Impact	Moderate	Moderate	Considerable	Considerable	Considerable	High	High	High	High	High	High
Probability	Moderate	Moderate	Low	Moderate	Considerable	Moderate	Moderate	High	High	High	High

- High
- Considerable
- Moderate
- Low

- R1 Supply of recycled steel at required cost and quality
- R2 Revenue concentration in specific products and segments
- R3 Macroeconomic vulnerability, political and social instability in countries of influence
- R4 Increased competition in operating markets
- R5 Integrity of employee and contractor health and safety
- R6 Business continuity interruptions due to internal and external factors (including cybersecurity)
- R7 Regulatory and compliance-related contingencies
- R8 Deterioration of relationships with stakeholders
- R9 Damage to reputation and corporate image
- R10 Investments not achieving expected returns and objectives
- R11 Financial sustainability to support our growth

3.3. Detail of strategic risks

R1
High

SUPPLY OF RECYCLED STEEL AT REQUIRED COST AND QUALITY

DESCRIPTION

Recycled steel, the main input for billet production at our steelworks, currently represents more than 95% of the metal imput used. Therefore, its availability at a reasonable cost is key to maintaining competitive processing costs. Furthermore, having better-quality recycled steel improves production efficiency by reducing the consumption of energy and other inputs, such as refractory materials. As our production volume grows, our demand for recycled steel increases proportionally.

Factors such as changes in geopolitical dynamics, increased demand for steel, and the trend toward greater use of recycled steel to mitigate climate change, could generate fluctuations in its price and availability, which would impact our financial results.

Impacts

- Limited availability of recycled steel
- Higher supply costs
- Lower quality inputs leading to increased energy and material usage

Mitigation Actions

- Increase local scrap collection at optimal cost
- Optimize steel recycled international sourcing at competitive prices
- Develop new sourcing alternatives

R2 High REVENUE CONCENTRATION IN SPECIFIC PRODUCTS AND SEGMENTS

DESCRIPTION
Concentration of our sales in a specific market and product family exposes us to greater vulnerability to fluctuations in demand, changes in consumer preferences, or unforeseen events, such as changes in trade policies or economic crises. Although this dependence has decreased over the past 10 years, it remains significant.

Impact

- Financial results highly dependent on specific markets and segments.

Mitigation Actions

- Diversify products and services locally and internationally
- Strengthen our brand and international presence
- Constantly evaluate new business opportunities

R3 High MACROECONOMIC VULNERABILITY, POLITICAL AND SOCIAL INSTABILITY IN KEY COUNTRIES

DESCRIPTION
Difficulty in developing our growth plan, loss of sales and market competitiveness due to the macroeconomic and tax vulnerability, political and social instability of the countries in the region.

Impacts

- Reduced sales due to economic crises in countries of influence
- Margin pressures from currency devaluation
- Rising costs due to restrictions on commercial operations, commissions or new regulations
- Delays in large infrastructure projects
- Increase in informality

Mitigation Actions

- Monitor the countries economic, political and social outlook and review investment plans
- Expand into new markets and businesses
- Permanent financial evaluation to measure variables that can impact on our results

R4
High

INCREASED COMPETITION IN OPERATING MARKETS

DESCRIPTION

Impact on financial results due to changes in the configuration of the markets in which we compete. Factors such as increased exports of subsidized steel from countries with over-capacity, the entry of new competitors, and changes in tariff and non-tariff measures are putting additional pressure on our competitiveness.

Impacts

- Price and margin pressures
- Reduction of sales volumes and market share
- Missed sales and financial targets
- Higher customs and logistics costs

Mitigation Actions

- Gremial actions to promote antidumping measures
- Strengthening commercial strategies to consolidate the brand and ensure coverage
- Expanding the product and service portfolio
- Investments to strengthen our competitiveness in the markets in which we operate

LIME PLANT IN PISCO - ICA

R5
Considerable

INTEGRITY OF EMPLOYEE AND CONTRACTOR HEALTH AND SAFETY

DESCRIPTION
Impact on the physical integrity and/or health of our employees and contractors due to accidents or unexpected events related to safety in our operations.

