

Internal Auditing By-laws

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Construcciones
EL CONDOR S.A.
Ingeniería de Infraestructura e Inversiones

INTERNAL AUDITING BY-LAWS

Approved by the Audit Committee during session held on October 25, 2021.

1. Overview

1.1. Purpose

To establish and disclose the purpose, authority and responsibility framed within the activity of the Internal Audit of Construcciones El Cóndor S.A. (hereinafter, “El Cóndor” or “the Company”), so the area of Internal Control and Risk Management can meet the goals set forth. In addition, through its independent and objective assurance (audit) activities - to add value and contribute to the timely and proper prevention of risks to make sure that is a sound internal control setting, and to aid the Company to meet its goals.

The following should be guaranteed to fully meet these By-laws:

- i. Full autonomy and Independence to exercise the duties of the Direction of Internal Control and Risk Management, which is responsible for engaging different activities within the Organization related to Internal Audits and others related to oversight established in the Company.
- ii. The assessment and assurance of risk management processes.
- iii. The assessment and assurance that risks are properly evaluated.
- iv. The assessment of mechanisms used to report key risks of the business.
- v. The revision of key risks managed by the parties responsible thereof.
- vi. On-going and/or independent assessments to determine if there are internal control components in place and operational.
- vii. Disclosing deficiencies of the internal control in a timely manner to those responsible of applying corrective measures, including senior management and the Audit and Risks Committee of the Board of Directors. This is done keeping in mind the results derived from following-up the goals to meet the strategy as well as the SIG audits, control efficiency and the application thereof by process leaders.

1.2. Mission

The mission of Internal Auditing is established below:

To contribute to the improvement and protection of the Company's value by providing an effective management of risks, controls and compliance – and using the best audit practices with skillful teams that are knowledgeable of the Company's operation.

2. General Framework

Internal audits shall abide to the mandatory elements of the International Framework for the Professional Practice of Internal Auditing, established by the International Institute of Auditors. This includes the Fundamental Regulations and Principles for the Professional Practice of Internal Auditing, the definitions of Internal Auditing, and the code of best corporate practices or Country Code.

3. Scope

The scope of the activities of Internal Auditing covers, but is not limited to, objective tests of evidences to provide independent assessments on proper corporate governance and process effectiveness.

The results provided will help determine with a reasonable degree of certainty:

- The effectiveness and efficiency of operations, including financial and operating yields, and the protection of assets regarding possible losses.
- The reliability, timeliness and transparency of internal and external financial and non-financial information.
- Compliance with laws, regulations and policies which the Company abides to, as well as compliance with commitments stated by the Company to develop its business purpose.
- The task of assessing and ensuring risk management processes and the proper operation of internal control components.
- The assessment and assurance that the risks are properly evaluated.
- The assessment of mechanisms used to report key risks of the business.
- The revision of how key risks are managed by the parties responsible thereof.
- The effective application of policies, processes, controls and measures developed to manage risks and to ensure a proper internal control in the Company.
- The encouragement of quality and continuous improvement in internal control processes.
- The compliance follow-up and verification of lessons learned rising from the Audit's findings.
- The effectiveness and convenience of the Comprehensive Management System (or SIG) as well as the proper implementation thereof.

4. Independence and Objectivity

4.1. Independence

To ensure the Independence of Internal Auditing, the Direction of Internal Control and Risk Management is responsible of engaging every program and player that participate in assuring Internal Control.

The Director of Internal Control and Risk Management directly reports to the President. However, said Director shall provide a report to the Audit and Risks Committee of the Board of Directors regarding the activity of Internal Audits.

Providing a report to the President of the Organization means that the President shall:

- Back the Internal Auditing activity, giving it a proper level within the Company.
- Facilitate a direct and open Internal Auditing activity with the senior teams of the Company.
- Create proper information flows that enable the Internal Auditing activity to remain up-to-date in terms of the activities, plans and initiatives of the Company.
- Ensure human resources to conduct the activities of Internal Auditing.
- Request assurance and consultancy works deemed necessary pertaining to the objectives and risks of the Company.

Providing a report to the Audit and Risks Committee of the Board of Directors means that this Committee shall:

- Approve the Internal Auditing By-laws, which are later approved by the Board of Directors of the Company.
- Approve the annual audit plans, to ensure the proper operation of internal control.
- Receive regular reports from the Direction of Internal Control and Risk Management covering progress of the audit program and other matters related to its duties.
- To support the Internal Control and Risk Management model of the Company, and to follow-up thereof to make decisions related to said model and to its improvement, derived from the results of Internal Auditing and regular follow-ups conducted.
- Recommend and provide insight on Internal Control and Risk Management proceedings that meet the needs, objectives, goals and strategies determined by the Company; and said proceedings are framed within the objectives of the Internal Control and Risk Management model.

- To ensure compliance with the laws and regulations applicable to the Company, enforce effective controls for conflicts of interests as well as fraud or losses, and to oversee that the risks are management and within the levels acceptable for the Organization.

4.2. Objectivity

The employees that conduct Internal Audits should be objective and bias in their job, and shall not force their judgement over audit matters over other persons. To guarantee objectivity, employees may:

- Conduct any operating activity, that is, participate in processes of the Company and in any activity audited overall, except any matter related to Risk Management which employees shall state conflict of interest and shall act with the support of the Compliance Committee and the Risks Committee, set forth in the three lines of defense model.
- Not exercise any authority over the activities audited. Hence, employees may not: implement internal controls, develop proceedings, install systems, prepare records, or participate in any other activity that may affect the judgement of the internal auditor.
- Assume responsibilities other than in the area of Internal Auditing, without the previous authorization of the President.
- Assess specific operations which the employees were previously responsible for, or in which they have participated the year immediately before.
- Conduct or approve financial transactions or accounting records not related to their area.
- Implement recommendation derived from their assessments, excluding those that correspond to their area.

