



Construcciones  
**EL CONDOR S.A.**  
Especialidad en Infraestructura e Inversiones



# PERIODICAL REPORT QUARTERLY - 2Q 2023

Carrera 25 # 3-45 Piso 3 | Mall Del Este | Medellín, Colombia

# Content

<b>GLOSSARY</b> .....	<b>3</b>
<b>WE</b> .....	<b>4</b>
<b>CAPITAL STOCK AND CLASS OF SHARES</b> .....	<b>4</b>
<b>FINANCIAL POSITION</b> .....	
<b>Quarterly Financial Statements</b> .....	<b>6</b>
Separate and Consolidated Financial Statements .....	6
Comparative analysis of the 2Q2022 Financial Statements: .....	6
Comparative analysis of the 1Q2023 Financial Statements: .....	8
<b>Internal Control and Risk Component</b> .....	
Material Risks: .....	10
Material Risks compared to last year-end periodic report: .....	13
Risks identified in the quarter: .....	14
<b>ASG MATERIAL ISSUES</b> .....	<b>23</b>
Material, Environmental, and Social Changes: .....	23
Changes in Corporate Governance: .....	23

## GLOSSARY

**Event Exempting from Liability:** It is understood as any event, circumstance or combination of circumstances beyond the reasonable control of the Party that invokes it, which substantially and adversely affects the performance of the obligations arising from the Contract. It is understood as included within the concept of Event Exempting from Liability, any event of Force Majeure, including Predominant Force Majeure, Environmental Force Majeure and Force Majeure due to Networks (National Infrastructure Agency).

**EPC (Engineering, Procurement and Construction) Contracts:** This is a contract in which the contractor performs the detailed engineering design of the project, procures all necessary equipment and materials, and then builds to deliver a working facility or asset to its customer.

**Compliance:** This is the set of procedures and good practices that organizations adopt in order to "identify and classify the operational and legal risks they face and establish internal mechanisms to prevent, manage, control and react to them".

**Polycrisis:** a word used to describe a scenario in which environmental, economic and geopolitical crises converge and intertwine. It is the conjunction of interconnected negative phenomena such as climate crisis and pandemic; inflation and depression; wars and international divisions.

**Functional Unit:** Refers to each of the divisions of the Project, each of which corresponds to a set of engineering structures and facilities essential for the provision of services with functional independence, which will allow it to function and operate individually.

## US

Construcciones El Condor S.A. is a Colombian company leader in road infrastructure with more than 43 years in the market; its Superior Purpose is "To be a sustainable alternative in the management of engineering projects in infrastructure and profitable investments that develops its human talent and other stakeholders, ensuring the transparency of its actions, competitiveness and solidity".

It has been listed on the Colombian Stock Exchange since 2011; it has a share issuance and placement program in place, with no active issues. Construcciones El Condor has been characterized for being an innovative organization with high standards of corporate governance, positioning itself as one of the best engineering companies in the country and permanently contributing to the development of Colombian infrastructure.

## SHARE CAPITAL AND CLASS OF SHARES

Class of Shares: Common

Number of shares held: 687

Percentage of participation: 100%.

The following is the shareholder structure as of June 30, 2023.

NIT	SHAREHOLDER NAME	NUMBER OF SHARES	% OF PARTICIPATION
8110448537	PETRICORP S.A.S	203,761,374	35.475888%
8300545390	PATRIMONIO AUTONOMO GARANTIA ACCIONES EL CONDOR	143,000,000	24.897025%
9011104873	VINCE BUSINESS COLOMBIA S.A.S	61,157,768	10.647877%
9006810038	INVESTARCO S.A.S.	56,609,075	9.855927%
9006712705	TOPLUM S.A.S.	48,710,911	8.480816%

(\*) The Beneficial Owners of the AP, El Condor Shares Guarantee are Petricorp S.A.S. and Toplum S.A.S.