Impacts

- Fatalities or permanent/temporary injuries to our employees or contractors
- Impact on employee wellbeing and families
- Penalties or sanctions
- Damage to corporate reputation

Mitigation Actions

- Strengthen safety leadership and culture
- Automate and engineer controls, leveraging technologies such as AI to reduce and monitor exposure to risk
- Enhance safety management tools and methods
- Focus on improving third-party Safety management

R6
Considerable

BUSINESS CONTINUITY INTERRUPTIONS DUE TO INTERNAL AND EXTERNAL FACTORS (INCLUDING CYBERSECURITY)

DESCRIPTION
Interruptions to our operations may arise from cybersecurity incidents, fires, equipment failures, natural disasters, supply chain disruptions, strikes, vandalism, and other events.

Impacts

- Operational shutdowns, financial losses, and reputational damage due to unmet commitments
- Disruption of operations due to lack of critical supplies.
- IT system failures
- Loss of critical information
- Fraud, theft, or manipulation of sensitive and confidential data
- Damage to company assets

Mitigation Actions

- Business continuity and contingency plans
- Decentralized distribution network with broad geographic coverage
- Preventive maintenance of equipment
- Supplier and geographic source diversification
- Information security policies and procedures
- Technological architectures and controls to ensure operational security and malware protection
- Fire protection systems in all operations

R7
Considerable

REGULATORY AND COMPLIANCE-RELATED CONTINGENCIES

DESCRIPTION
Legal contingencies arising from changes in labor, tax, environmental, and other laws and regulations that govern our operations, as well as the loss of competitiveness and the deterioration of the business climate due to a lack of institutional framework and high levels of corruption, which difficult regulatory compliance and generate operating cost overruns.

Impacts

- Economic losses from penalties or sanctions due to non-compliance with regulations
- Operational disruption due to regulatory interventions
- Loss of competitiveness due to an adverse business climate
- Willful involvement of staff in irregular activities.

Mitigation Actions

- Continuous monitoring and timely adaptation to regulatory changes
- Review and strengthening of internal controls
- Internal and external audits to verify legal compliance
- Ongoing updates to licenses and permits
- Continuous adaptation of Legal Compliance Matrices based on new regulations

R8
Moderate

DETERIORATION OF RELATIONSHIPS WITH STAKEHOLDERS

DESCRIPTION
Economic losses or disruption to our business continuity due to conflicts in labor relations, the community, suppliers, unions, among others, driven by changes in regulations or other social factors.

Impacts

- Regulatory changes affecting cost structure, competitiveness, or business continuity
- Work stoppages or disruptions in our facilities due to strikes or social conflicts
- Increased legal claims against the Company
- Higher penalties or sanctions from regulators

Mitigation Actions

- Stakeholder mapping, evaluation, and engagement
- Ongoing collaboration and communication with communities in our areas of influence
- Management of labor relations
- Compliance audits

R9
Moderate

DAMAGE TO REPUTATION AND CORPORATE IMAGE

DESCRIPTION
Reputational damage may result from environmental incidents, accidents, data leaks, product quality issues, regulatory breaches, corruption, or other events.

Impacts

- Harm to brand perception
- Increased media and public scrutiny
- Loss of business opportunities
- Decline in employee morale and pride in the company
- Erosion of trust among customers, investors, and society

Mitigation Actions

- Preventive environmental controls across all operations
- Supplier evaluation and development
- Strengthening of safety management systems
- Information security controls, including role-based access and encryption systems
- Certified and accredited management systems
- Regulatory compliance audits

R10
Moderate

INVESTMENTS NOT ACHIEVING EXPECTED RETURNS AND OBJECTIVES

Description
Unexpected changes in market conditions or rising competition may lead to deviations from expected outcomes and objectives in investment projects or new businesses.

Impacts

- Reduced return on investment
- Underutilization of production capacity
- Financial overruns

Mitigation Actions

- Strategic plan evaluation and long-term projections
- Policies and controls for investment cycle management
- Ongoing monitoring of investment results

R11
Moderate

FINANCIAL SUSTAINABILITY TO SUPPORT OUR GROWTH

DESCRIPTION

Impact on the Company's liquidity and financial stability due to potential market fluctuations, such as reduced demand, rising interest rates, and declining prices and margins, which could create challenges in financing our growth in a less favorable scenario.