4.3. Suitability

Internal Auditors shall have the knowledge, skills and other necessary competencies to fully meet their responsibilities assigned to them.

The Director of Internal Control and Risk Management shall receive advice and assistance if internal auditors lack the knowledge, skills or other competencies to conduct their work fully or partially.

Internal Auditors shall have enough knowledge to assess the risk of fraud and how this is management by the Organization.

Internal Auditors shall have enough knowledge of the key risks and controls of the Company.

Internal Audits may be conducted as well by external personnel that must certify their suitability and experience in audits, preferably experience in companies of the construction sector. Competencies required from auditors of SIG are detailed in the Internal Auditor proceeding of SIG.

4.4. Professional Due Care

Internal Auditors shall conduct their work with prudence and competency. However, proper professional care does not imply that they are infallible.

Internal Auditors shall exercise professional care considering:

- That scope of the audit to meet the goals of the work.
- The relative complexity or materiality of the processes or aspects evaluated in the assurance.
- The effectiveness of risk and control management processes.
- The likeliness of material errors, fraud or breaches.
- The cost of assurance related to potential benefits.

4.5. Statement of Conflicts of Interest and Measures of Treatment Thereof

The Director of Internal Control and Risk Management shall confirm before the Audit and Risks Committee, no less than once a year, the Independence that Internal Auditing activities have within the Company.

Keeping in mind the Conflict of Interest derived at the Direction of Internal Control and Risk Management which assigns the responsibilities of Internal Auditings and Risk Management – the assessment of Risk Management shall be conducted by the SIG Audit, the Statutory Auditor, and an audit conducted by an external party every time it is required by the Audit and Risks Committee.

5. Authority and Responsibility

5.1. Authority

The Director of Internal Control and Risk Management, which engages the different players involved in ensuring the control setting, is empowered to:

- Have full and free access as an attendee to the Audit and Risks Committee of the Board of Directors, with voice but no vote.

- Access all records, information, database, personnel and goods of the Company necessary to meet the goal and scope of the Audit, including those under third-party control, after complying with the proceedings of the Company as well as the legal regulations in force; guaranteeing the confidentiality before persons other than the President and members of the Audit Committee pertaining to all information learned by conducting the audit activities as well as the proper, responsible and produce use of the information provided and of the goods, when applicable.
- To request the help necessary from personnel of different areas of the Company where the audit takes place, as well as other specialized services of the Company or not. Said specialized services shall be approved by the President.
- Attend as an observer any meeting or committee of the Administration if deemed necessary to conduct the Internal Auditing activity, with the previous approval of the President.
- Consider the scope of the work of external control and internal verification – to reach a balance of control.
- Oversee the work of External Auditors conducted for the Company.

5.2. Responsibility

The Director of Internal Control and Risk Management is responsible for:

- Consolidating the annual Internal Auditing program based on risk assessments and keeping in mind the synergies between the annual audit plan led by the External Auditor, the internal SIG audits, and the application of verification lists – as an instrument of Internal Auditing of the Company.
- Reporting to the President and to the Audit and Risks Committee the impact of the limitations of resources for the proper execution of the audit program.
- Ensuring the Internal Auditing activity has proper resources in terms of competencies and skills.
- Verify compliance of controls set forth to manage the Company's risks, determine any offsets derived from compliance with proceedings, establish corrective actions, and suggest opportunities for improvement based on assessment made; and evaluate the effectiveness of the processes.
- Verify compliance with regulatory principles applied to the Company for the internal control system. And to identify offsets, request corrective actions, suggest opportunities for improvement, and follow-up the implementation of the measures assumed.

- Report any offsets in the effective and efficient use of Company resources.
- Analyze and follow-up irregular situations detected related to fraud. This analysis shall focus on reviewing the process and any missing internal controls, or failures or omissions derived from the fraud.
- Follow-up actions suggested and measures required by the External Auditor alongside corrective, preventive actions and those improvements derived from SIG Internal Auditing.
- Disclose the results and developments of the audit program to the Company's President and to the Audit and Risks Committee of the Board of Directors.
- Maintain absolute confidentiality and under custody all information received, and solely use it for its revision and assessment.
- Develop and document the Audit Activity methodology, using the procedures established in the Company as the SIC s and the Procedures for Verification Lists.

6. Quality Assurance and Improvement

The Director of Internal Control and Risk Management is responsible for engaging the quality control and improvement programs to the internal audit activity. The purpose is to provide reasonable security to the stakeholders regarding the compliance of the audit conducted in accordance with the By-laws, the International Standards for the Professional Practice of Internal Auditing, and the SIG Internal Audit procedure.

The Director of Internal Control and Risk Management shall report the results of the quality assurance and improvement program to the President and to the Audit and Risks Committee of the Board. Said report shall include:

- Scope and interval of internal and external assessments.
- Independence of evaluators or evaluation team, including potential conflicts of interest.
- Conclusions of evaluators.
- Corrective action plans.

The quality assurance and improvement program shall include external assessments conducted no less than every five years by a qualified and independent team from outside of the entity, which has no real or apparent conflicts of interest.

7. Approval

These By-laws were approved by the Audit and Risks Committee of the Board of Directors during the meeting held on October 25, 2021. Said By-laws are in force as of this date.