# FINANCIAL SITUATION

# Quarterly Financial Statements

## Separate and Consolidated Financial Statements :

<https://www.elcondor.com/es/inversionistas/informaci-n-financiera>

There were no material changes in the financial statements during the second quarter of the year 2023, compared to the financial statements corresponding to the last quarter of the year 2022.

## Management Comments

At the end of 2022 and the beginning of the current year, it reflects not only the macroeconomic conditions that marked the environment and the economy, such as high interest rates and generalized price increases, but also the nature of our "Project Finance" financing method.

We are in a stage of completion of projects and start of new ones where there is a valley of income due to the high requirement of capital without retribution demanded by the financing of mega works, however, this is a Gaussian bell where, as time goes by and the execution of works progresses, we will begin to perceive retribution and profitability of these.

The following are the main variations.

## Comparative analysis of the 2Q2023 Financial Statements:

Revenues from ordinary activities totaled COP\$432,903 million, increasing 23% with respect to 2022, equivalent to an additional COP\$81,423 million pesos. The increase reflects the upward curve in the execution of the following works: EPC with Concesiones Autopista Rio Magdalena, public works El Toyo and Putumayo with Invias.

Operating costs were COP\$445,085 million, increasing 47% with respect to the second quarter of 2022. There was a gross loss of COP(\$12,181) million, equivalent to a gross margin of -2.81%. This negative result in the year 2023 is mainly due to the losses contributed in the closing of the execution of the works of the following fourth generation (4G) projects; such as Consorcio Farallones, Pacifico 3, Ruta al Mar and Consorcio Aburra Norte. The company expects to reverse this trend with the start of the execution of San Agustín Zona Norte and Zona Sur, and the start of massive placement of asphalt mix in the Madalena 2 project. Administrative expenses amounted to 3.95% of revenues, and grew by 12% with respect to the previous year, in line with the accumulated inflation of this year.

There was an operating loss of COP\$20,508 million with a negative operating margin of -4.74%. EBITDA reached COP\$8.7 million equivalent to an EBITDA margin of 2.02%, decreasing with respect to the EBITDA margin of the second quarter of 2022 which was 18.98%.

Interest expense increased 121.21% with respect to the second quarter of 2022; of this effect, 103.64% corresponds to the increase in interest rates, this being the main variable generating the

net loss. The company expects that the evolution of inflation will allow interest rates to decrease in the medium term.

The results recognized by the equity method generated a negative result of COP(\$-21,954) million. These items have accounting effects but do not have an impact on the Company's cash flow. Considering the above, the net result of the company was COP(-79,636), if this effect is discounted, the net result would change to COP(\$-57,682) million and the net margin would be -13.32%.

	2T2023	2T2022
Ingresos de actividades ordinarias	\$432,903,515	\$351,479,730
Resultado bruto	\$ (12,181,832)	\$ 49,173,063
Resultado operacional	\$ (20,508,256)	\$ 41,889,406
Resultado neto del ejercicio	\$ (79,636,589)	\$ (17,519,741)
EBITDA	\$ 8,756,272	\$ 66,702,008

\* **Valores en miles de pesos**

Total assets total COP\$2.45 billion, of which our investment portfolio at book value is \$1.0 billion. The ratio of current and non-current assets to total assets is 61% and 39%, respectively.

Cash and cash equivalents amounted to COP\$47,416 million, liquidity increased in the second quarter of 2023 compared to the first quarter, due to the disbursement of the loan from Bancolombia for \$62,000 million and the advance received by INVIAS for \$40,000 million, for the Toyo project.

Liabilities closed at COP\$1.54 trillion, where current liabilities represent 84% and non-current liabilities 17%. The high proportion of current liabilities over total liabilities is due to the maturity of the structured credit of the investment business, which is less than one year (May 2024); however, its source of payment is the sale of the participation in the Pacifico 3 Concession, which was classified as an asset held for sale.

