



CORPORATE RISK REPORT 2025-2026



ANTICIPATE
RISKS, BUILD
RESILIENCE



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INTRODUCTION LETTER

At Corporación Aceros Arequipa, sustainability is not a statement of intent, but the criterion that guides our strategic decisions. Sustaining ourselves over time, growing responsibly, and generating value for our stakeholders requires going beyond operational efficiency: it requires anticipation. Anticipating the trends that are reshaping the industry, the risks that may compromise our objectives, and the opportunities that arise in contexts of change.

The environment in which we operate has become more complex and dynamic. Persistent global overcapacity, in a context of slowed demand, particularly due to lower internal demand in China, has led to record-level exports of production surpluses, many of them subsidized, generating pressures on prices and margins. To this are added geopolitical and commercial tensions that are generating changes in global steel and raw material flows, a greater frequency of extreme weather events affecting operations and logistics, the advancement of carbon-linked regulations, and accelerated technological evolution, which introduces both opportunities and new risks.

This environment of constant change configures a new reality for the industry. In it, business sustainability depends increasingly on the capacity for adaptation and preparation in the face of diverse scenarios. In this context,

we present the portfolio of strategic and emerging risks of Aceros Arequipa for the 2025–2026 period, identified and evaluated through our Integrated Risk Management and Opportunities Methodology (GIRO), within the framework of the Annual Strategic Management Cycle.

This report allows us to understand our main exposures, evaluate our level of preparation, and define the necessary actions to strengthen the business's resilience. It reflects, moreover, our risk management approach, oriented not only to respond to events but to anticipate them systematically.

Sixty years of history have taught us that sustainable growth is not built in spite of risks, but by managing them with judgment, transparency, and continuous improvement. This report is a reflection of that conviction



Ricardo Cillóniz Champín
Executive President

THIS REPORT ALLOWS
US TO UNDERSTAND
OUR MAIN EXPOSURES,
EVALUATE OUR LEVEL
OF PREPARATION,
AND DEFINE THE
NECESSARY ACTIONS
TO STRENGTHEN THE
BUSINESS'S RESILIENCE.



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Methodological FRAMEWORK





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METHODOLOGICAL FRAMEWORK

We promote a proactive risk management approach oriented to anticipate events, protect and strengthen business value, and capture growth opportunities. This approach is sustained by our Integrated Risk Management Methodology, applied within the framework of the Annual Strategic Management Cycle, under the supervision of the Board of Directors and aligned with the best corporate governance practices, including the COSO ERM guidelines and the standards of the Dow Jones Sustainability Index (DJSI).

OUR APPROACH COVERS BOTH STRATEGIC AND OPERATIONAL RISKS.



Strategic risks

May affect the fulfillment of our vision, mission, and strategic objectives; their nature is dynamic and changing due to their close relationship with global, regional, and local trends, as well as other external factors.



Processes risks

Impact process objectives, regulatory compliance, and codes of conduct. They are inherent to operational activities and have a known nature.

In this report, we focus on the analysis of trends and strategic risks, given their capacity to impact corporate strategy and long-term growth, contributing to transparent management with our stakeholders.

We recognize that environmental trends generate both risks and opportunities. The latter are evaluated and managed within the framework of the Strategic Management Cycle; due to their strategic and confidential nature, they are not publicly disclosed until their capture or formalization. Evidence of this are the investments, the growth of operations, and the strategic initiatives that are presented as results in our Integrated Report.





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IN THIS REPORT, WE FOCUS ON THE ANALYSIS OF TRENDS AND STRATEGIC RISKS, GIVEN THEIR CAPACITY TO IMPACT CORPORATE STRATEGY AND LONG-TERM GROWTH, CONTRIBUTING TO TRANSPARENT MANAGEMENT WITH OUR STAKEHOLDERS.





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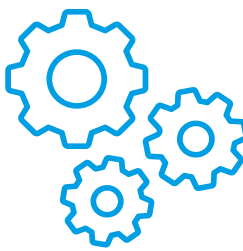
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Starting from a study of global and local trends and their correlation with internal factors, we perform a comprehensive analysis of the variables that may influence the achievement of our strategic objectives. This analysis is the main starting point for identifying and evaluating our strategic and emerging risks within the framework of our Annual Strategic Management Cycle.



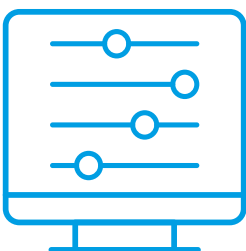
Trends

We identify and analyze the main global and sectoral trends, using specialized external sources, with the objective of selecting and delving into those most relevant to the organization.



Connections

We associate the identified trends and their potential impact on the business, building a map of trends and connections that consolidates the external variables that influence the strategic context.



Internal Systems

Through the Strategic Management Cycle and our Integrated Risk Management Methodology (GIRO), we incorporate the analysis of trends and their connections into the process of identifying, evaluating, treating, and monitoring strategic risks and opportunities, considering organizational capabilities, systems, culture, and available resources.



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Trends and CONNECTIONS





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2.1. TRENDS

We identify the global and local trends that can generate a significant impact on our operations and the fulfillment of our strategic objectives. To this end, we analyze the information available on the World Economic Forum's Business Intelligence platform, the Global Risks Report, and other industry sources such as WorldSteel, OECD, IMF, among others; to select the trends with a high and medium level of relevance for Corporación Aceros Arequipa, which are listed on the following page:

WE IDENTIFY THE GLOBAL AND
LOCAL TRENDS THAT CAN GENERATE
A **SIGNIFICANT IMPACT** ON OUR
OPERATIONS AND THE FULFILLMENT
OF OUR STRATEGIC OBJECTIVES.





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RELEVANCE FOR CAASA

POLITICAL, SOCIAL AND ECONOMIC			ENVIRONMENT AND CLIMATE CHANGE			TECHNOLOGY AND CYBERSECURITY		
A	Chinese subsidies that generate overproduction, increased exports and investments in steel capacities.	High	I	Increase in recycled steel consumption	High	Q	AI and Digital transformation	High
B	Expansion of cross-border steel investments	High	J	Net Zero strategies in the steel industry	Medium	R	The future of production (Global Lighthouses)	Medium
C	Retreat of global integration due to greater geopolitical competition	Medium	K	Gap between climate commitments and real action	Medium	S	Cybercrime and Cybersecurity	High
D	Resilience and security of the supply chain	Medium	L	Carbon taxes on steel products	Medium			
E	Political and social instability in Latin America	Medium	M	Recycling and circularity	Medium			
F	Institutional framework in Peru and business integrity	Medium	N	New green energy sources for the steel industry	Medium			
G	India as a new global steel hub	Medium	O	Government role in climate action	Medium			
H	Growth of urban infrastructure and services	Medium	P	Water and energy scarcity	Medium			

LEVEL OF
STRATEGIC
RELEVANCE

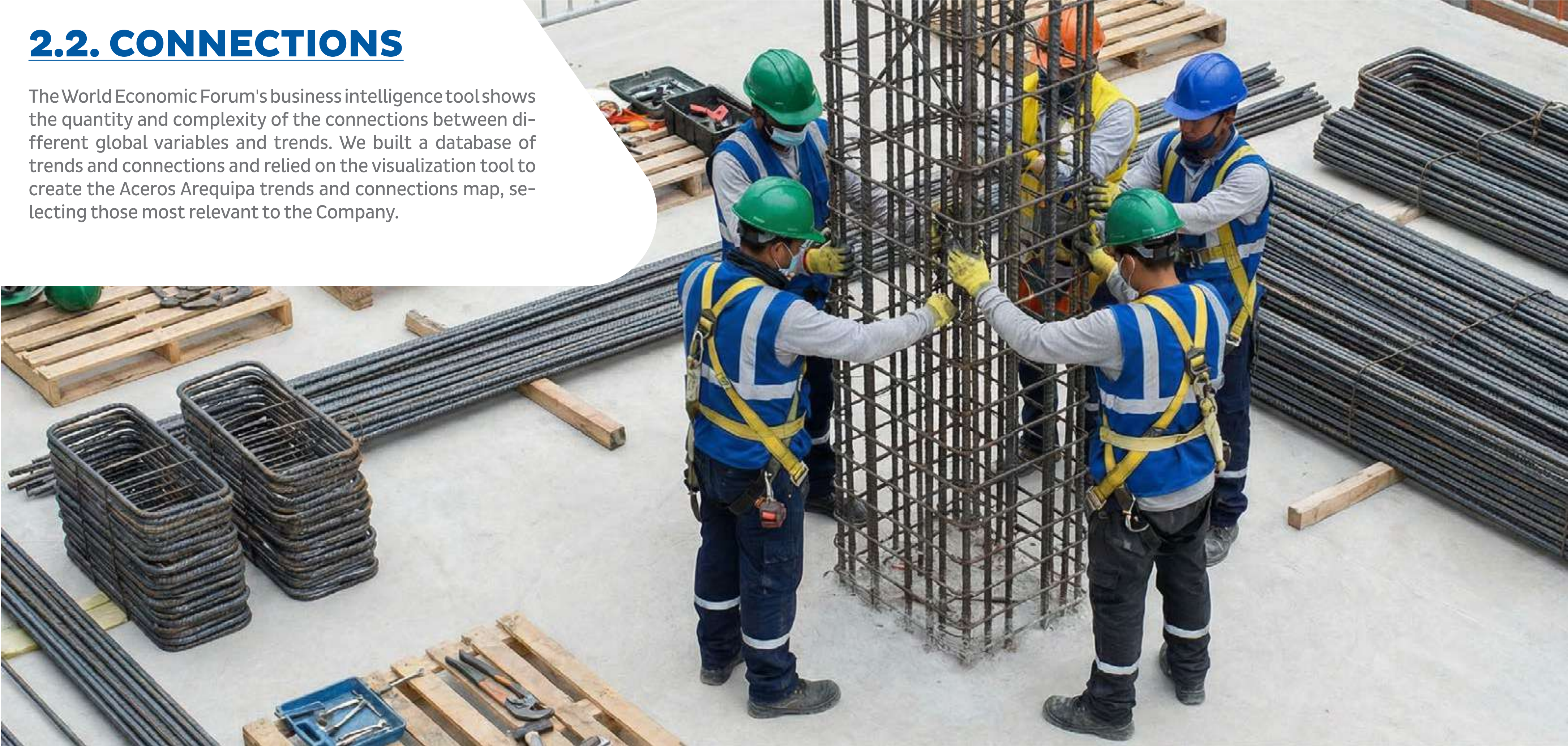
- High
- Medium
- Low





2.2. CONNECTIONS

The World Economic Forum's business intelligence tool shows the quantity and complexity of the connections between different global variables and trends. We built a database of trends and connections and relied on the visualization tool to create the Aceros Arequipa trends and connections map, selecting those most relevant to the Company.