Impacts

- Higher financial costs
- Breach of financial covenants with banks

Mitigation Actions

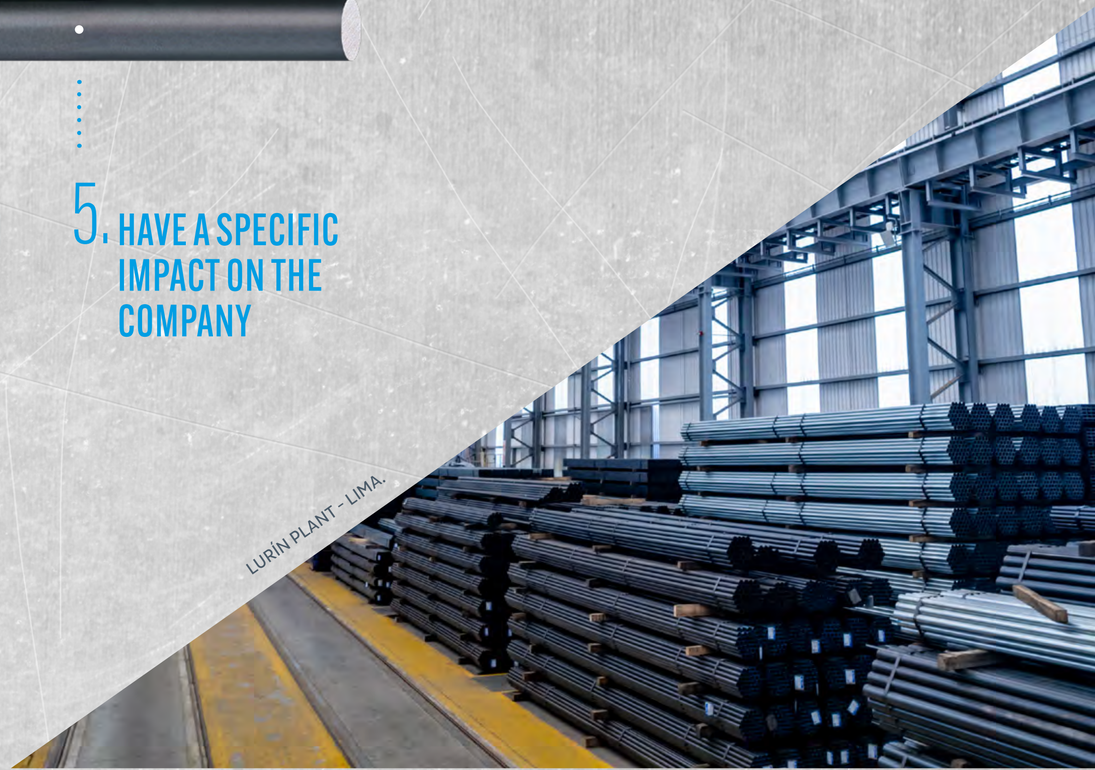
- Monthly updates of financial projections and sensitivity analyses for EBITDA and investment needs
- Continuous monitoring of leverage, debt, and rate indicators
- Disposal of non-used assets
- Ongoing implementation of projects to improve cost efficiency in operations

4 EMERGING RISKS

4.1. Main Emerging Risks

Emerging risks are linked to major trends that may impact the Company's future strategy. However, they can also create opportunities to enhance the value we create to our customers and society. At Corporación Aceros Arequipa, and in line with the methodology established by S&P Global, we define emerging risks as those that:

1. ARE NEW, EMERGING, OR INCREASINGLY IMPORTANT
2. HAVE POTENTIAL LONG-TERM IMPACT
3. HAVE A SIGNIFICANT POTENTIAL IMPACT
4. ORIGINATE FROM AN EXTERNAL VARIABLE
5. HAVE A SPECIFIC IMPACT ON THE COMPANY



LURÍN PLANT - LIMA.

The main emerging risks identified are detailed below:

RE.1 → INTERRUPTIONS IN OUR SUPPLY CHAIN OR IMPACT ON OUR FINANCIAL RESULTS DUE TO THE INCREASE IN TRADE WARS AFFECTING GLOBAL TRADE, AND THE ESCALATION OF ARMED CONFLICTS, CAUSED BY GEOPOLITICAL AND ECONOMIC TENSIONS BETWEEN COUNTRIES.

RE.2 → GLOBAL INDUSTRY TREND TOWARD CLEANER PRODUCTION TECHNOLOGIES SUCH AS ELECTRIC ARC FURNACES (EAF) MAY INCREASE COMPETITION AND COSTS FOR CAPTURING RECYCLED STEEL AND ITS COSTS.