The Company's indebtedness increased with respect to the end of the second quarter of 2022 by 5.02%. At the end of June the debt was distributed as follows (figures in millions of pesos): debt that has as a source of payment the income related to the Investment Portfolio COP\$450,888, working capital debt in construction COP\$303,474, leasing of machinery and equipment COP\$99,718 and financial obligations and leasing of joint operations COP\$24,597 and other non-bank liabilities for COP\$37,898.

The equity of Construcciones El Condor S.A. closed at COP\$912,937 million pesos.

The Company's current ratio was 0.74x, decreasing with respect to the second quarter of 2022 whose indicator was 0.76x.

As of the closing date, there were no material events in the financial statements at the end of the first quarter of 2023.

## Comparative analysis of the 2Q2023 financial statements:

There were no material changes with the financial statements for the second quarter of 2023.

## Market Risk during the 2Q2023 quarter:

The risk that the fair value of an asset will decrease due to changes in market prices, which may be caused by interest rate, exchange rate and other price risks. Each of these is described in the following chapter. However, it should be noted that, with respect to share price risk, there were no material fluctuations in the stock market during the first quarter of 2023.





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



## Internal Control and Risk Component




## Material Risks:

Continuing with the monitoring of the Company's priority risks, in the second quarter the strategic risk matrix was validated and updated taking into account changes in the external context, global challenges, those of the infrastructure sector and the country; as well as internal issues, considering the Company's learning, achievements and challenges.






In this quarter no adjustments were made to the valuation scales and the material changes are due to new strategic risks and variations with respect to the projected estimates, taking into account the actions taken by the Company.

The following is a list of the financial impact assessment scales and the probability scale.

## Financial Impact

Descriptor			Rango (Pérdidas Económicas en COP)
5	Extremo		> \$15.000 Millones
4	Alto		8.000 Millones ≤ 15.000 Millones
3	Moderado		3.000 Millones ≤ 8.000 Millones
2	Bajo		500 Millones ≤ 3.000 Millones
1	Muy Bajo		≤ 500 Millones

## Probability Scale

Descriptor			Descripción
5	Frecuente / Muy probable		Se sabe que el suceso ocurre en forma reiterada o sucediendo una sola vez es catastrófico
4	Probable		Suceso que se presenta con cierta regularidad
3	Moderado		El suceso puede ocurrir en algunas circunstancias o se presenta de forma esporádica.
2	Improbable		El suceso no es habitual, pero podría producirse en algún momento.
1	Raro		El suceso solo puede ocurrir en circunstancias excepcionales

As a result, we have the following prioritization of risks according to their severity:

Probabilidad	5	Bajo	Moderado	Alto	Extremo	Extremo
	4	Bajo	Moderado	Alto	Extremo	Extremo
	3	Muy Bajo	Bajo	Moderado	Alto	Alto
	2	Muy Bajo	Bajo	Bajo	Moderado	Alto
	1	Muy Bajo	Muy Bajo	Bajo	Moderado	Alto
Impacto Financiero		1	2	3	4	5

In relation to the other aspects evaluated: reputational, legal, personal safety, social, environmental and business continuity, no changes were made to the established scales.

At the end of the fiscal year, the priority risks for the Company during the second half of the year and the projection of where the Company expects to arrive according to the efforts made are as follows:

2T 2023    Project 3T

Risk

		1. Deviations in the execution of the work that prevent compliance with the completion date.
		2. Finance working capital
		3. Social and Political Risk
		4. Macroeconomic variables
		5. Delays in decisions by government entities.
		6. Short-term debt refinancing
		7. Level of financial leverage
		8. Unfavorable variations in quantities and productivity between the estimated in structuring and actual execution.
		9. Public order, kidnappings, acts of terrorism, etc.
		10. Regulatory changes
		11. Non-compliance of counterparties (customers and partners)
		12. Actions against business ethics and legislation.
		13. Climate Change
		14. Difficulty in obtaining competent personnel.