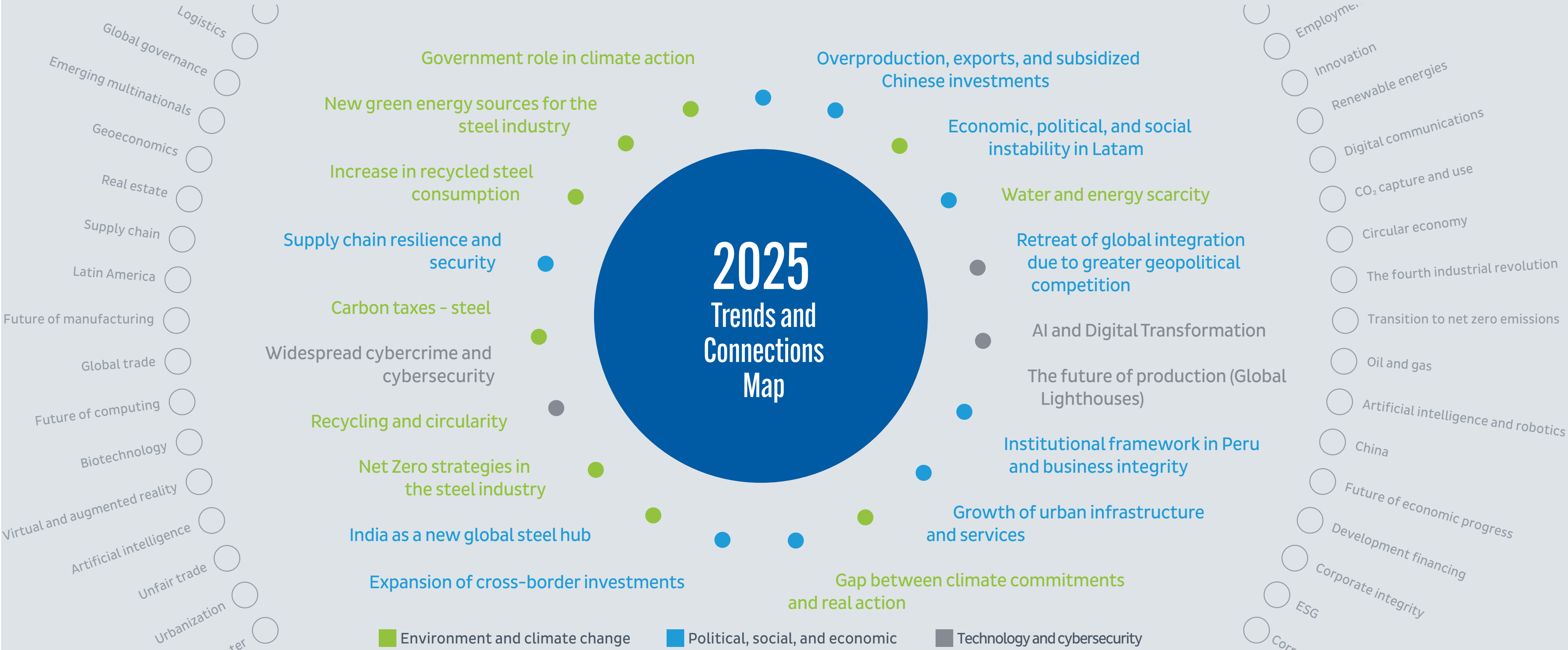
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POLITICAL, SOCIAL AND ECONOMIC



A. Overproduction, exports, and subsidized Chinese investments 👁



B. Expansion of cross-border steel investments 👁



C. Retreat of global integration due to greater geopolitical competition 👁



D. Resilience and security of the supply chain 👁



E. Political and social instability in Latin America 👁



F. Institutional framework in Peru and business integrity 👁



G. India as a new global steel hub 👁



H. Growth of urban infrastructure and services 👁

Overproduction, exports, and subsidized Chinese investments

Global steel overcapacity continues to put pressure on prices and sector profitability. This overcapacity is largely driven by state subsidies to steel companies; the OECD estimates that the subsidies granted in China may be up to ten times higher than those of its member countries. As a result, China accounts for 52% of global production (960.8 Mt in 2025) and produces in just 17 days what Latin America generates in a year.

Given the weakening of internal demand in China, this excess production has shifted to international markets, generating consecutive record-level growth in Chinese exports, with 118 Mt in 2024 and 131 Mt in 2025, according to Platts.

In response, advanced economies have strengthened their trade protection mechanisms; the United States raised tariffs to 50% and the European Union renewed safeguards in 23 categories of steel products. In contrast, emerging economies such as those in Latin America, which lack robust trade protection systems, have experienced a significant increase in the influx of these exports. According to Alacero, 45.4% of steel imports in the region in 2025 came from China, while the production of rolled steel has remained stagnant for over a decade, evidencing a trend toward the deindustrialization of the sector and putting approximately 1.4 million jobs at risk.

A

Likewise, the progressive implementation of the CBAM could intensify the diversion of high-emission steel to regions with lower barriers, such as Latin America. This context reinforces the need to move toward more modern and coordinated regional mechanisms to manage global overcapacity and preserve the competitiveness of the sector in the region.



Expansion of cross-border steel investments

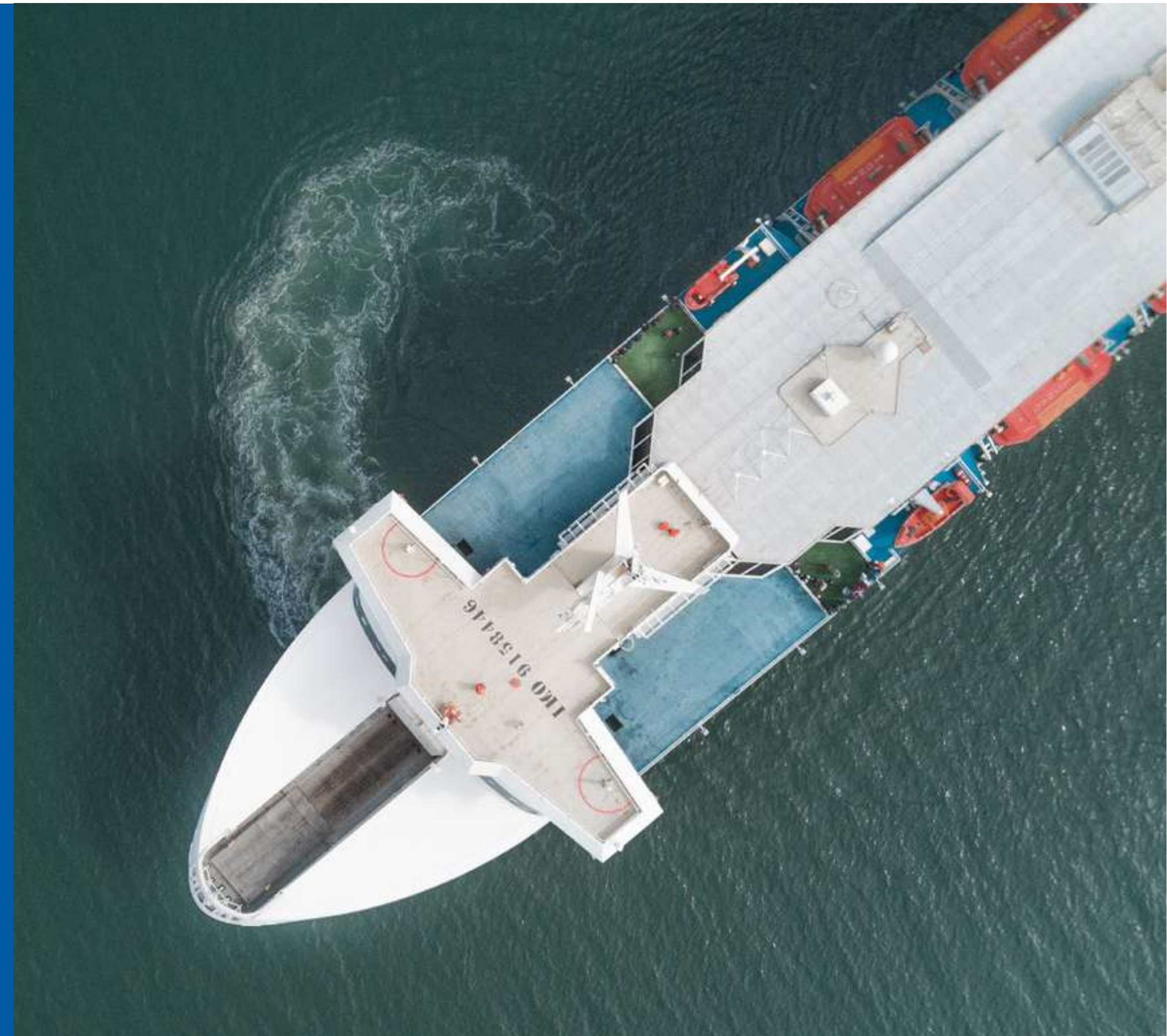
In a context of global overcapacity, increased exports, and greater geopolitical competition, Asian countries—led by China—are promoting steel investments abroad to channel production surpluses, bypass trade barriers, and expand their economic and geopolitical influence.

According to the OECD Steel Outlook 2025, cross-border investments represent approximately 16% of the projected new global capacity, concentrating mainly in Southeast Asia and, to a lesser extent, in Africa. China leads this trend, contributing nearly 50% of the total through direct investment and joint ventures.

This dynamic could deepen existing imbalances in the industry by shifting overcapacity to new geographies. Furthermore, it poses relevant challenges for recipient countries, which are mostly emerging economies whose regulatory frameworks and trade defense mechanisms are often still limited or in the process of consolidation. Additionally, a significant portion of these investments involves state participation, which could imply the presence of subsidies and generate distortions in competitive conditions.

B

In Latin America, cases of steel plants with Chinese participation are already observed in countries such as Bolivia, Ecuador, and Paraguay, which evidences an incipient trend in the region.



Retreat of global integration due to greater geopolitical competition

Global trade is undergoing a reconfiguration process driven by increasing geopolitical competition among major economies. Governments are adopting measures such as tariffs, restrictions on foreign investment in strategic sectors, and product relocation strategies toward allied or nearby countries (friend-shoring and nearshoring).

This dynamic is shortening supply chains and redirecting trade and investment flows toward partners considered compatible. While global economic integration persists, interdependence—once seen as an advantage—is now managed with greater caution, prioritizing the maintenance of geopolitical power, economic security, and national sovereignty.



In this context, organizations face the challenge of diversifying their supply sources, anticipating regulatory changes, and adapting their strategies to an environment of increasing fragmentation in international trade.

Resilience and security of the supply chain

Global supply chains face a high-volatility environment marked by increasingly frequent and costly disruptions derived from armed conflicts and extreme weather events. These interruptions have turned operational uncertainty into a persistent condition of international trade.

Key factors include tensions in strategic routes, such as the Red Sea, the Suez Canal, and the Strait of Hormuz, which affect the transit of goods and increase logistics costs. Additionally, there are extreme weather phenomena, such as droughts that reduce navigability in key canals or floods that paralyze logistics infrastructure, increasing the unpredictability of delivery times. According to the World Economic Forum, in 2025, these disruptions raised freight costs by 40% year-on-year and significantly extended transit times.