New **RE.3** → INCREASED INVESTMENTS IN STEEL PRODUCTION CAPACITY IN THE REGION AND IN PERU, DRIVEN BY THE POTENTIAL COST ADVANTAGE FOR GENERATING RENEWABLE ENERGY.

New **RE.4** → INCREASING COSTS OF RECYCLED STEEL AND REDUCING MARGINS DUE TO A TREND TOWARDS CIRCULAR BUSINESS MODELS, WHICH IS DRIVING STEEL-CONSUMING COMPANIES (SUCH AS THE AUTOMOTIVE SECTOR) TO VERTICALLY INTEGRATE IN STEEL PRODUCTION

For the preparation of this report, the two emerging risks reported in the 2024 Integrated Report were consolidated into risk RE1, listed at the top of this page. The emerging risks considered in the report are as follows:

1. . Increase in imports or external steel investments in the region, due to surplus production capacity, greater taxes and safeguards in other countries, an future increase of regulations due to the effect of climate change.
2. Interruptions in our supply chain or impact in our financial results due to the increase of protection measures that affect world trade and scale-up of armed conflicts, triggered by geopolitical and economic tensions.

Additionally, this report includes two new emerging risks, RE3 and RE4, which present a higher degree of uncertainty as they are associated with recently identified trends.

RE.1

INTERRUPTIONS IN OUR SUPPLY CHAIN OR IMPACT ON OUR FINANCIAL RESULTS DUE TO THE INCREASE IN TRADE WARS AFFECTING GLOBAL TRADE, AND THE ESCALATION OF ARMED CONFLICTS, CAUSED BY GEOPOLITICAL AND ECONOMIC TENSIONS BETWEEN COUNTRIES

DESCRIPTION

The WEF Global Risks Report 2025 highlights the escalation of armed conflicts—such as the war in Ukraine and tensions in the Middle East—and geoeconomic confrontations as top global risks. Rising global polarization and fragmentation are undermining international cooperation and trade. Major economic powers are reinforcing their spheres of influence through monetary policies, tariffs, investment restrictions, sanctions, and controls over energy, minerals, and technology.

This situation could intensify with the escalation of trade wars, especially under the new US administration, which would exacerbate geopolitical tensions in the coming years. Tariff measures, such as the imposition of a 25% tariff on all steel imports into the United States, could trigger trade retaliation and further fragmentation of global trade, affecting steel export flows and the trade of recycled steel. As a result, volumes would be redirected to alternative markets, generating distortions in global supply and demand, prices and margins, as well as greater uncertainty in the steel industry.

On the other hand, taxing operators, shipowners, and vessels of Chinese origin that call at US ports is being considered. Given that almost 50% of the current bulk carrier fleet is built in China, these measures could disrupt trade patterns, reduce the effective supply of shipping, and generate peak demand due to the absence of vessels on certain dates.

For Aceros Arequipa, this dynamic represents a significant risk due to its heavy dependence on imported raw materials, inputs, and supplies. Rising trade barriers or disrupted supply chains could increase logistics costs and affect the operational continuity due to a lack of critical inputs.

Impacts

- Operational disruptions due to lack of key inputs
- Higher costs for critical materials and supplies such as recycled steel and spare parts
- Impact on our sales growth due to regulatory restrictions on the commercialization of our products in countries of interest

Mitigation Actions

- Continuous market monitoring
- Stay close to local recycled steel suppliers to ensure domestic supply at the best possible cost.
- Develop new sources of supply for raw materials and inputs
- Diversify suppliers and geographic sources of supply

RE.2

GLOBAL INDUSTRY TREND TOWARD CLEANER PRODUCTION TECHNOLOGIES SUCH AS ELECTRIC ARC FURNACES (EAF) MAY INCREASE COMPETITION AND COSTS FOR CAPTURING RECYCLED STEEL AND ITS COSTS

DESCRIPTION

According to the WEF Net Zero Tracker 2025, increased recycled steel use is a key lever in steel decarbonization. Producing steel via EAFs with scrap emits less than one-third of the CO_2 of traditional BF-BOF (blast furnace–converter) methods, mainly because it eliminates iron ore processing, a highly polluting step.

The IEA forecasts the proportion of recycled steel in total metallic inputs will rise from 32% to 48% by 2050. BCG projects global demand for recycled steel will grow faster than supply (3.3% vs. 3%), potentially creating a 16 million ton shortage by 2030.