## Material changes compared to the last quarterly report:

The material changes in the risk matrix are associated with the following events:

### **Deviations in the execution of the work that prevent compliance with the completion date.**

This risk goes from high to extreme due to the impact it may have on the Company. This risk includes events attributable to the Contractor that hinder the completion of the work within the contractual deadlines. To manage this risk, the Company performs a detailed follow-up of each of its projects, aligns the execution of the work with the approach considered in the structuring stage and manages with its suppliers and contractors the payment agreements that allow the delivery of materials and services on time, in order to guarantee the necessary resources for the construction of the works. Likewise, and in order to guarantee compliance with the established deadlines, it executes work in extended shifts and double shifts and advances the execution of the work when the project conditions allow it.

### **Non-compliance of counterparties (customers and partners)**

This event is described as the non-compliance of contractual agreements that represent higher costs and/or efforts to the company compared to those initially foreseen. Due to the impact it generates for the Company, this risk goes from high to extreme.

As a relevant cause of this risk are the changes in the contractual conditions generated by the National Government in relation to not increasing the toll rates that support the financial models with which the concession projects were structured, in which the Company has an investment portfolio.

The impact generated translates into a greater transitory liquidity line for the Concession projects, which as announced by the contractor will be compensated by the Nation. The opportunity for such compensation is clearer for Public-Private Partnerships (PPP) of public initiative, such as the Pacifico 3 Concession, which may receive resources from the nation; however, the recognition for PPPs of private initiative such as Ruta al Mar, require a change in the regulation so that they may receive such compensation.

It should be clarified that this condition does not affect work contracts in which the Company is the executor and for which it has the corresponding budget availability when it is a public work and private resources when the client is of this nature.

**Credit Risk:** Consistent with the risk of default by customers and partners, credit risk is analyzed, which is the unfavorable event in which a counterparty fails to meet its obligations under a financial instrument or commercial contract, resulting in a financial loss. The Company is exposed to credit risk from its operating activities (in particular trade debtors) and its financial activities, including deposits with banks and financial institutions and other financial instruments.

#### Cash and cash equivalents

The company's cash is held in AAA-rated financial institutions. The Audit and Risk Management Committee verifies that cash management is in accordance with the company's policies.

#### Trade and other receivables

This risk, analyzed and monitored, has not been one of the priority risks for the Company, taking into account the excellent quality of the payers of the accounts receivable, since most of them are associated with fully financed 4G projects, as well as other public works projects with different State entities where there are budgetary availabilities and projects with private clients.

However, and as mentioned above, the regulatory changes established by the National Government in relation to not increasing toll rates have an impact on the investment business and therefore this risk is particularly elevated.

At year-end the carrying value of trade and other receivables will be written off over the following time horizons:

#### **Separate Financial Statements**

	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Trade and other receivables	657.424.746	1.971.504	-	659.396.250
Accounts receivable from related parties	516.609.793	93.037.447	346.183.946	955.831.186
<b>Total</b>	<b>1.174.035.539</b>	<b>95.008.951</b>	<b>346.183.946</b>	<b>1.615.227.436</b>

Values in thousands of pesos

#### **Consolidated Financial Statements**

	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Trade and other receivables	663.161.632	6.168.618	-	669.330.250
Accounts receivable from related parties	514.322.638	93.037.447	289.197.953	896.558.038
<b>Total</b>	<b>1.177.484.270</b>	<b>99.206.065</b>	<b>289.198.953</b>	<b>1.565.888.288</b>

Values in thousands of pesos

**Risks identified in the quarter:**

As a result of the monitoring and updating of priority risks, three new events were included in the priority risk matrix, which are described below:

 **Refinancing of short-term debt**

This risk is visible in the strategic matrix for the term of this report. The Company continues to take all necessary steps to achieve the refinancing of short-term debt, focusing its efforts on the renegotiation of the structured credit, as well as the refinancing of the debt in dollars acquired in 2022.