Given this context, organizations are strengthening the resilience of their chains through supplier diversification, the strengthening of safety inventories, and the reconfiguration of their logistics networks to reduce their exposure to interruptions.



Political and social instability in Latin America

Latin America faces institutional and governance challenges that affect its capacity to sustain long-term economic growth and development. The evolution of these factors has shaped an environment in which relatively low levels of institutional trust persist, according to the WEF 2025 Executive Opinion Survey.

These conditions influence the investment climate by generating higher levels of uncertainty regarding legal security, competitiveness, and the business environment in the region. In this context, the 2025-2026 electoral cycle takes on special relevance: countries such as Brazil, Colombia, Costa Rica, Peru, and Haiti will elect new authorities in 2026, while others held electoral processes in 2025.

This scenario represents an opportunity to strengthen institutional trust through development-oriented agendas, the strengthening of regulatory frameworks, and the promotion of investment and productive reactivation in the region.



Institutional framework in Peru and business integrity

The institutional environment in Peru continues to present challenges that impact the investment climate and business development. According to Transparency International's Corruption Perceptions Index, the country is located at intermediate-low levels globally, reflecting persistent challenges regarding integrity and institutional trust. Furthermore, the IMD World Competitiveness Ranking shows weaknesses in key institutional pillars, such as political stability, regulatory framework efficiency, and business environment trust, placing Peru at position 60 out of 69 countries evaluated.

In recent years, political volatility and frequent changes in government and other key entities have increased uncertainty, affecting the predictability of the regulatory framework and investment decisions. This context can generate delays in project execution, higher compliance costs, and greater exposure to regulatory risks.

In this scenario, strengthening institutional framework and business integrity remains a key factor to improve the country's competitiveness and promote a more stable and predictable environment for private investment.



India as a new global steel hub

While China faces a structural contraction in its internal steel demand, India is emerging as the new growth engine for the sector globally. According to the WorldSteel Short Range Outlook 2025, India will record steel demand growth of approximately 9% in both 2025 and 2026, the highest rate globally. This boom is expected to be driven by a national infrastructure investment plan of 1.4 trillion USD, the development of renewable energies, and the defense sector.

McKinsey and ICRIER project that Indian consumption will reach 260 Mt by 2035, while its installed capacity will expand from 200 Mt (2025) to 300 Mt by 2030. Indian production has a critical dependence on metallic charge, given that more than 50% of its steel is produced in induction furnaces (IF) and electric arc furnaces (EAF).

This dependence already generates a current scrap deficit in India, which forced it to import 30% of its recycled steel consumption (10 Mt) in 2024 ; it is estimated that by 2030, total scrap demand could reach 60 Mt. Faced with an insufficient internal recycling system, India would face a supply gap of up to 15 Mt additional, intensifying its need for imports.

For Latin America, India's expansion positions it as a large-scale buyer that could increase competition for the capture of recycled steel.



Growth of urban infrastructure and services

According to the World Economic Forum's Center for Urban Transformation, urban areas globally are projected to expand weekly by an area equivalent to a city the size of São Paulo or Milan until 2050, creating increasing challenges and needs in urban planning, infrastructure, housing, and basic services.

In Latin America, according to CAF, the region will require investments of more than 2.2 trillion USD by 2030 in sectors such as water and sanitation, energy, transport, and telecommunications, with the goal of closing gaps and sustaining urban growth. Of this amount, 59% will correspond to new infrastructure and 41% to maintenance and asset replacement. However, the region still presents relevant lags in integration and connectivity compared to other regions of the world.

Locally, Peru faces a significant infrastructure gap. The long-term estimate (2019–2038) amounts to approximately 110 billion USD, while, in the short term (5 years), nearly 35.5 billion USD are required to advance



in closing gaps in essential services. This process of urban expansion and infrastructure development brings opportunities for the steel sector, particularly for the construction line, by boosting demand for steel products destined for housing, infrastructure works, and urban development in the markets where the Company operates.





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ENVIRONMENT AND CLIMATE CHANGE

For Aceros Arequipa, climate change represents both a challenge and a strategic opportunity. Our production process, based on Electric Arc Furnace (EAF) technology, generates significantly fewer CO₂ emissions compared to Blast Furnaces (BOF). Furthermore, our investments in eco-efficiency and cleaner production have allowed us to reach an emission intensity 78% lower than the industry global average. We have

consistently advanced in our decarbonization roadmap and maintain our commitment to reaching carbon neutrality by 2050. To achieve this, we continue to promote initiatives focused on eco-efficiency, equipment electrification, and the progressive substitution of natural gas. Below, we present the main environmental and climate trends that could impact our strategic objectives.





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ENVIRONMENT AND CLIMATE CHANGE



I. Increase in recycled steel consumption



J. Net Zero strategies in the steel industry



K. Gap between climate commitments and real action



L. Carbon taxes on steel products



M. Recycling and circularity



N. New green energy sources for the steel industry



O. Government role in climate action



P. Water and energy scarcity

Increase in recycled steel consumption

According to the OECD, steel production through Electric Arc Furnaces (EAF) could reach nearly 50% of global production by 2050. Between 2025 and 2027, 165 million metric tons (MM TM) of new steelmaking capacity will be added, of which 96 MM TM ($\approx 58\%$) will correspond to EAF technology, which would drive the consumption of recycled steel starting in 2030. Likewise, China would concentrate the greatest growth in scrap availability in the long term, disincentivizing its export and favoring its domestic use.

On the other hand, the increasing adoption of circular business models in steel-consuming sectors, such as the automotive industry, is driving backward integration strategies to recycle the steel from their products and produce or toll-manufacture their own steel. This would increase competition for recycled steel.



For Aceros Arequipa, recycled steel is the main raw material in steel production, making this trend highly relevant to our company. In response, we are implementing a long-term supply plan that guarantees a sustainable and competitive supply.



Net Zero strategies in the steel industry

The International Energy Agency (IEA) estimates that the steel industry generates between 7% and 9% of global CO₂ emissions. Likewise, it is projected that steel demand could grow by nearly 30% by 2050, driven by urbanization and the expansion of infrastructure for the energy transition. This scenario increases the pressure to decarbonize the sector through process electrification, energy efficiency improvements, and the development of lower-carbon production routes, such as the use of green hydrogen, which still faces cost and scalability challenges.

K

K. Gap between climate commitments and real action

Ten years after the Paris Agreement, global progress in reducing emissions and implementing adaptation measures remains below what is necessary to meet the goal of limiting warming to 1.5°C. However, the transition is already shaping a new economic reality: the green economy exceeds 5 trillion dollars, a size comparable to the annual GDP of Germany or Japan. While some countries have slowed down or revised their climate policies, others have accelerated their implementation. China, for example, leads investment in renewable energy globally, with growth rates higher than those of the United States and the European Union.



Carbon taxes on steel products

The European Union's Carbon Border Adjustment Mechanism (CBAM) entered its compliance phase in January 2026, following a transitional period (2023–2025) focused on emissions reporting. From then on, importers must acquire carbon certificates progressively, in line with the gradual reduction of free allocations in the European system, until its full implementation in 2034. This new scenario introduces uncertainty regarding calculation methodologies, default values, and the evolution of carbon prices. Although the European Union has proposed adjustments to simplify the mechanism, sectors such as aluminum, cement, iron and steel, fertilizers, electricity, and hydrogen continue to evaluate its implications, given its potential impact on international trade. In parallel, the United Kingdom has announced the implementation of its own CBAM mechanism starting in 2027.

In Peru, the implementation of a carbon tax on steel products does not seem imminent. According to MINAM, only 3.78% of direct emissions come from industrial processes, while 43.51% corresponds to land use and 31.82% to energy, suggesting that the regulatory approach could prioritize sectors with a higher contribution of emissions.

Recycling and circularity

The transformation toward circular business models is a growing trend, as traditional linear models face limits such as input scarcity, global disruptions, and the environmental crisis. Although it is unlikely that linear models will disappear completely, the circular economy is gaining greater relevance by offering solutions aligned with sustainability and cost efficiency. In this approach, materials and products are kept in circulation, reducing the extraction and consumption of natural resources.

According to the WEF, while only about 20% of companies have managed to scale circular supply chains, **M**ore than 95% of executives consider that circularity will be important or very important for their companies in the next three years, evidencing that this approach is progressively consolidating as a strategic priority in multiple industries. At Aceros Arequipa, circularity is the central axis of our business: more than 95% of our metallic charge comes from recycled steel. Furthermore, we are advancing toward our goal of becoming a zero-waste company, optimizing the valorization of industrial byproducts such as zorba, zinc, and slag, which we commercialize with strategic partners.



New green energy sources for the steel industry

The International Energy Agency (IEA) projects a transformation in technologies and energy sources to advance toward near-net-zero steel by 2050. In this context, the sector's energy transition incorporates lower-carbon footprint solutions, such as the use of green hydrogen for the direct reduction of iron ore (H₂-DRI), with the potential to substitute coal in primary processes and natural gas in some thermal processes. However, its deployment still faces challenges in costs, clean energy availability, infrastructure, and scalability.

Globally, initiatives for its implementation are being developed, such as the Clean Steel Partnership in the European Union and the "Horizonte de Verano" project in Peru; however, green hydrogen remains significantly more expensive than conventional alternatives. According to the World Economic Forum (WEF), it could reach competitiveness toward the beginning of the 2030s.

N



Government role in climate action

Governments are promoting investments and policies to accelerate the transition toward low-carbon economies, through incentives for renewable energy and the development of dams that must adapt to more resilient infrastructure and more demanding regulations. However, this progress is not homogeneous: while some countries reinforce their climate commitments, others have revised or slowed down their policies, generating a more uncertain regulatory environment. This context poses opportunities and challenges for the global industry, given the increasing variability in the rules of the game. In Peru, according to MINAM, it is estimated that nearly 49 billion USD are required to implement adaptation and mitigation measures; although there is progress in public investment, greater articulated efforts between the public and private sectors are still needed to meet the 2030 and 2050 goals.



Water and energy scarcity

Increasing water and energy scarcity constitutes a relevant physical risk associated with climate change. The World Economic Forum's Global Risks Report 2026 identifies natural resource scarcity and extreme weather events, which could compromise critical infrastructure, as long-term increasing risks.

In Latin America, infrastructure gaps increase pressure on water and energy systems (CAF). In Peru, recent interruptions in natural gas supply have evidenced vulnerabilities in energy infrastructure, particularly in terms of redundancy and response capacity to disruptions.

Likewise, the heterogeneous geographical distribution of water resources, with a higher concentration of demand on the coast, where higher levels of water stress are recorded, together with its exposure to climate variability, reinforce this challenge (WRI; ANA). This context could generate operational restrictions and higher costs, affecting the continuity and competitiveness of the business.

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AT ACEROS AREQUIPA, CIRCULARITY IS THE CENTRAL AXIS OF
OUR BUSINESS: MORE THAN 95% OF OUR METALLIC CHARGE
COMES FROM RECYCLED STEEL.



