



# EMERGING RISK ASSESMENT 2022

SUPERINTENDENCIA FINANCIERA  
DE COLOMBIA

VIGILADO



Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA



## Definition:

Emerging risks are those new or unidentified risks that have never been previously considered by the entity or known risks that are unfolding in an unexpected manner. These may generate combined effects on several risks and derive from the following factors (PESTLE): Political, Economic, Social, Technological, Legal, Environmental .

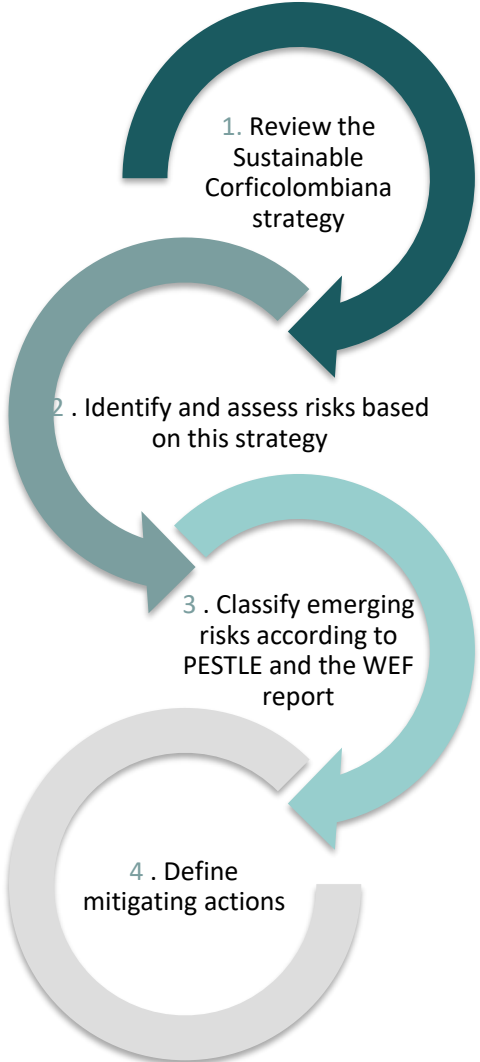
## They are characterized by:

- a. Their impact on capital, earnings, liquidity and reputation is difficult to quantify, although they are generally extensive
- b. It is difficult to estimate their time-horizon; for example, the impact could be felt between a one to three-year horizon or beyond.
- c. They often arise from global trends and are frequently outside the direct control of any particular party.

## Emerging risks can:

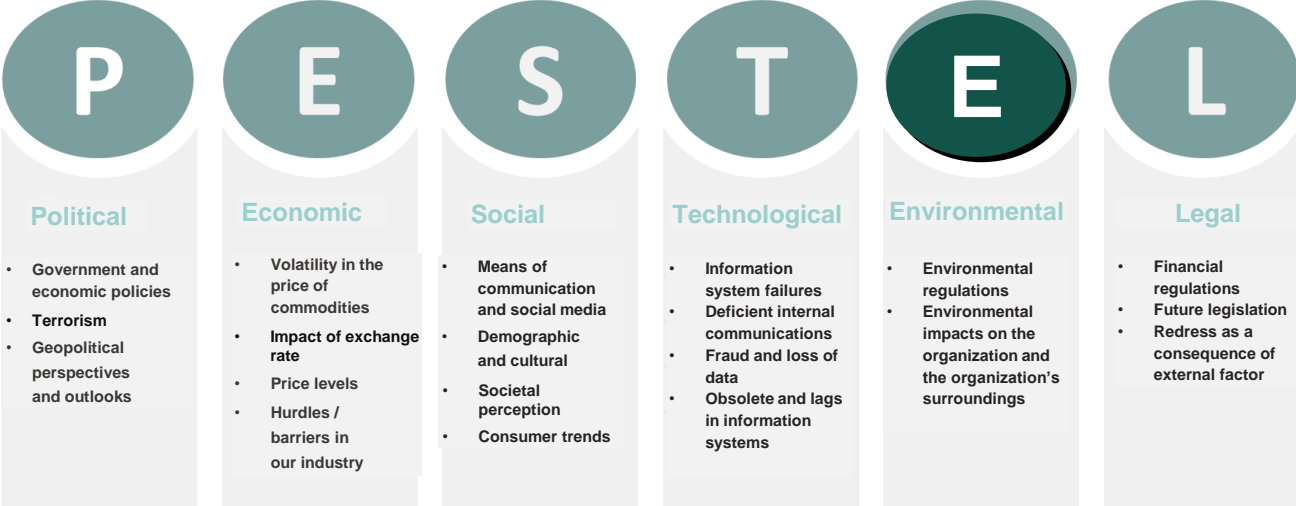
1. Involve many factors simultaneously and affect multiple risks.
2. Result from changes in the political, regulatory, legal, demographic, technological, market or socioeconomic environment.