The solidity and trust built during these years has allowed us to achieve important advances in the materialization of the strategy designed with financial advisors and directed by Senior Management and the Board of Directors.

The expected results of this management will make it possible to take this risk from Extreme to High.

The following is a list of the Company's financial commitments over a time horizon, against which all actions are focused in order to maintain an adequate level of leverage:

**Separate Financial Statements**

	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Financial obligations	704.755.497	111.516.538	-	816.272.035
Leasing	31.932.162	53.133.279	15.239.261	100.304.702
Trade accounts payable	353.677.603	2.894.833	-	356.572.436
Other accounts payable	3.475.737	1.656.647	-	5.132.384
<b>Total</b>	<b>1.093.840.999</b>	<b>169.201.297</b>	<b>15.239.261</b>	<b>1.278.281.557</b>

*Values in thousands of pesos*

**Consolidated Financial Statements**

	Less than 1 year	Between 1 and 5 years	Greater than 5 years	Total
Financial obligations	704.755.497	111.516.538	-	816.272.035
Leasing	31.932.162	53.133.279	15.239.261	100.304.702
Trade accounts payable	356.360.058	3.826.651	-	360.186.709
Other accounts payable	3.449.525	1.656.647	-	5.106.172
<b>Total</b>	<b>1.096.497.242</b>	<b>170.133.115</b>	<b>15.239.261</b>	<b>1.281.869.618</b>

*Values in thousands of pesos*

### ● **Level of financial leverage**

One of the Company's challenges is to achieve an adequate level of financial leverage that allows investments to continue generating the expected value for shareholders and does not generate capital loss. This risk is new in the strategic matrix and is positioned as relevant in the management performed directly by Senior Management and the Board of Directors through its financial committee.

During this quarter, the strategic management with the banks continued in order to adjust the debt profile with better conditions. However, the higher than expected increase in interest rates has increased the cost of debt, which negatively impacts the Company's results. The analysis of risk by macroeconomic variables is detailed below. The management of this risk is consequential to the extent that project objectives are achieved, expected profitability is obtained, actions to maintain and improve working capital conditions and debt reprofiling continue to materialize.

### ● **Unfavorable variances in quantities and productivity between the estimated in structuring and actual execution**

This risk, escalated to strategic risk for this quarter, is caused by different events such as: shortage of materials in quantity and quality with respect to what was foreseen; limitations in the use of storage areas that generate greater hauling; different work execution conditions that imply new unit prices; changes in the planning of work execution different from those foreseen in the project structuring stage, among other aspects that distort the hypotheses based on the bidding stage and that may cause higher execution costs and/or delays in the recognition of the work executed.

With the management carried out on all project execution fronts and in coordination with all the areas not only of the Core business processes but also of the support processes, integral solutions are being provided to reduce the differences that arise in the profitability of the projects with respect to the baseline. This management includes the timely escalation to Customers of all unforeseen situations and force majeure events that are beyond the Company's scope and management, in order to achieve the recognition of the higher costs generated. It is important to highlight that, as part of the management of this risk, changes have been made in the organizational structure guaranteeing synergies and timeliness in the control and decision making that impact the execution of the works. With these actions, it is expected that this risk will be reduced to a low level.

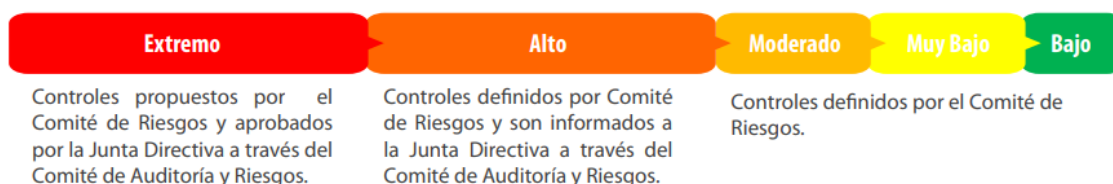
## **Management and Monitoring**

For the Company, risk management is a continuous process that seeks to generate value by identifying and managing in a structured and efficient manner those threats that may affect the fulfillment of the Organization's objectives.