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TECHNOLOGY AND CYBERSECURITY



Q. AI and Digital transformation 👁



R. The future of production (Global Lighthouses) 👁



S. Cybercrime and Cybersecurity 👁

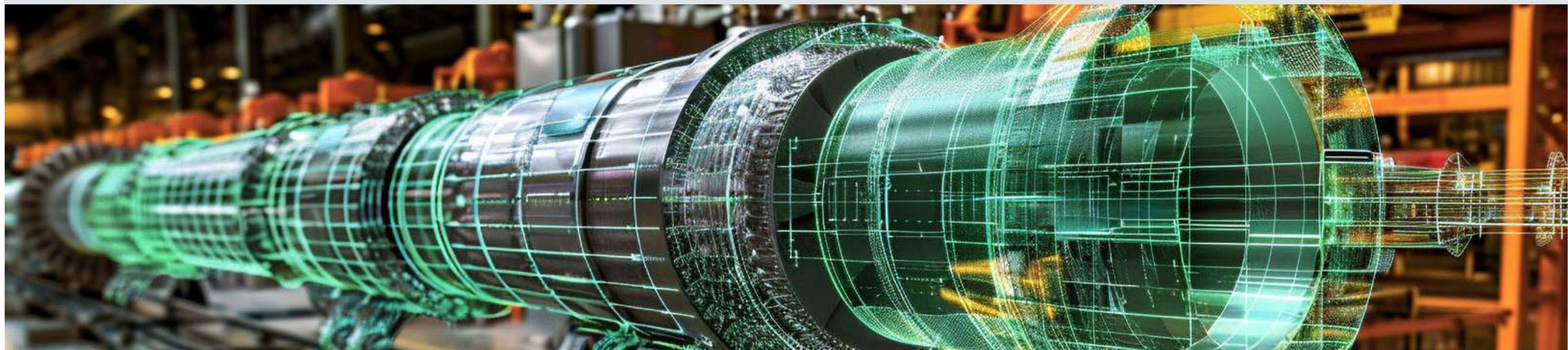


AI and Digital Transformation

Artificial intelligence is redefining global manufacturing. According to the WEF's Future of Jobs Report 2025, 86% of companies project that AI will transform their operations by 2030, integrating solutions such as robotics, predictive maintenance, and automated quality control. The WEF and McKinsey estimate that, in Latin America, effective AI adoption represents a great opportunity as it could increase regional productivity by between 1.9% and 2.3% annually, equivalent to up to US\$ 1.7 trillion.

However, scaling this potential faces challenges both globally and regionally. The OECD points out that, as of 2025, AI adoption has not yet translated into significant productivity improvements in manufacturing on a global scale. In Latin America, only 23% of organizations manage to generate measurable economic value from its use, which evidences that the region is still in an early stage of this transformation.

In this context, capitalizing on AI's potential will require not only technological investment but also the development of human capabilities, enabling regulatory frameworks, and implementation strategies that allow translating AI adoption into real and sustainable economic impact.



R. The future of production (Global Lighthouses)

The WEF's Global Lighthouse Network (RGL), a global benchmark for advanced manufacturing transformation that brings together 220 industrial plants, highlights that the success of industrial transformations no longer depends on isolated technologies, but on their convergence. 94% of RGL sites simultaneously integrate AI, IoT, cloud services, and digital twins; this synergy, along with talent and sustainability strategies, has allowed these companies to outperform their peers with significant improvements in delivery times, quality, and efficiency.

Within the RGL, the adoption of cognitive operations based on generative AI in key processes increased from 9% in 2024 to 23% in 2025. This has allowed evolving from reactive operations toward smarter systems with the capacity to anticipate failures and optimize their performance autonomously.

However, despite these advances, leveraging the potential of these technologies is still in an incipient stage. Even within the RGL, only 10% of companies have managed to scale their innovations to three or more plants, which evidences that the main challenge is no longer solely technological adoption, but the organizational capacity to implement it and capture its value at scale.

Cybercrime and cybersecurity

Cybercrime has consolidated as one of the most critical risks for the global industry. According to the WEF's Global Cybersecurity Outlook 2026, cyber vulnerability driven by AI adoption is the fastest-growing risk in the business environment.

This reality is especially sensitive in Latin America, where 69% of organizations admit to lacking the specialized talent necessary to face these threats, leaving companies in the region in a position of greater vulnerability to increasingly automated and sophisticated attacks.

As manufacturing companies integrate automation technologies, IoT, and interconnected industrial control systems, exposure to cyber risks increases proportionally. In industries where operational continuity depends on the coordination between machinery and digital platforms, a cyberattack can interrupt production, compromise critical data, and affect production.



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Strategic RISKS





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3.1. TRENDS, CONNECTIONS, AND RISKS

We analyze the most relevant trends for Aceros Arequipa and associate them with the business to identify strategic and emerging risks.

STRATEGIC RISKS

1	Increased competition in operating markets	A/B/E/F
2	Supply of recycled steel at required cost and quality	C/D/G/I/J/M
3	Revenue concentration in specific products and segments	A/B/H/F
4	Macroeconomic vulnerability, political and social instability in countries of influence	E/F
5	Integrity of employee and contractor health and safety	Q/R
6	Regulatory and compliance-related contingencies	E/F/L/S
7	Business continuity interruptions due to internal and external factors (including cybersecurity)	F/K/O/P/Q/S
8	Investments not achieving expected returns and objectives	A/B/E/F
9	Financial sustainability to support our growth	A/B/C/D/E/F
10	Deterioration of stakeholder relations	E/F/P
11	Damage to reputation and image	E/F/S
12	Insufficient adaptation to market changes and regulations derived from climate change	I/J/L/N/O/P

TRENDS

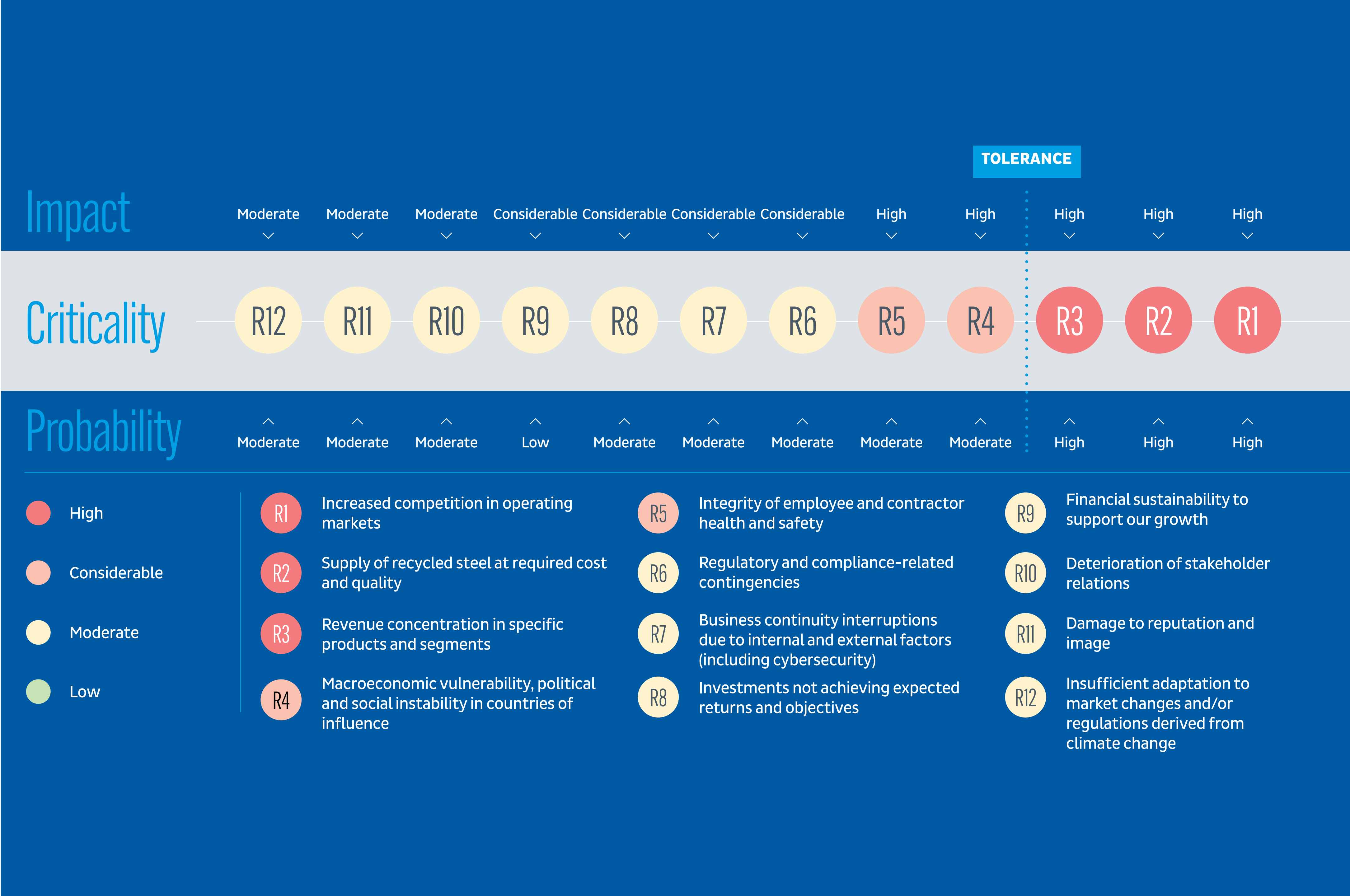
A	Overproduction, exports, and subsidized Chinese investments
B	Expansion of cross-border steel investments
C	Retreat of global integration due to greater geopolitical competition
D	Resilience and security of the supply chain
E	Political and social instability in Latin America
F	Institutional framework in Peru and business integrity
G	India as a new global steel hub
H	Growth of urban infrastructure and services
I	Increase in recycled steel consumption
J	Net Zero strategies in the steel industry
K	Gap between climate commitments and real action
L	Carbon taxes on steel products
M	Recycling and circularity
N	New green energy sources for the steel industry
O	Government role in climate action
P	Water and energy scarcity
Q	AI and Digital Transformation
R	The future of production (Global Lighthouses)
S	Cybercrime and cybersecurity

3.2 EVALUATION OF STRATEGIC RISKS

Following the guidelines of our Integrated Risk Management Methodology, we identify and evaluate the company's strategic risks at least twice a year, adhering to the tolerance and appetite criteria established at the corporate level ([see annexes 1](#)  [and 2](#) ). Based on the risk evaluation, response actions are defined and/or updated.

Furthermore, in line with best corporate governance practices, we connect strategic management with risk management and performance evaluation. This allows us to ensure that our team has the appropriate incentives to contribute to the achievement of strategic objectives and to effectively manage the risks that could compromise their fulfillment ([see annex 3](#) ).