This trend would intensify competition for recycled steel worldwide. Furthermore, it could lead to the implementation of laws restricting trade in recycled products in different regions to prioritize local sourcing. Consequently, the cost of recycled steel would increase as its use expands.

Given that our production process is based on EAF and that recycled steel represents more than 95% of the metal input used to manufacture billets at our steelworks, this risk could have a significant impact on our costs and the continuity of our supply.

Impacts

- Increasing global demand increases competition and reduces the availability of recycled steel.
- Rising recycled steel prices
- Impact on the continuity of our recycled steel supply.

Mitigation Actions

- Continuous market monitoring
- Stay close to local recycled steel suppliers to ensure domestic supply at the best possible cost.
- Develop new sources of supply for raw materials

New
RE.3

INCREASED INVESTMENTS IN STEEL PRODUCTION CAPACITY IN THE REGION AND IN PERU, DRIVEN BY THE POTENTIAL COST ADVANTAGE FOR GENERATING RENEWABLE ENERGY

DESCRIPTION

Latin America could emerge as a key player in green energy production, thanks to its abundance of natural resources and the relatively low cost of generating renewable energy. According to the World Economic Forum (WEF), the region could supply between 25 and 33% of global demand for green hydrogen, making it a potential destination for new investments in energy-intensive industries such as steel production.

Green hydrogen, produced from renewable energy, is one of the main levers for decarbonizing the global steel industry. Latin America, specifically countries like Chile, Brazil, and Peru, has a favorable combination of solar and wind energy that would allow it to generate green hydrogen at competitive costs. In the case of Peru, the Peruvian Hydrogen Association (H2 Perú) estimates that the levelized cost of green hydrogen could be reduced to US$1.3/kg by 2050, which could make it a hub in this emerging industry.

This scenario, which could attract investment in new steel plants or in increased capacity to produce green steel, would intensify and generate a risk of overcapacity in the market.

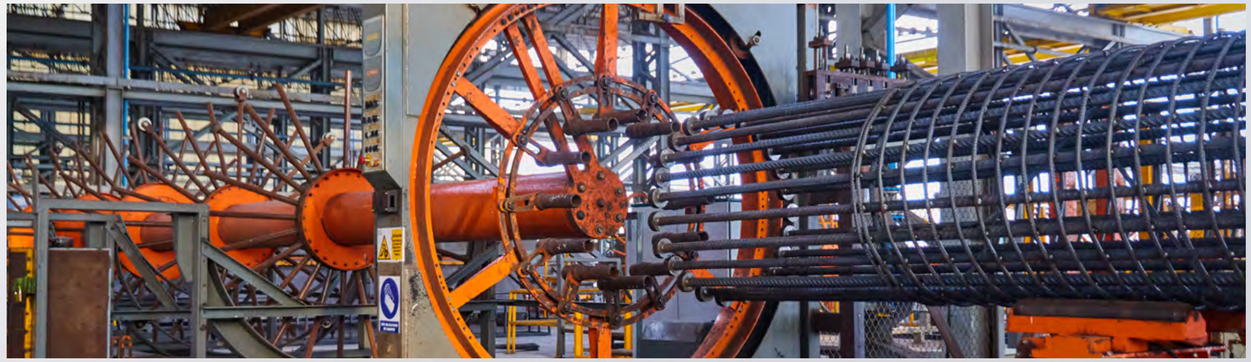
For Aceros Arequipa, this could translate into a reduction in our market share, lower asset utilization, and reduced margins and profitability, which would affect the Company's value generation.

Impacts

- Loss of market share in potential green steel in the region
- Economic losses due to falling prices and margins driven by increased product offering

Mitigation Actions

- Ongoing market monitoring
- Emissions reduction initiatives aligned with our Decarbonization Roadmap
- Implementation of energy efficiency projects



New
RE.4

INCREASING COSTS OF RECYCLED STEEL AND REDUCING MARGINS DUE TO A TREND TOWARDS CIRCULAR BUSINESS MODELS, WHICH IS DRIVING STEEL-CONSUMING COMPANIES (SUCH AS THE AUTOMOTIVE SECTOR) TO VERTICALLY INTEGRATE IN STEEL PRODUCTION

DESCRIPTION

The circular economy is gaining strategic importance for companies. According to the WEF's Circular Transformation of Industries 2025 Report, three years ago, 40% of companies applied circularity principles and considered them important or extremely important. Currently, this figure has increased to 75% and is estimated to reach 95% in the next three years.

