## **Emerging Risks**

What is it?

They are those identified risks which can impact the operation of the Entity or the industry in the long term, in some cases the impacts are already evident but in a smaller proportion.

## **Characteristics:**



It is new, emerging, or significantly increasing in importance.



Potential long-term impact (3 to 5 years) with possible current consequences



Significant potential impact, affects a large part of operations and may require adaptation of strategy and / or business model



Extreme, arises from external events out of influence or control; Source: Natural, geopolitical or macroeconomic factors

**32**% TECHNOLOGICAL 20% SOCIAL Failures in the information systems / Poor internal Means of communication communication / Fraud and social media / and data lost / Demographic and Information systems cultural / Perception of society / Consumer obsolescence and backwardness **Commodities price** trends volatility / Exchange Environmental regulations / Environmental impacts rate impact / Price Classify emerging risks

Classify emerging risks level / Barriers in the industry on the organizations and 14% the organization's environment according to the risk management system that is most assimilated Government policies / Economic policies **Define mitigation** Financial regulation / Identify and assess risks actions / Inform Grupo Aval of the /Terrorism Future legislation / Compensation for according to the /Geopolitical strategy externalities conditions and of emerging perspectives **Evaluation** 

process at Grupo Aval

## Fragility in macroeconomic fundamentals

Constant monitoring of the economic and social situation in the countries where Grupo Aval has a presence.
 Monitoring investment liquidity positions.
 ALCO (By its acronym in Spanish) Committee of each Entity, where they review the evolution of the market and the active and passive positions of the entity.
 Analysis of stress scenarios of credit, market and liquidity risks.

## Increase in the frequency and severity of cyber attacks against financial institutions

- Adoption of good practices in cybersecurity.
- Security tests on the portals and applications of the Entities from different scenarios.
- Increased monitoring of warning signs, which may lead to possible cybersecurity incidents.
- Identification of threat and vulnerability of the elements of the technological infrastructure, carrying out remediation work of these, in order to prevent the materialization of possible security and cybersecurity events.
- Continuity and disaster recovery schemes, which allow maintaining the availability of business and operation services of subordinates.