Below, we show the result of the evaluation of our strategic risks:





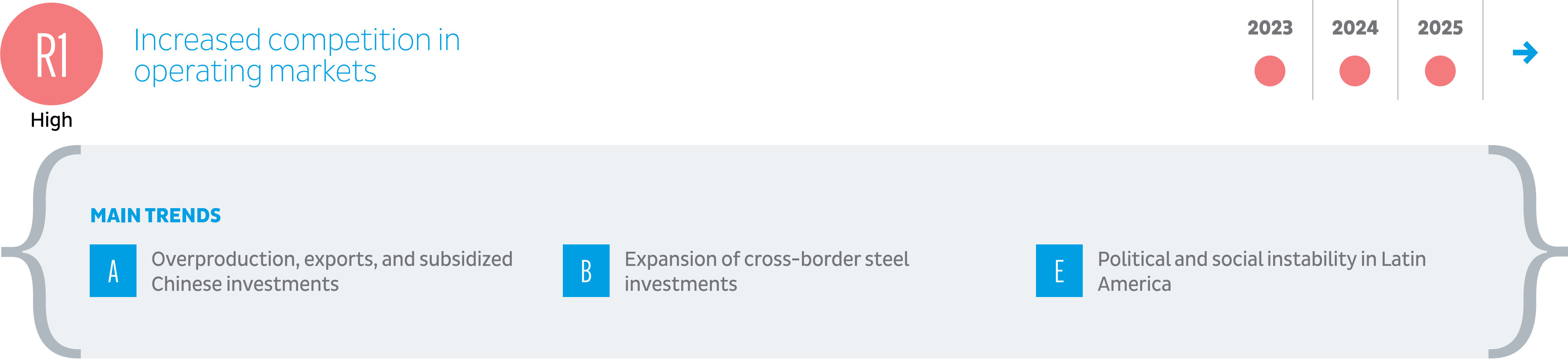
N.º	RISK	2023	2024	2025	2024 VS 2025 VARIATION
R1	Increased competition in operating markets				→
R2	Supply of recycled steel at required cost and quality				→
R3	Revenue concentration in specific products and segments				→
R4	Macroeconomic vulnerability, political and social instability in countries of influence				↓
R5	Integrity of employee and contractor health and safety				→
R6	Regulatory and compliance-related contingencies				↓

N.º	RISK	2023	2024	2025	2024 VS 2025 VARIATION
R7	Business continuity interruptions due to internal and external factors (including cybersecurity)				↓
R8	Investments not achieving expected returns and objectives				→
R9	Financial sustainability to support our growth				→
R10	Deterioration of stakeholder relations				→
R11	Damage to reputation and image				→
R12	Insufficient adaptation to market changes and/or regulations derived from climate change				NEW

↑ increases → stays the same ↓ decreases



3.3 DETAIL OF STRATEGIC RISKS



DESCRIPTION:

Intensification of competition in the markets where we operate, driven by shifts in the configuration of international trade, including the influx of steel products at subsidized prices, the entry of new competitors, and modifications to tariff and non-tariff measures. This scenario could affect our ability to sustain margins, volumes, and market share.

CRITICALITY: MAINTAINED

In 2025, Chinese steel exports reached a record 134 million tons (+14% vs. 2024). In Latin America, China accounted for 45.4% of steel imports (over 14 million tons), remaining at historically high levels.

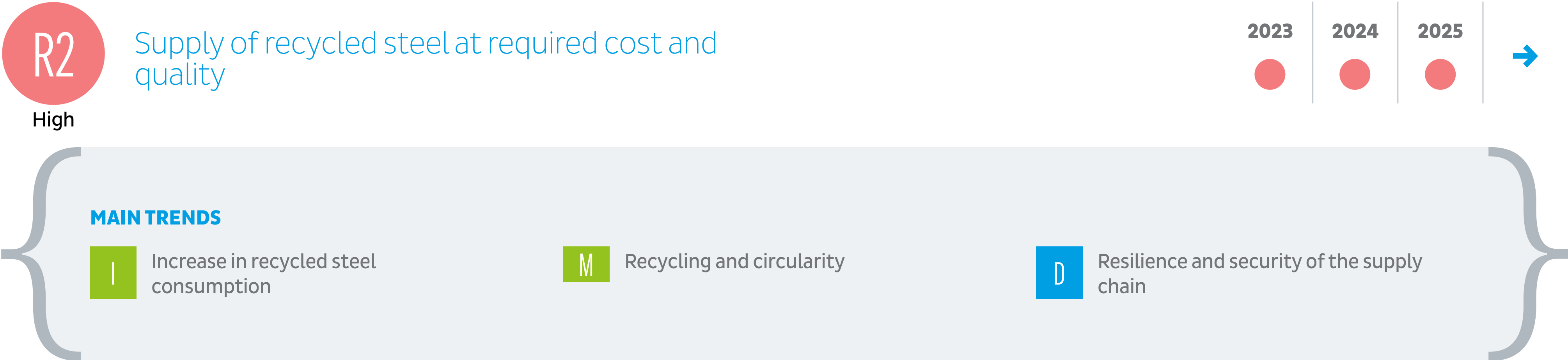
In Peru, imports of Chinese steel continue to grow across our key product segments, including long steel products (BACO), while trade protection measures remain limited. Peru currently has only one anti-dumping measure in place, compared to nine in Colombia and more than fifty in Mexico. In addition, new steel investment projects could further intensify competition in the domestic market.

POTENTIAL IMPACT:

- > Structural pressure on prices and margins.
- > Reduction in sales volumes and share in key markets.
- > Deviations from commercial and financial projections.

MITIGATION ACTIONS:

- > Participation in gremial initiatives aimed at promoting formality and fair competition conditions.
- > Strengthening of commercial strategies and brand positioning.
- > Diversification of the product and service portfolio.
- > Initiatives aimed at strengthening competitiveness in the markets where the Company operates.

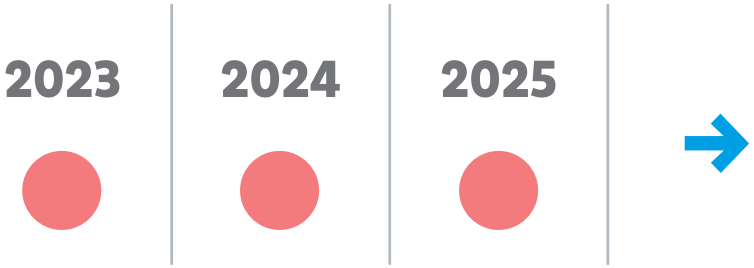


DESCRIPTION: : Potential increased restrictions in the availability and quality of recycled steel, our primary production input, as well as cost volatility in a context of geopolitical, regulatory, and transition-related shifts toward lower carbon footprint technologies. This risk could affect cost competitiveness, operational efficiency, and financial results.	CRITICALITY: MAINTAINED In 2025, we used over 1.3 million tons of recycled steel as an input in our production processes, representing one of our most significant costs. Given its importance, our results are highly sensitive to variations in the price and quality of this material. According to BIR data, there is currently no significant trend toward higher recycled steel consumption globally; however, the OECD projects that by 2030, its use could increase, intensifying competition for this input. This dynamic would be driven by the transition toward technologies such as EAF, which use recycled steel as their primary raw material. POTENTIAL IMPACT: > Structural increase in production costs. > Impact on operational performance and energy/input consumption due to lower availability of quality recycled steel. > Risks to the continuity and efficiency of the supply chain in adverse scenarios.	MITIGATION ACTIONS: > Strengthening of local recycled steel collection. > Optimization of international sourcing based on competitiveness criteria. > Continuous development of new alternatives and supply sources.
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High

Revenue concentration in specific products and segments



MAIN TRENDS

- | | | |
|--|--|--|
| A Overproduction, exports, and subsidized Chinese investments | B Expansion of cross-border steel investments | H Growth of urban infrastructure and services |
|--|--|--|

DESCRIPTION:

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

CRITICALITY: MAINTAINED:

In recent years, greater diversification of the product portfolio has been achieved. However, the contribution to gross profit continues to be concentrated, at a significant level, in specific products and markets.

POTENTIAL IMPACT:

> Dependency of financial results on a specific market and segment.

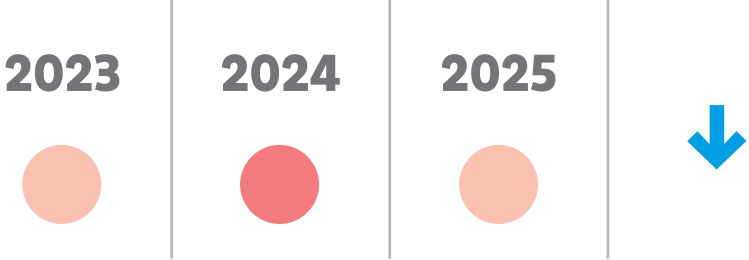
MITIGATION ACTIONS:

- > Diversification of services and product portfolio in local and international markets.
- > Strengthening of our brand and presence in the international market.
- > Constant evaluation of new business opportunities.



R4

Macroeconomic vulnerability, political and social instability in countries of influence



Considerable

MAIN TRENDS

E Political and social instability in Latin America

F Institutional framework in Peru and business integrity

DESCRIPTION:

Inability to execute our growth plan, loss of sales, and loss of market competitiveness due to macroeconomic and tax vulnerability, as well as political and social instability in Peru and other countries in the region where we operate.

POTENTIAL IMPACT:

- > Reduction in our sales due to economic crises in countries of the region.
- > Impact on margins due to currency devaluation in countries of influence.
- > Increase in costs due to restrictions on commercial operations, commissions, and/or new laws and regulations.

CRITICALITY: DECREASED

Criticality has been reduced due to signs of greater stability in the region. In Chile, Bolivia, and Ecuador, new governments have generated greater expectations for an improved business environment, while in Peru and Colombia, the electoral processes scheduled for 2026 could reinforce this trend.

MITIGATION ACTIONS:

- > Market monitoring and review of our projections and investment plans.
- > Expansion strategy into new markets and businesses.
- > Ongoing financial assessment to measure variables that may impact our results.