To achieve this, the Risk Management process was designed and implemented, establishing a methodology to evaluate risks in a comprehensive manner, considering financial, reputational, legal, social and environmental factors, in order to preserve the integrity of business resources and the continuity and sustainability of the Company, while simultaneously contributing to the strengthening of a resilient culture.

### Risk Governance

To ensure adequate, timely and effective management, the Company has defined a Risk Governance model taking into account the prioritization of adverse events according to their severity. In this way, risks are appropriately assigned to each of those responsible for their management, as well as adequate monitoring and escalation to the Board of Directors through the Audit and Risk Committee.



La responsabilidad de la aplicación de los controles de todos los riesgos es de los líderes de los procesos

In line with this escalation, the Board of Directors, through the Audit and Risk Committee, supervised the management of priority risks, their materialization and the follow-up of the findings and improvement plans established; in this way, collegiate decisions were made considering the emerging situations, the follow-up of projects, the findings generated by the statutory auditors, as well as the results of internal and external audits.

## Other priority risks and actions taken

### ● Working Capital Financing

The need to finance the working capital of the projects under less favorable conditions than those established in the structuring and for a longer period of time than expected, which generates pressures on the company's liquidity, delays in the payment of its obligations and limitations in the programmed strategic investments.

During this quarter, the strategic management with banks continued to support the working capital of each project. In addition, as a relevant fact of the quarter, payment agreements were reached with suppliers and contractors, based on massive payments that have allowed the continuity of the supply of materials and services required for the execution of the projects.

Negotiations have also been achieved with customers, with whom we are seeking direct payment for supplies and services, improving financing conditions with suppliers and contractors.



In parallel to this negotiation, the Company manages with customers not only the recognition of longer terms derived from the Exempt Liability Events, but also the higher costs and their timely recognition, seeking to mitigate the impact on cash flows resulting from the financing that the Company has given to all its projects to guarantee compliance with its contractual obligations.

By achieving the strategic actions addressed from the financial, legal, investment, construction and engineering areas to finance the working capital per project, it is expected that this risk will decrease its severity from extreme to low, stabilizing the condition for the Company.

### **Macroeconomic Variables:**

The organization is affected by unfavorable changes in macroeconomic variables, beyond those contemplated in the financial modeling.

#### **Interest Rate:**

The Company is exposed to interest rate variations mainly due to the relevance of working capital financing given the high amounts of the value of the works executed in this sector. The increase in inflation and unfavorable changes in macroeconomic variables affect the intervention rates impacting the Company through the increase in the financial cost of debt. In view of this, the company manages its capital structure and makes the pertinent adjustments according to the changes in economic conditions.

In order to maintain and adjust this structure, the company can finance itself in the capital market through other financial debt mechanisms, always seeking favorable negotiation conditions that generate coherence between income and expense cycles.

The Organization analyzes the impact of the increase in interest rates independently for its two lines of business: Construction and Investments.

As for investments, as a result of this analysis, it is concluded that, although there is a natural hedge on the increase in debt service due to the indexation of inflation in the value of assets, the increase in interest rates generates a negative and evident impact on the EEFF.

With respect to the Construction Company, the impact of the interest rate on the higher cost of working capital is evident.

As a whole, the increase in the cost of debt generates a negative impact on the Company's results. So far this year, the financial cost is equivalent to 23.57% of the value of the accumulated income from ordinary activities.

#### **Inflation:**

The higher than expected increase in the cost of materials for the construction of the projects, caused by the sudden and unforeseen increase in macroeconomic variables, causes a distortion in

the way the value of the Contracts was estimated, affecting the economic balance of the same and negatively affecting the gross result of the projects, as evidenced in the EEFF as of June 2023.