Major companies in the automotive industry are developing initiatives to manufacture car parts from recycled materials, including recycled steel. Although there is still uncertainty about the scaling of these models, the trend toward more circular businesses continues to expand. Their consolidation could intensify competition for recycled steel, given that sectors such as the automotive industry are one of the main sources of this material, and if they become vertically integrated, they could concentrate the recollection of recycled steel, which would reduce the volume available to steel producers.

Furthermore, this change could affect the dynamics of the steel industry, as companies that were traditional clients could become vertically integrated and become competitors, producing their own steel or outsourcing its manufacturing through maquila. For Aceros Arequipa, this scenario would represent greater supply restrictions and increased costs for recycled steel, which constitutes more than 95% of the metallic input in our steelworks, and every 1% increase in scrap metal prices increases our costs by an average of USD 4.6 million per year.

Impacts

- Higher competition and lower scrap availability
- Increased recycled steel costs
- Loss of potential customers and margin reduction

Mitigation Actions

- Ongoing market monitoring
- Stay close to local recycled steel suppliers to ensure domestic supply at the best possible cost.
- Develop new sources of supply for raw materials

5 ANNEXES

Anexx 1: Risk appetite and tolerance

We assess the impact and likelihood of risks at least once a year, according to their type. For economic risks, we analyze the effect on operating profit; for continuity risks, we assess the impact on operations or information systems. We also evaluate reputational, regulatory, environmental, and occupational health and safety risks for employees and contractors.

These analyses are based on thresholds defined in the Corporate Internal Control and Integrated Risk Management Policy, approved by the Board of Directors. These thresholds help determine whether a risk poses a threat to operations or strategy and support timely decisions on mitigation, transfer, acceptance, or treatment. Risk criticality is defined based on risk appetite and tolerance criteria.

→ RISK APPETITE

Define the level of exposure the company is willing to accept in pursuit of its strategic and operational objectives.

→ RISK TOLERANCE

Indicates the maximum exposure the organization can tolerate without compromising business stability and strategic execution.

RESPONSE STRATEGIES ACCORDING TO TOLERANCE LIMITS

Risks Within Tolerance Limits: When residual severity is "considerable," "moderate," or "low," strategies such as avoidance, mitigation, sharing, or acceptance are implemented, based on cost–benefit evaluations.

Risks Beyond Tolerance Limits: Risks with "high" severity exceed acceptable thresholds. In such cases, strategies must be implemented to reduce their criticality to acceptable levels, either through mitigation or sharing. If risk reduction is not feasible, avoidance must be considered.

Residual Risk Criticality	CAASA Tolerance Level	Response Strategy
High (A)	Not Tolerable	Mitigate / Share / Avoid
Considerable (C)	Tolerable (subject to evaluation by process owner)	Mitigate / Share / Avoid / Accept
Moderate (M)	Tolerable (subject to evaluation by process owner)	Mitigate / Share / Accept
Low (B)	Tolerable	Accept

Anexx 2: Risk assessment criteria

IMPACTS

According to the Internal Control and Comprehensive Risk Management Policy approved by the Board of Directors in 2017.

Criteria	Low	Moderate	Considerable	High
Economic (Oper profit >50 MM) Applicable to companies with Average Operating Profit greater than S/ 50 million in the last 3 years	Less than 0.25% of the average Operating Profit in the last 3 years.	Between 0.25% and 0.5% of the average Operating Profit in the last 3 years.	Between 0.5% and 1% of the Operating Profit in the last 3 years.	Greater than 1% of the average Operating Profit in the last 3 years.
Economic (Oper profit <50 MM) Applicable to companies with Average Operating Profit of under S/ 50 million in the last 3 years	Under S/ 250 thousand	Between S/ 250 thousand and S/ 500 thousand.	Between S/ 500 thousand and S/ 1 million	Greater than S/ 1 million.
Impact on the operations and information systems (qualitative)	Interruption of operations for less than 1 hour. Does not affect the integrity and/or timeliness of the information.	Interruption of operations between 1 and 8 hours. Affects the integrity and/or timelines of critical information.	Interruption of operations between 8 and 24 hours. Loss of CAASA or third-party non-critical information that cannot be recovered.	Interruption of operations for more than 24 hours. Loss of CAASA or third-party critical information than cannot be recovered.
Impact on reputation and image (qualitative)	Minimal public awareness and little or no company responsibility.	Moderate public awareness. Liability may exist.	Wide media coverage. Perception of corporate responsibility.	Massive public awareness and high frequency or permanence in the media. Receives political interest. Perception of corporate responsibility.