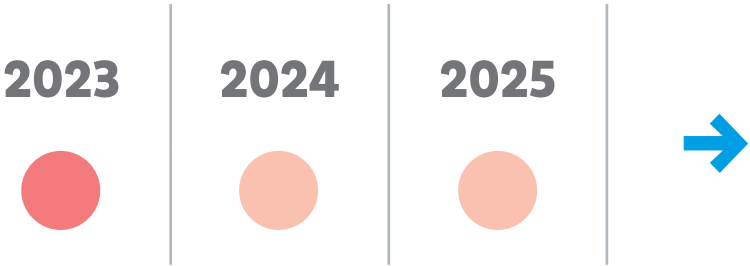




R5

Considerable

Integrity of employee and contractor health and safety



MAIN TRENDS

Q

AI and Digital Transformation

R

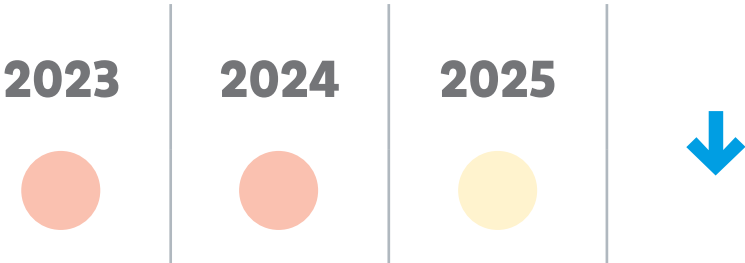
The future of production (Global Lighthouses)

DESCRIPTION: Compromise of the physical integrity and/or health of our employees and contractors due to accidents or unexpected events related to safety in our operations.	CRITICALITY: MAINTAINED Disabling accidents decreased from 43 in 2024 to 27 in 2025, while the reporting of safety events increased significantly. Nevertheless, relevant risks persist in our operations, along with challenges in strengthening the safety culture among both employees and contractors, in line with our vision of zero disabling accidents.	POTENTIAL IMPACT: > Fatalities, temporary and/or permanent injuries to our employees and contractors. > Impact on the well-being of employees and their families. > Fines and/or sanctions. > Damage to the company's reputation.	MITIGATION ACTIONS: > Strengthening of leadership and safety culture. > Process automation, engineering controls, and the utilization of technologies such as Artificial Intelligence to reduce and monitor employees' exposure to risks. > Improvement of processes, methodologies, and tools for health and safety management. > Strengthening of occupational health and safety management for third parties and contractors.
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R6

Moderate

Regulatory and compliance-related contingencies



MAIN TRENDS

E

Political and social instability in Latin America

F

Institutional framework in Peru and business integrity

S

Cybercrime and cybersecurity

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 the lack of institutional strength and high levels of corruption, which hinder regulatory compliance and generate operational overhead.

CRITICALITY: DECREASED

Criticality has decreased due to a relatively more stable regulatory environment in 2025 in Peru, the country where our operations are concentrated, compared to the previous period.

POTENTIAL IMPACT:

> Financial loss due to sanctions or fines for regulatory non-compliance.

> Impact on operational continuity due to sanctions by regulatory bodies.

> Loss of competitiveness due to regulations that affect the business climate.

> Involvement of company officials or personnel in irregular situations.

MITIGATION ACTIONS:

> Ongoing monitoring of potential regulatory changes and timely adaptation.

> Review and strengthening of controls.

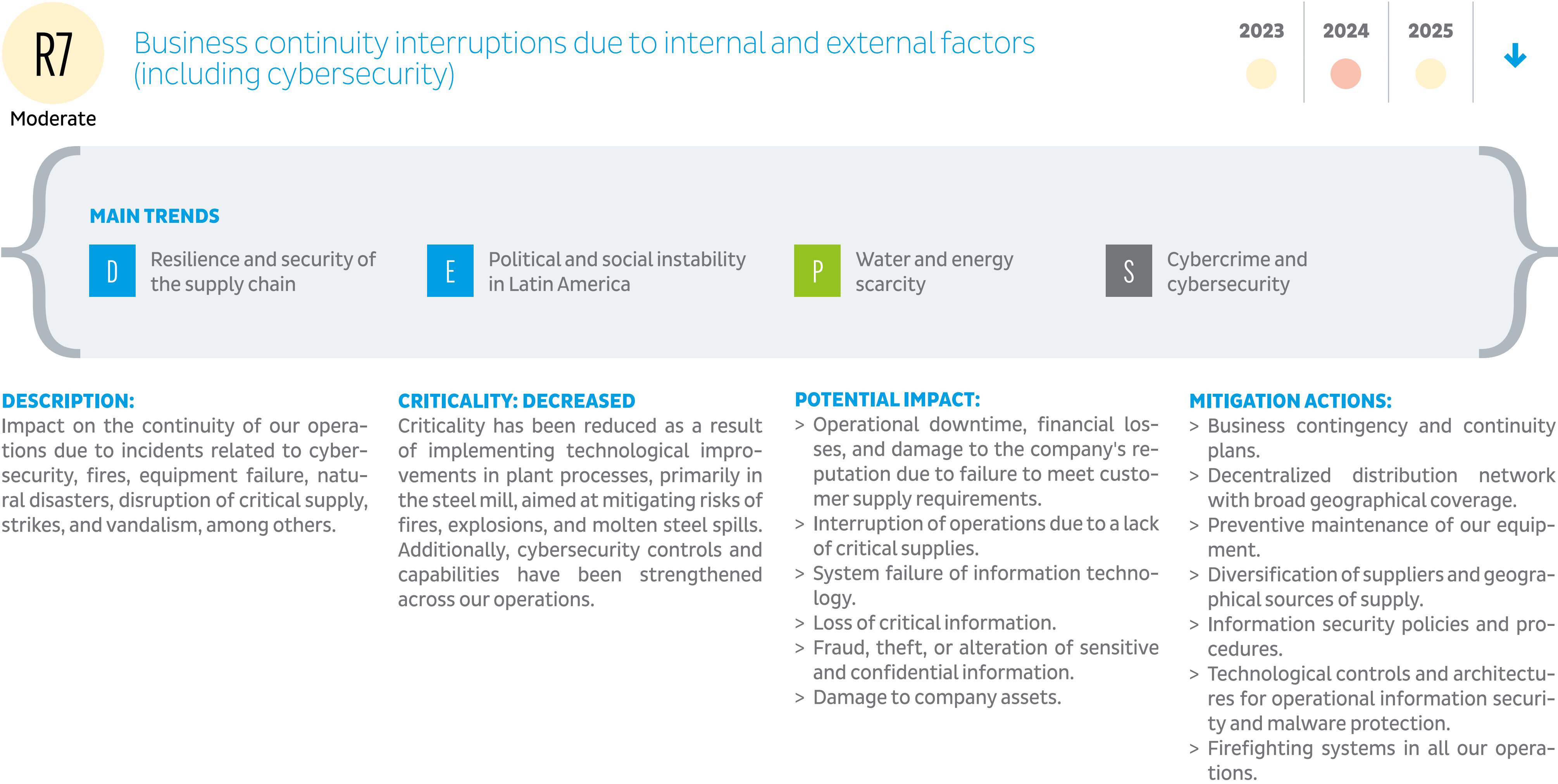
> Internal and external audits to verify compliance with legal requirements.

> Continuous updating of licenses and permits.

> Adaptation of our Legal Compliance Matrices according to regulatory changes.

42

High Considerable Moderate Low





Moderate

Investments that do not meet
return and objectives

2023



2024



2025



MAIN TRENDS

A

Overproduction, exports, and
subsidized Chinese investments

B

Expansion of cross-border
steel investments

E

Political and social
instability in Latin America

H

Growth of urban infrastruc-
ture and services

DESCRIPTION:

Deviation from expected results and ob-
jectives in investment projects and/or
new business ventures due to unexpect-
ed changes in market conditions or in-
creased competition

CRITICALITY: MAINTAINED

Relatively new businesses in subsidiaries
in the United States, Chile, Ecuador, and
Colombia are still in the process of con-
solidation, with a permanent focus on
improving their operational and financial
performance.

POTENTIAL IMPACT:

- > Impact on prices and margins.
- > Reduction in sales volumes and loss of
market share.
- > Failure to meet sales and financial pro-
jections.
- > Increase in customs and logistics costs.

MITIGATION ACTIONS:

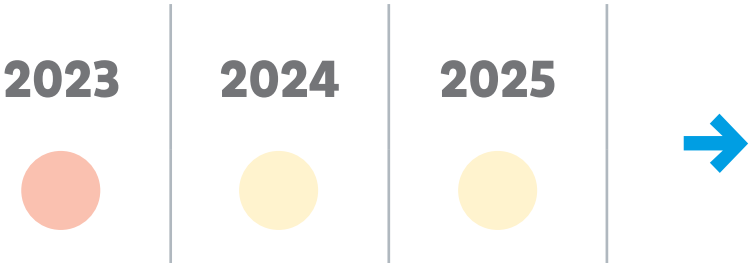
- > Evaluation of the strategic plan and
long-term projections.
- > Policies and controls for managing the
investment cycle.
- > Continuous monitoring of investment
performance.



R9

Moderate

Financial sustainability to support our growth



MAIN TRENDS

A

Overproduction, exports, and subsidized Chinese investments

B

Expansion of cross-border steel investments

D

Resilience and security of the supply chain

E

Political and social instability in Latin America

DESCRIPTION:

Impact on the company's liquidity and financial stability due to potential market fluctuations, such as a reduction in demand, an increase in interest rates, and a decrease in prices and margins, which could create challenges in financing our growth in a less favorable scenario.

CRITICALITY: MAINTAINED

In 2024 and 2025, CASSA showed a solid economic performance, with an EBITDA of S/ 621 million in 2025 (+9.1% vs. 2024), in a context of relatively stable interest rates and financial costs in Peru. However, some of our subsidiaries still maintain a relevant level of financial dependency on CAASA.

POTENTIAL IMPACT:

> Increase in financial costs.
> Non-compliance with bank covenants.

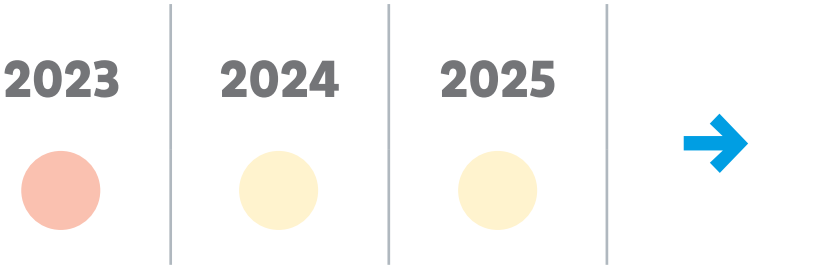
MITIGATION ACTIONS:

> Monthly update of financial projections, EBITDA sensitivity analysis, and investment requirements.
> Continuous tracking of leverage, debt, and interest rate metrics
> Divestment of non-utilized assets.
> Ongoing optimization to drive operational cost efficiencies.

R10

Moderate

Deterioration of stakeholder relations



MAIN TRENDS

E

Political and social instability in Latin America

F

Institutional framework in Peru and business integrity

P

Water and energy scarcity

DESCRIPTION:

Economic losses or impact on the continuity of our operations due to conflicts in labor, community, supplier, or trade association relations, among others, driven by regulatory changes or other social factors.

CRITICALITY: MAINTAINED

Criticality is maintained given our stable relationships with stakeholders. During 2025, as in previous years, there were no social conflicts in our areas of influence, and we continued with community engagement initiatives that contribute to strengthening our bonds with local communities and authorities.

POTENTIAL IMPACT:

- > Regulatory shifts impacting cost structures, competitiveness, and business continuity.
- > Operational disruptions from strikes or social unrest.
- > Rising litigation risks and lawsuits.
- > Escalating regulatory fines and sanctions.