The Company manages this risk through an income portfolio based on a diversification of clients with their respective contractual conditions for the execution of projects, where natural hedges are sought in the face of inflationary pressures and their impact on execution cost overruns.

In the event of cost overruns that are not covered by the adjustments of the unit prices of the contracts, given their increase that exceeds the coverage, the Company carries out the contractual management with its customers demonstrating the unforeseeable events that could affect the economic equilibrium of the contracts.

As a result of the Company's efforts, the Company has achieved the recognition of price adjustments in EPC contracts where initially the prices were fixed, and the Company continues to manage the recognition in all the projects that are affected.

### Exchange rate

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates. The Company's exposure to exchange rate risk relates, firstly, to trade and other payables in foreign currencies and, secondly, to the Company's investments abroad.

The structuring of projects takes into account the higher than expected increase in the TRM that may affect the price of dollarized inputs for the execution of the projects; therefore, the economic proposals are prepared seeking coverage from the structuring stage and limiting contractual risks in the face of unforeseeable events.

In relation to foreign currency debt, the Company hedged the variation risk through a foreign exchange hedge (Forward NonDelivery) for the total value of the debt, absorbing potential cost overruns during the term of the loan.

At year-end the Company has a total accounts receivable exposure in USD of \$996,872, if the exchange rate were to increase or decrease by 450 pesos the impact on results would amount to **\$448,593 (thousands)** Colombian pesos.

Likewise, the company has a total exposure of accounts payable in USD of \$24,647,267; with the aforementioned hedge and at the date of presentation of these financial statements, there is a negative impact in Colombian pesos of **\$8,712,039 (thousands)**, derived from the downward trend of the TRM for the closing of the fiscal year, compared to the hedge taken in May 2023.

The above valuations considered the trading conditions of the financial instrument and the TRM projections presented by the financial sector for the year 2023:

Año	Pronóstico	Pesimista	Optimista
2023	\$ 4,180.00	\$ 4,400.00	\$ 3,900.00

Source: Monthly survey of economic analysts' expectations - Banco de la República.

## Social and Political Risk

Events derived from changes in government policies, such as changes in the political situation, system of government and changes in social conditions that have an impact on the execution of contracts.

With the quarterly validation of priority risks, this risk has no change in severity.

The Company, through 44 years of operation, understands the importance of road infrastructure development as one of the main axes that promote the development and competitiveness of the country, and consequently maintains its commitment to investment and construction projects. As a normal dynamic, the company constantly seeks new investment and construction opportunities by structuring projects in Colombia and other countries.

### Delays in decisions by governmental entities:

This risk arises from delays in environmental licensing processes, operating permit procedures, conflicts of jurisdiction between courts in land expropriation processes, among other procedures required for the construction of works.

The Company, keeping its relationship guidelines, manages from the Top Management the situations with its clients and governmental entities, proposing technical solutions to the problems that may arise and demonstrating at all times the due diligence in the management it is in charge of. The latter has allowed us to obtain the recognition of Exonerating Events of Responsibility from the Client, when delays affect the duration of the project.

## Regulatory Changes

For Construcciones El Condor this risk is associated with changes in legislation and legal instability in the different regulatory fronts, gaps, discrepancies and ambiguities in the regulations or in their interpretation, which generate imbalances in the economic conditions of contracts, greater difficulties in accessing new businesses, tax burden, operating costs, in addition to fines, penalties and difficulties in obtaining permits and licenses.

In particular, the Company is affected by regulatory changes related to the non-increase in toll rates that support the financial models used to structure the concession projects in which the Company has an investment portfolio.

Likewise, the changes that may be derived from the reforms proposed by the National Government urge the Company and in general the Companies in this sector to make changes in their strategy to comply with the new requirements, seeking to maintain the profitability of the projects.

### **Public order, kidnappings, acts of terrorism, etc.**

Events of external origin that affect the safety of employees, normal project execution conditions, damage to infrastructure, plant and equipment are considered.