To manage emerging risks, the following activities are carried out:



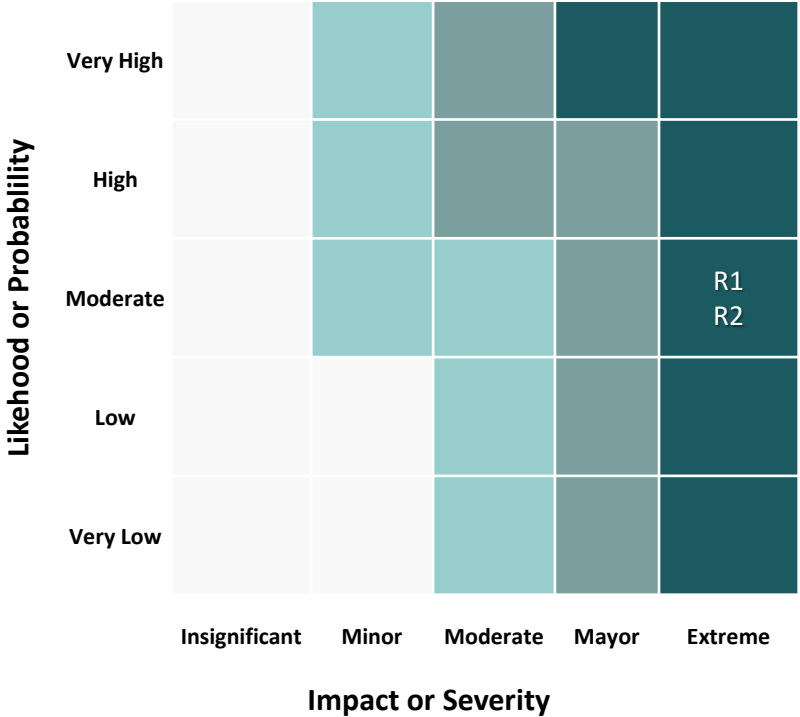
Our methodology is premised on 5 pillars:

- Business: economic growth**  
We generate and manage efficient and profitable investments that drive the country's development
- Corporate Governance**  
We ensure ethical and responsible decision-making
- Human Talent**  
We foster the well-being of our employees
- Stakeholders**  
We build relationships of trust with our stakeholders
- Surroundings & the Environment**  
We enhance our environment and encourage the proper use of resources



In the risk update carried out in 2022, we assessed 46 external factors: political, economic, social, technological, legal and environmental. This assessment identified two primary risks having an extreme risk rating, their potential impacts and defined mitigating actions:

### Top Emerging Risks



No.	Risk	Impact	PESTLE
R1	Deterioration of sovereign liquidity	Extreme	Economic
R2	Collapse of the economy	Extreme	Economic

## R1 - Deterioration of sovereign liquidity

Deterioration of sovereign liquidity, understood as corporate and/or public finances overwhelmed by cumulative debt and/or difficulties in servicing the debt in large economies, resulting in massive bankruptcies, defaults, insolvency, liquidity crisis or sovereign debt crisis

When an event of this magnitude occurs, bankruptcies, defaults in financial obligations, and liquidity crisis in the market can occur, which can affect the liquidity of the Corporation and its subsidiaries given potential effects of this economic situation, including:

- Interest rate increases
- Increases in the cost of funding and reduced financial margins
- Increases in the risk premiums of the assets in which the corporation has treasury positions, generating losses in the portfolio
- Difficulty in renewing the maturities of the liabilities of the Corporation and its investments

The mitigating actions for this risk are:

- Constant monitoring of the economic and social situation of the country and international markets by the Economic Research area
- ALCO Committee: market developments are presented biweekly, as well as recent developments regarding active and passive positions
- Monitoring the investments' liquidity positions
- Monitoring the Corporation's liquidity policies and indicators
- Sensitivity analysis of liquidity risk, stress-testing and its effect on Corficolombiana

Risk Rating	PESTLE
Extreme	Economic

## R2 - Collapse of the Economy

Understood as the collapse of the global market or a systemically important financial institution (SIFI) or company that would pose a serious risk to the global economy, financial markets and/or society.

A global economic collapse would affect Colombia in the following ways: economic recession, high interest rates, high unemployment rates, effects on inflation, and exchange rate effects. The previous context could generate the volatility of the Corporation's income, due to the fact that the demand for the products and services of the investments that are part of the investment portfolio would be impacted. In the same way this context could generate:

- Liquidity crisis in the market.
- Losses in the investment portfolio due to depreciation of assets.
- Default of counterparties at the expiration of operations.

The mitigating actions for this risk are:

- Maintain a neutral currency exposure in investments (assets vs. liabilities)
- Investment focus on countercyclical sectors of the economy (gas transportation, infrastructure, concessions with guaranteed income).
- Constant monitoring of the global economic situation by the Economic Research area.
- ALCO Committee: market developments are presented biweekly, as well as recent developments regarding active and passive positions
- Monitoring the management of our investments
- Sensitivity analysis of credit, liquidity and market risks, stress-testing and their effect on Corficolombiana

Risk Rating	PESTLE
Extreme	Economic