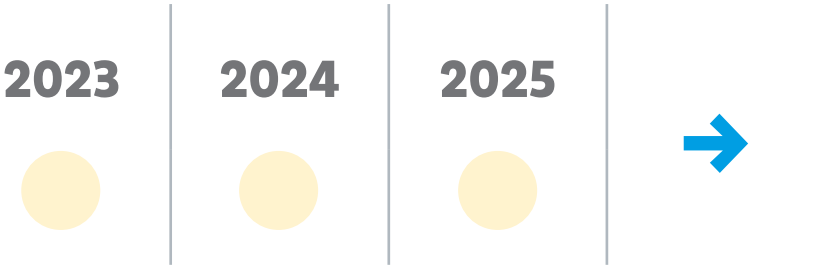
MITIGATION ACTIONS:

- > Stakeholder mapping, assessment, and management.
- > Continuous collaboration and communication with communities in our areas of influence.
- > Labor relations management.
- > Compliance audits of legal requirements.

R11

Moderate

Damage to reputation and image



MAIN TRENDS

E

Political and social instability in Latin America

F

Institutional framework in Peru and business integrity

S

Cybercrime and cybersecurity

DESCRIPTION:

Impact on the Company's image due to environmental contamination events, accidents, confidential information leaks, product quality issues, regulatory non-compliance, corruption, among others.

CRITICALITY: MAINTAINED

Criticality is maintained; there were no relevant events during the period that affected the Company's reputation. Additionally, we continue to strengthen controls and management systems regarding safety, environment, quality, and information management.

POTENTIAL IMPACT:

> Brand and reputational damage.
> Heightened public and media scrutiny.
> Lost business opportunities.
> Negative impact on workplace culture and employee morale.
> Erosion of trust among customers, investors, and the public.

MITIGATION ACTIONS:

> Proactive environmental controls across all operations.
> Supplier evaluation and development.
> Strengthening our safety management system.
> Information security controls, including role-based access and encryption.
> Certified and accredited management systems.
> Legal compliance audits.

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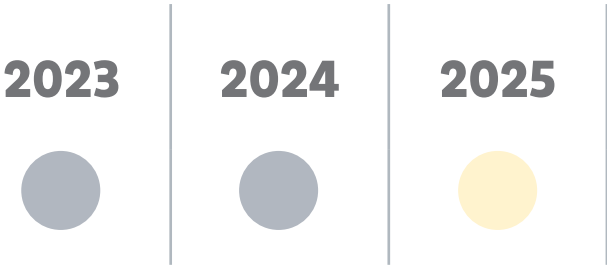
High Considerable Moderate Low



R12

Moderate

Insufficient adaptation to market changes and/or regulations derived from climate



MAIN TRENDS



Increase in recycled steel consumption



Net Zero strategies in the steel industry



Carbon taxes on steel products



New green energy sources for the steel industry

DESCRIPTION:

Lack of, or delays in, adaptation to regulatory, technological, and market changes associated with climate change and the transition toward a low-carbon economy. This risk could impact competitiveness, cost structure, operational continuity, and access to certain markets in the medium and long term.

CRITICALITY: MAINTAINED

The climate change risk, previously recorded as a tactical and emerging risk, was elevated in 2025 to a strategic entity-level risk, in line with its growing relevance and potential impact on the business. Its incorporation at the strategic level reinforces its monitoring and oversight by the Board of Directors, given its complexity and transversal nature. The Company maintains a very favorable competitive position in terms of carbon intensity; however, it continues to advance in the implementation of its Decarbonization Roadmap with the aim of reaching the net-zero carbon goal by 2050.

POTENTIAL IMPACT:

- > Rising costs from climate regulations and carbon taxes.
- > Supply pressure on key inputs amidst the energy transition.
- > Operational and asset impacts from extreme weather events.

MITIGATION ACTIONS:

- > Prioritizing recycled steel as our primary production input.
- > Implementing energy efficiency and emission reduction projects.
- > Evaluating emerging technologies and aligning with international decarbonization standards.
- > Optimizing logistics and operations to lower our carbon footprint.



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Emerging RISK





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4.1.MAIN EMERGING RISKS

Emerging risks are linked to major trends that may impact the Company's future strategy. However, they can also generate opportunities to strengthen the value we offer to our customers and society. At Corporación Aceros Arequipa, in line with the methodology established by S&P Global, we consider risks to be "emerging" if they meet the following criteria:

- > They are new, emerging, or of increasing importance.
- > They have a potential long-term impact.
- > Their potential impact is significant.
- > They originate from an external variable.
- > They have a specific impact on the Company.

The main emerging risks are detailed below:



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MAIN EMERGING RISKS

New

RE1

Accelerating
deindustrialization
in the regional steel
sector.

New

RE2

Rising state-backed
steel investments.

New

RE3

Long-term
structural
restrictions on the
recycled steel trade

RE4

Steel customers
vertical integration
driven by the
circular economy.

RE5

Structural growth
in global recycled
steel demand
driven by the
green technology
transition.

RE6

Escalating supply
chain disruptions
from geopolitical
tensions and
extreme weather
events.



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New



→ Accelerating deindustrialization in the regional steel sector

DESCRIPTION:

The increasing influx of imported steel products at subsidized prices is creating structural pressures on the steel industry in Latin America. Over the last few decades, steel exports from Asia to the region have increased significantly, rising from levels close to 90,000 tons in the year 2000 to more than 14 million tons in 2024. In Peru, these imports grew from 893,000 tons in 2018 to 1.6 million tons in 2024.

In contrast, regional production of rolled steel has remained virtually stagnant, moving from 45.7 million tons in 2014 to approximately 45 million tons in 2024, evidencing a loss of industrial dynamism. This context is accentuated by less agile trade defense systems in the region and recent industry events, such as the shutdown of a steel

producer in Chile after more than 70 years of operation, reflecting the challenges of sustaining competitiveness in the current environment.

If this trend continues in the long term, a process of industrial decay in the regional sector could consolidate. For the Company, this scenario could generate structural distortions in the markets where we operate, affecting regional competitiveness, sector margins, and the utilization of production capacities in the long term.

IMPACT:

- > Margin compression across our operating markets.
- > Underutilized production capacity due to the inability to compete with subsidized products.
- > Deterioration of the competitive landscape and potential impacts on value chain employment.

MITIGATION ACTIONS:

- > Gremial association initiatives to promote market formality and fair competition.
- > Diversifying our product portfolio with a focus on specialty grades.
- > Enhancing customer experience and brand loyalty.



New



→ Rising state-backed steel investments.

DESCRIPTION:

The increase in state-backed steel investments globally is contributing to the expansion of productive capacity in a context of moderate demand, generating risks of further distortions in competitive conditions. According to the OECD, global steel overcapacity is projected to reach approximately 721 million tons by 2027, driven by capacity growth (165 Mt between 2025 and 2027) that is significantly higher than demand growth (46 Mt).

In this context, some countries, led by China, are promoting the internationalization of their steel industry through investments abroad, particularly in emerging economies. These investments, often with state participation or backing, are concentrated mainly in Southeast Asia and, to a lesser extent, in Africa, where more than 70 million tons

of new capacity under development between 2023 and 2026 have been identified as originating from Chinese capital.

The Company faces the risk of a deteriorating local and regional competitive environment due to the increase in steel investments driven by states with public financial support, in a context of global overcapacity and moderate demand growth; recent steel investment projects have been observed in countries such as Paraguay, Ecuador, Bolivia, and Peru. These investments could create distorted competitive conditions in certain markets, pressuring prices, margins, and utilization levels of installed capacity.

IMPACT:

- > Rising competitive pressure across our operating markets.
- > Margin compression driven by market distortions.
- > Underutilized production capacity due to new regional infrastructure.
- > Deterioration of the competitive environment and potential impacts on employment within the value chain.

MITIGATION ACTIONS:

- > Gremial association initiatives to promote market formality and fair competition.
- > Diversifying our product portfolio with a focus on specialty grades.
- > Enhancing customer experience and brand loyalty.



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New



→ Long-term structural restrictions on the recycled steel trade

DESCRIPTION:

The global transition toward lower-emission steel production technologies, such as Electric Arc Furnaces (EAF), is driving a structural increase in the demand for recycled steel. According to the OECD, between 2025 and 2027, 165 million tons of new steelmaking capacity will be added, of which approximately 58% will correspond to EAF technology.

In the long term, the share of this technology is projected to increase from 28% in 2022 to nearly 50% by 2050, which could intensify scrap demand starting in 2030. Although global availability of recycled steel may increase, its supply is expected to concentrate in specific countries. In particular, China is projected to significantly increase its availability of recycled steel—from 170 million tons in 2019 to over 500 million by 2050—in a context where it maintains export restrictions.

Furthermore, there is a growing implementation of restrictive measures on the scrap trade globally, with more than 70 restrictions in force and new regulations under evaluation, including limitations on exports from the European Union to non-OECD countries.

If this trend continues, the Company faces the risk of structural restrictions on the long-term global supply of recycled steel, derived from the concentration of its supply in countries with export limitations, higher trade barriers, and policies aimed at prioritizing domestic consumption. This scenario could intensify competition for access to this critical input and affect its availability and cost in certain markets.

IMPACT:

- > Increased competition for access to recycled steel in supply markets.
- > Increase in recycled steel costs.
- > Impact on the continuity of our recycled steel supply.

MITIGATION ACTIONS:

- > Continuous market and environmental monitoring.
- > Maintaining close ties with local scrap metal suppliers to secure domestic supply at the lowest cost.
- > Developing new raw material supply chains.



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→ Steel customers vertical integration driven by the circular economy.

DESCRIPTION:

The circular economy is consolidating as a strategic priority globally, driven by the need to optimize resource use, reduce emissions, and improve cost efficiency. According to the World Economic Forum, although only a fraction of companies has currently managed to scale circular supply chains, the vast majority of executives consider circularity to be a relevant or critical factor in the short term, evidencing an acceleration in its adoption.

In this context, various industrial sectors—particularly the automotive industry—are developing initiatives to integrate the recycling of materials, including steel, into their production processes. Although these models are still in early stages of scaling, their consolidation could increase competition for recycled steel (scrap), especially

if consuming companies advance toward vertical integration schemes to secure the supply of this strategic input.

In this scenario, the Company faces the risk of a shift in the industry's competitive dynamics as a consequence of the advancement of circular business models, which could lead certain steel-consuming sectors to vertically integrate into recycling and production activities. If this trend consolidates, competition for recycled steel could intensify, and the traditional relationship between producers and customers within the value chain could be redefined. Given that our steel production uses recycled steel on a large scale, price variations represent a relevant factor in our performance. los precios representan un factor relevante en nuestro desempeño.

IMPACT:

- > Increased competition and reduced availability of recycled steel.
- > Increase in the costs of recycled steel.
- > Loss of potential markets and reduction of margins.

MITIGATION ACTIONS:

- > Continuous market and environmental monitoring.
- > Maintaining close ties with local scrap metal suppliers to secure domestic supply at the lowest cost.
- > Developing new raw material supply chains.