Criteria	Low	Moderate	Considerable	High
Regulatory and legal Impact (qualitative)	This could result in non-compliance with internal or legal, sector, labor, or tax regulations.	It originates the non-compliance with internal or legal, sectorial, labor or tax regulations, but does not generate the payment of penalties.	Failure to comply with legal, sectorial, labor or tax regulations will result in the payment of penalties. Ethical misconducts that do not comply with internal regulations and that do not constitute a crime.	Severe non-compliance with legal, sectorial, labor or tax regulations determines the payment of penalties, could result in criminal sanctions for the entity or representative, and/or the intervention of the regulator. Systematic ethical misconducts in violation of internal regulations and/or the commission of criminal offenses.
Environmental Impact (Nature of the event/affectation)	The scope of the impact is at the activity level. Impact on the company's facilities and infrastructure on pavement.	The scope of the impact involves the entire Process. Impact on 1 environmental factor (air, soil, water, flora, and fauna).	The scope of the impact involves other processes. Impact on 2 or more Environmental factors (air, soil, water, flora, and fauna).	The scope of the impact goes beyond the boundaries of the company. Impact on the sensitive natural environment or population (natural reserves).
Occupational Health and Safety (Nature of the Incident and the Injury)	Very minor injuries, may cause discomfort or inconvenience.	Minor injuries, no leave, no disability, may require first aid.	Temporary disability. Reversible health damage.	Total or partial permanent disability. Irreversible/mortal damage.

PROBABILITY

According to the Internal Control and Comprehensive Risk Management Policy approved by the Board of Directors in 2017.

Impact	Low	Moderate	Considerable	High
Exposure (qualitative)	Continuous exposure < 50% of acceptable limitlímite aceptable.	Between 50% and 75% of acceptable limit.	Between 75% and 100% of acceptable limit.	Continuous exposure, above the acceptable limit.
Occurrence Estimate (qualitative)	Low estimated probability.	Moderate estimated probability.	Considerable estimated probability.	High estimated probability.
Historical Frequency (quantitative)	• Never occurred • Less than 0.5% of cases/transactions	• Did not occur in the last year, but has occurred before. • Between 0.5% and 1% of cases/transactions.	• The event has occurred once in the last year. • Between 1% and 5% of cases/transactions.	• The event has occurred more than once in the last year. • Greater than 5% of cases/transactions.

Annex 3: Incentives for risk management

Through our Strategic Management Cycle, we annually define, deploy, and monitor the Strategic Plan for CAASA and its Subsidiaries. This process includes analyzing the environment, identifying strategic risks and opportunities, and creating organizational clarity and alignment around the established objectives, in accordance with corporate governance best practices.

As a fundamental part of this cycle, we deploy the corporate strategic guidelines at all levels of the organization, ensuring the alignment of functional plans, area plans, and individual objectives with the Corporate Strategy. In this way, we guarantee that our team has the appropriate incentives to contribute to the fulfillment of the strategic objectives and effectively manage the risks that could affect their achievement.

The management team has a set of annual objectives, the achievement of which is associated with a financial bonus, which combines:

- **Common goals**, such as corporate financial results, team development, and others. These include a specific indicator that measures the level of compliance with corporate risk management standards.
- **Specific goals** linked to the functions of their role.

To ensure compliance with the objectives defined at the management level, each department aligns the objectives necessary for their achievement with its teams, following a top-down deployment approach. Similarly, actions are aligned to manage risks that could affect the achievement of these objectives.