In this quarter there were no situations that affected the safety of employees or infrastructure. When this type of events have occurred, the company acts in coordination with the local authorities, prioritizing the integrity of its employees, safeguarding the assets and the work in charge and subsequently, managing with its Clients the derived affectations.

### **Climate Change**

Variation in the state of the climate that can be reflected through fluctuations in the mean values of climatic variables and/or in the variance and/or in the form of probability distribution that characterizes them, affecting the development and sustainability of the infrastructure.

With the end of the "La Niña" phenomenon, the execution conditions in the projects have improved, returning to the Company's construction yields. However, it is part of the strategic guidelines to continue developing the capacity to adapt to climate change, as one of the Organization's sustainability axes. Likewise, the challenge includes being prepared for the extreme weather that could occur due to the high temperatures arising from the El Niño phenomenon, the possible decrease in water resources and other adverse effects derived from it.

### **Events that contravene business ethics, LAFT and source crimes.**

These events are managed on a daily basis in the Company, in coherence with the risk policy where zero tolerance is declared for events that contravene business ethics and violate corporate principles.

In this quarter there were no alerts in relation to the counterparties representing the highest risks in terms of severity.

### **Difficulty in obtaining competent personnel**

This risk corresponds to events that make it difficult to have competent personnel to support the fulfillment of business objectives, due to weaknesses in the succession planning strategy, attraction or retention of key personnel or lack of supply in the areas of influence of the projects.

This risk is managed by the Company through the development of a succession plan for critical positions. With regard to projects, actions are implemented to attract foreign personnel when there is a scarce supply of local labor.



# MATERIAL TOPICS



## ASG MATERIAL ISSUES

### Material, Environmental, and Social Changes:

From the environmental and social components, in terms of practices, processes, policies and indicators, there were no material changes during the reporting period.

### Changes in Corporate Governance:

In terms of Corporate Governance, the following changes occurred during the second quarter of this year:

1. Luz María Correa Vargas was appointed Chairman of the Board of Directors of the Company.
2. In May, the Company received the resignation of Ana María Delgado González as a member of the Board of Directors, which was disclosed to the market on May 5, 2023, date on which it was also informed that the Board of Directors continues to be formed by the other members elected at the ordinary meeting of the General Shareholders' Meeting, maintaining the required number of independent members, until an Assembly meeting is held for the appointment of the new member.
3. On May 30, 2023, the Company's Board of Directors, in its ordinary session, approved the amendments to the Corporate Governance documents listed below:
  - Rules of Operation of the Board of Directors: The Rules of Operation of the Board of Directors are updated in order to allow the members of the Board of Directors to be part of the Audit and Risk Management Committee, provided that the independent members are in the majority, to update the functions of the Chairman of the Board of Directors based on the provisions of the Bylaws, and to include a chapter on best practices.
  - Regulations of the Audit and Risk Management Committee: It is updated in order to allow the equity members of the Board of Directors to be part of the Audit and Risk Management Committee, provided that the independent members are in the majority.
  - Code of Good Governance: It is updated in order to allow the members of the Board of Directors to be part of the Audit and Risk Management Committee, as long as the independent members are in the majority, the functions of the Chairman of the Board of Directors are updated based on the provisions of the Bylaws, and it is clarified that the General Counsel acts, both in the General Shareholders' Meeting and in the Board of Directors, as Secretary of the Company.  
The updated version of these documents can be consulted at the following links:
  - Code of Good Corporate Governance:  
<https://www.elcondor.com/es/inversionistas/buenas-pr-cticas>
  - Operating Regulations of the Board of Directors:  
<https://www.elcondor.com/es/inversionistas/reglamentos>
  - Regulations of the Audit and Risk Management Committee:  
<https://www.elcondor.com/es/inversionistas/comit-s-de-junta-directiva>
- Engineer Ana María Jaillier Correa was appointed as Engineering and Business Development Manager, who was also appointed Legal Representative by the Company's Board of Directors.