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THE CIRCULAR ECONOMY IS
CONSOLIDATING AS A STRATEGIC
PRIORITY GLOBALLY, DRIVEN BY THE
NEED TO OPTIMIZE RESOURCE USE,
REDUCE EMISSIONS, AND IMPROVE COST
EFFICIENCY.



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→ Structural growth in global recycled steel demand driven by the green technology transition.

DESCRIPTION:

The global transition toward lower-carbon steelmaking technologies, such as Electric Arc Furnaces (EAF), is consolidating as a key decarbonization lever for the industry. According to the International Energy Agency (IEA), this technology could account for nearly 50% of global production by 2050. Similarly, the OECD estimates that approximately 165 million tons of new steelmaking capacity will be added between 2025 and 2027, with nearly 58% utilizing EAF technology.

This shifts the outlook toward a significant increase in recycled steel demand over the next decade. This structural shift in the production matrix is expected to boost

global demand for recycled steel, intensifying competition for sourcing among steel producers. Additionally, factors such as the development of circular economy models and potential restrictions on the international scrap trade could heighten this pressure, particularly in markets with limited local availability of this raw material.

In this context, the Company faces the risk of a structural increase in global recycled steel demand linked to the steel industry's transition toward lower-carbon technologies. This shift could intensify competition for scrap metal sourcing and create sustained pressure on costs and supply conditions over the medium and long term.

IMPACT:

- > Higher global demand increases competition and reduces the availability of recycled steel.
- > Rising costs for recycled steel.
- > Impact on the continuity of our recycled steel supply.

MITIGATION ACTIONS:

- > Continuous market monitoring.
- > Maintaining close ties with local scrap metal suppliers to secure domestic supply at the lowest cost.
- > Developing new raw material supply chains.



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RE6

→ Escalating supply chain disruptions from geopolitical tensions and extreme weather events.

DESCRIPTION:

Global supply chains are facing an environment of increasing volatility, characterized by disruptions that are becoming more frequent and costly, resulting from both geopolitical tensions and extreme weather events. These interruptions have turned operational uncertainty into a persistent condition of international trade, affecting the continuity and efficiency of logistics flows.

Among the main factors are tensions in strategic routes—such as the Red Sea, the Suez Canal, and the Strait of Hormuz—which impact the transit of goods and drive up transportation costs. Added to this are extreme climate phenomena, such as droughts that affect navigability in key canals or floods that paralyze logistics infrastructure, increasing variability in delivery times. According to the World Economic Forum, these disruptions have generated significant increases in freight costs and longer transit times globally.

Additionally, the escalation of geopolitical tensions and the adoption of restrictive trade measures could alter global trade flows, leading to diversions toward longer or more congested routes and increasing pressure on available logistics capacity.

In this context, the Company faces the risk of recurring disruptions in its supply chain as a consequence of escalating geopolitical tensions and the higher frequency of extreme weather events. This environment could translate into higher supply and transportation costs, longer delivery times, restrictions on strategic routes, and potential impacts on operational continuity.

IMPACT:

- > Operational disruptions due to shortages of key inputs.
- > Rising supply costs for critical inputs, including scrap metal and spare parts.
- > Slowing sales growth due to regulatory trade restrictions in target markets.

MITIGATION ACTIONS:

- > Continuous market monitoring.
- > Maintaining close ties with local scrap metal suppliers to secure domestic supply at the lowest cost.
- > Developing new sources of raw materials, inputs, and supplies.
- > Diversification of suppliers and geographical sources of supply



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ANNEXES





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ANNEX 1: ALIGNMENT OF OBJECTIVES AND RISKS

INCENTIVE SCHEME FOR RISK MANAGEMENT

Through our Strategic Management Cycle, we annually define, deploy, and monitor the Strategic Plan of CAASA and its Subsidiaries. This process includes environmental analysis, the identification of strategic risks and opportunities, and the generation of organizational clarity and alignment around established objectives, in line with corporate governance best practices.

As a fundamental part of this cycle, we deploy 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 strategic objectives and to effectively manage the risks that could compromise their achievement.

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

- > **Common goals**, such as corporate financial results, team development, among others. Within these, there is a specific indicator that measures the level of compliance with corporate standards for risk management
- > **Specific goals**, linked to the functions of their role.





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To ensure the fulfillment of the objectives defined at the management level, each management team aligns the necessary objectives with their respective teams, following a top-down deployment approach. Similarly, actions for the management of risks that could affect the achievement of said objectives are aligned.





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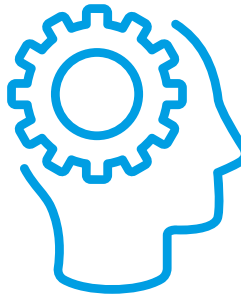
AS A FUNDAMENTAL
PART OF THIS
CYCLE, WE DEPLOY
CORPORATE
STRATEGIC
GUIDELINES AT
ALL LEVELS OF THE
ORGANIZATION

OBJECTIVES CASCADE BY LEVEL



C-level Management

- > The executive team has financial incentives linked to the fulfillment of their strategic objectives. To achieve them, they must manage the risks that could prevent their attainment. These objectives are directly related to the organization's main strategic risks and include metrics such as:
 - > Recycled steel collection
 - > Sales
 - > Market share
 - > Concentration of results in specific products
 - > Implementation and compliance with applicable regulations
 - > Health and Safety indicators
 - > Financial ratios
 - > Compliance with risk management guidelines
 - > Others



Operational

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

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

These elements serve as inputs for individual performance evaluations, which form the basis for determining salary adjustments and promotions, as well as for implementing improvement plans or, eventually, the relocation or separation of the employee.



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ANNEX 2: RISK APPETITE AND TOLERANCE

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

These analyses are based on thresholds defined in the Corporate Policy for Internal Control and Comprehensive Risk Management, approved by the Board of Directors. These thresholds allow us to determine whether a risk represents a threat to operations or strategy and facilitate timely decisions regarding its mitigation, transfer, acceptance, or treatment. Risk criticality is defined based on risk appetite and tolerance criteria:

RISK APPETITE

Defines the level of exposure acceptable for achieving strategic and process objectives.

RISK TOLERANCE

Indicates the maximum exposure the organization can tolerate without compromising business stability and the fulfillment of the strategy.

Risk response strategies according to tolerance limits

- > **Risks within tolerable limits:** When residual criticality is "considerable," "moderate," or "low," strategies to avoid, mitigate, share, or accept are implemented, evaluating the cost-benefit of the proposed actions.
- > **Risks outside tolerable limits:** Risks with high criticality exceed acceptable limits. In these cases, strategies must be implemented to reduce their criticality to acceptable levels through actions to mitigate or share the risk. If it is not possible to reduce the risk, avoiding it must be considered.

Residual risk criticality	Tolerance level defined by CAASA	Risk response strategy
High (A)	Not tolerable	Mitigate / Share / Avoid
Considerable (C)	Tolerable subject to Process Owner Evaluation	Mitigate / Share / Avoid / Accept
Moderate (M)	Tolerable subject to Process Owner Evaluation	Mitigate / Share / Accept
Low (B)	Tolerable	Accept



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ANNEX 3: RISK EVALUATION CRITERIA: IMPACT

According to the Internal Control and Comprehensive Risk Management Policy approved by the Board of Directors:

Impact	Low (L)	Moderate (M)	Considerable (C)	High (H)
Economic (Op. Profit > 50 MM) (Applicable if Average Op. Profit of the last 3 years is > 50 Million soles)	Less than 0.25% of the average Operating Profit of the last 3 years.	Between 0.25% and 0.5% of the average Operating Profit of the last 3 years.	Between 0.5% and 1% of the average Operating Profit of the last 3 years.	Greater than 1% of the average Operat-ing Profit of the last 3 years.
Economic (Op. Profit < 50 MM) (Applicable if Average Operating Profit of the last 3 years is < 50 Million soles)	Less than 250,000 soles.	Between 250,000 and 500,000 soles.	Between 500,000 and 1 million soles.	Greater than 1 million soles.
Impact on operations and information systems (Qualitative)	Operational interruption between 1 and 8 hours. Integrity and/or timeliness of critical information is affected.	Interrupción de las operaciones entre 1 y 8 horas. Se afecta la integridad y/o oportunidad de información crítica	Operational interruption between 8 and 24 hours. Loss of non-critical CAASA or third-party information that cannot be recovered.	Operational interruption greater than 24 hours. Loss of critical CAASA or third-party information that cannot be recovered.



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Impact	Low (L)	Moderate (M)	Considerable (C)	High (H)
Impact on reputation and image (Qualitative)	Minimal public awareness. Low or zero perception of company responsibility.	Moderate public awareness. Responsibility may exist.	Broad media coverage. Perception of company responsibility.	Massive public awareness and broad frequency or permanence in the media. Receives political interest. Perception of company responsibility.
Regulatory and legal impact (Qualitative)	Could generate non-compliance with internal, legal, sectoral, labor, or tax regulations.	Causes non-compliance with internal, legal, sectoral, labor, or tax regulations, but does not generate penalty payments.	Non-compliance with legal, sectoral, labor, or tax regulations, resulting in penalty payments. Ethical breaches that violate internal regulations, without incurring a crime.	Severe non-compliance with legal, sectoral, labor, or tax regulations, resulting in penalty payments; could generate criminal sanctions for the entity or representative, and/or regulator intervention. Systematic ethical breaches that violate internal regulations and/or involve the commission of a crime.
Environmental impact (Nature of the event/effect)	The scope of the impact is at the activity level. Impact on the company's environments and infrastructure located on pavement.	The scope of the impact implies the entire process. Impact on 1 environmental factor (Air, Soil, Water, Flora and Fauna).	The scope of the impact implies other processes. Impact on 2 or more environmental factors (Air, Soil, Water, Flora and Fauna).	The scope of the impact exceeds company boundaries. Impact on the sensitive natural environment or population (nature reserves).
Occupational Health and Safety (Nature of incident and damage)	Very minor injuries; may cause annoyance or discomfort.	Very minor injuries; may cause annoyance or discomfort.	Temporary disability. Reversible damage to health.	Total or partial permanent disability. Irreversible/fatal damage.



ANNEX 4: RISK EVALUATION CRITERIA: PROBABILITY

According to the Internal Control and Comprehensive Risk Management Policy approved by the Board of Directors:

Criterion	Low (L)	Moderate (M)	Considerable (C)	High (H)
Frequency	> Has never occurred. > Less than 0.5% of cases / transactions.	> The event has not occurred during the last year, but has occurred previously. > Between 0.5% and 1% of cases / transactions	> The event has occurred once during the last year. > Between 1% and 5% of cases / transactions.	> The event has occurred more than once during the last year. > Greater than 5% of cases / transactions.
Exposure	Continuous exposure, below 50% of the acceptable limit.	Continuous exposure, between 50% and 75% of the acceptable limit	Continuous exposure, between 75% and 100% of the acceptable limit.	Continuous exposure, above the acceptable limit.
Estimated occurrence (Experience and professional judgment)	Low estimated occurrence.	Moderate estimated occurrence.	Considerable estimated occurrence.	High estimated occurrence.





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