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DEPLOYMENT OF OBJECTIVES BY LEVEL

→ MANAGMENT (C-LEVEL)

Management has financial incentives linked to achieving its strategic objectives. To achieve these objectives, they must manage the risks that could impede their achievement. These objectives are directly related to the organization's main strategic risks and include metrics such as:

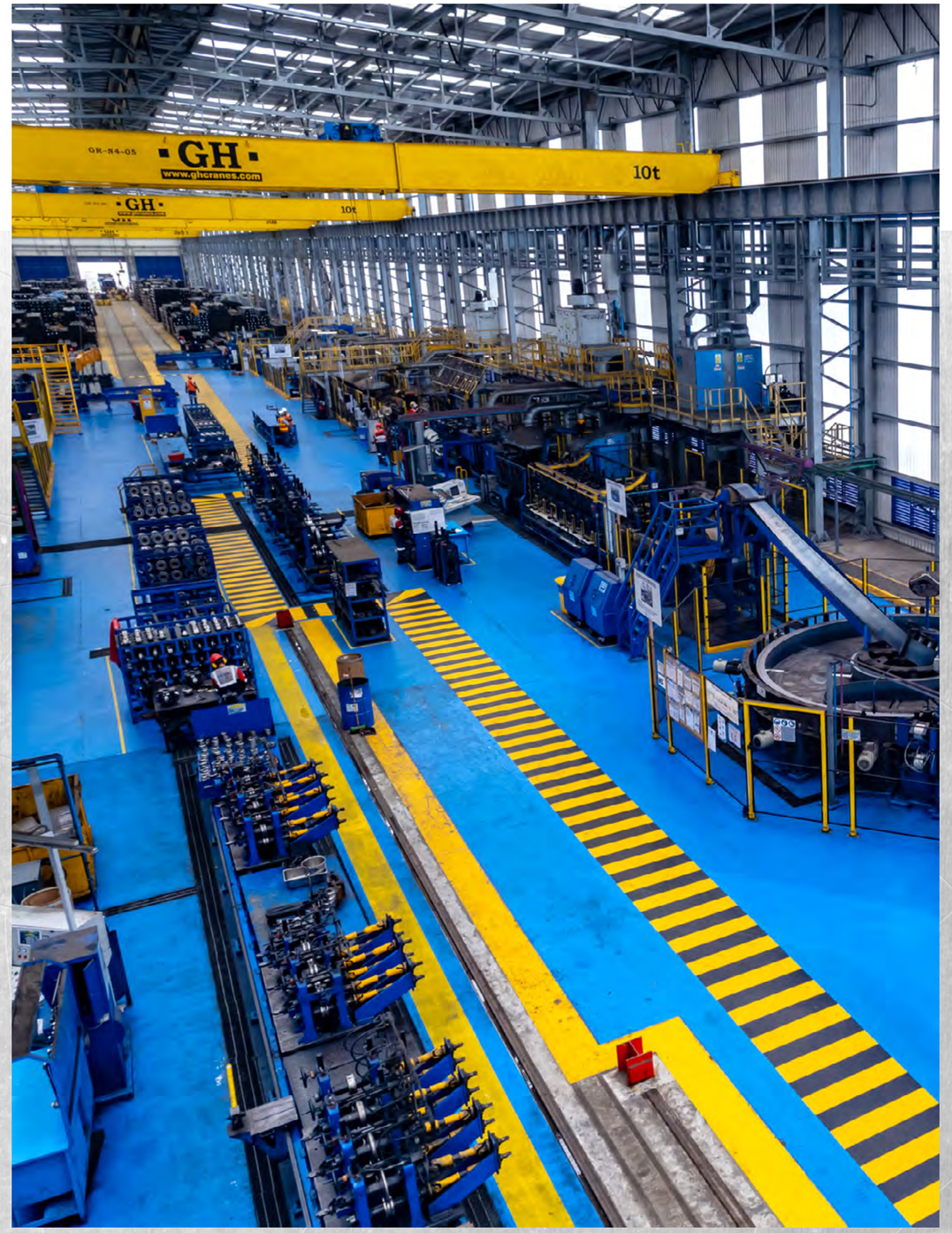
- Recycled steel supply
- Volume of Sales
- Market share
- Concentration of results on specific products
- Implementation and compliance with applicable regulations
- Health and Safety Indicators
- Financial ratios
- Compliance with risk management guidelines
- Other

→ OPERATIONAL

The objectives defined at the management level are distributed to employees, ensuring alignment with strategic priorities and risk management. Each employee has objectives comprised of indicators, projects, and initiatives that reflect these priorities and incorporate the actions proposed for risk mitigation.

Likewise, each leader responsible for processes and subprocesses is responsible for managing the risks associated with their process, ensuring comprehensive management throughout the organization.

These elements are the inputs for individual performance evaluations, which serve as the basis for defining salary adjustments, promotions, as well as for implementing improvement plans or, eventually, the relocation or termination of the employee.



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