



## **RISK MANAGEMENT POLICY**

## 1. PURPOSE

Establish the guidelines, strategies, and responsibilities for the management of Randoncorp's risks for the continuous improvement of management processes.

## 2. APPLICATION AND COVERAGE

This Policy applies to all departments of Randoncorp.

## 3. REFERENCES

- Randoncorp's Code of Ethics and Conduct
- ABNT NBR ISO 31000:2018 – Risk Management – Guidelines.
- ABNT ISO GUIDE 73:2009 – Risk Management: Vocabulary.
- COSO Enterprise Risk Management – Integrating with Strategy and Performance (2017).

## 4. DEFINITIONS

**Risk Appetite:** quantity and type of risks that the Company is prepared to seek, retain, or assume.

**Risk Owner:** manager responsible for the companies' process in which risks are present.

**Risk Management:** management of risks, contributing to activities such as identification, assessment, treatment, monitoring, and communication of risks inherent in activities.

**Risk:** undesirable effects (measurable or not) on Randoncorp's objectives.

## 5. PRINCIPLES

Risk management principles aim to create and protect value. These principles provide guidance on the characteristics of effective risk management, communicate its value, and explain its intention and purpose.

At Randoncorp, principles are the foundation for managing risks. Risk management must be integrated, structured, personalized, inclusive, dynamic, based on the best information, consider human and cultural factors, and maintain continuous improvement. These principles are explained below.

**a) Integrated**

Risk management is an integral part of all activities at Randoncorp.

**b) Structured and comprehensive**

A structured and comprehensive risk management approach contributes to consistent and comparable results.

**c) Personalized**

The risk management structure and process are customized and proportional to the Company's internal and external contexts related to its objectives.

**d) Inclusive**

Appropriate and timely involvement of stakeholders enables their knowledge, perspectives, and perceptions to be considered. This results in better-informed and grounded risk management.

**e) Dynamic**

Risks may emerge, change, or disappear as the Company's internal and external contexts change. Risk management anticipates, detects, recognizes, and responds to these changes and events in an appropriate and timely manner.

**f) Best available information**

Risk management information is based on historical and current information, as well as future expectations. Risk management explicitly takes into consideration any limitations and uncertainties associated with this information and expectations.

**g) Human and cultural factors**

Human behavior and culture significantly influence all aspects of risk management at every level and stage.

**h) Continuous improvement**

Risk management is continuously improved through learning and experiences.

## 6. GUIDELINES

### 6.1 ESTABLISHMENT OF THE RISK MANAGEMENT CONTEXT

The establishment of the corporate risk management context must be carried out every 2 (two) years or when an event that affects Randoncorp's risk appetite occurs. It should include the definition of risk appetite and culture, as well as the identification and criteria for assessing corporate risks.

Risk should be classified as strategic, financial, operational, or regulatory for future analysis and to provide a corporate view.

#### **Strategic Risk**

Associated with the organization's strategic decisions to achieve its business objectives and/or those arising from its incapacity or inability to protect itself or adapt to changes in the environment.

#### **Operational Risk**

Associated with the possibility of losses (production, assets, clients, revenues) resulting from failures, deficiencies, or inadequacies in internal processes, people, and systems, as well as external events such as disasters, fraud, strikes, and terrorist acts. Operational risk generally leads to total or partial reduction, degradation, or interruption of activities, with a negative impact on the company's reputation.

#### **Financial Risk**

Associated with the market, credit, and cash generation:

Market/Governmental – arises from the possibility of losses that may be caused by changes in interest rates, exchange rates, stock prices, commodity prices, and changes in law.

Credito – defined as the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed with borrowers, parties to contracts, or issue of securities.

Liquidity – when cash flows are not effectively managed to maximize operational cash generation, manage the risks and specific returns of financial transactions, and raise and invest financial resources according to established financial policies.

## Regulatory Risk

Associated with legal or regulatory sanctions, financial loss, or reputation loss that the company may suffer as a result of non-compliance with applicable laws, agreements, regulations, code of conduct, and/or internal policies.

## 6.2 RISK TREATMENT

For all identified and assessed corporate risks, a response treatment strategy must be defined. Risk treatment should include a selection of measures to avoid, accept, mitigate, or transfer the risks.

Avoid – means choosing to discontinue activities that generate the risk.

Accept – choose to accept the impact/probability of the event and continue operating with the current control structure.

Mitigate – create controls or initiatives that mitigate potential exposure to risk, either by reducing the impact and/or probability of occurrence.

Transfer – reduce the probability or impact of risks by transferring or sharing a portion of the risk with third parties.

Different risk response strategies should be organized into action plans and/or controls that are useful, practical, and cost-effective, executed by risk owners, and monitored by the Risk Management and Compliance department.

If there are no available treatment options or if the treatment options do not sufficiently change the risk, they should be recorded and kept under continuous critical analysis.

The residual risk (remaining) should be documented and subjected to monitoring and critical analysis and, if necessary, additional treatment.

## 6.3 RISK INDICATORS

Critical corporate risks should be continuously monitored based on the key risk indicators (KRI) established by the risk owner.

Each KRI should have sufficient components for monitoring the risk and anticipating or delaying potential risk conditions. The KRI should be established to enable real-time tracking of any changes that may impact the companies.

## 7. RESPONSIBILITIES

### Board of Directors

- Approve the risk management policy.
- Ensure the effectiveness of risk management systems.

### Executive Committee

- Conduct a continuous assessment of the effectiveness of the risk management model.
- Define the risk appetite.
- Define the risk owners.
- Approve risk assessments.
- Support the risk management culture.

### Risk Management and Compliance Department

- Establish the risk management methodology.
- Disseminate the risk management culture.

### Risk Owners

- Conduct a critical analysis of risks.
- Establish risk treatment strategies.
- Monitor the effectiveness of control activities.

## 8. CONTROL INFORMATION

This Policy was approved by the Board of Directors on November 07, 2017, becoming effective from November 2017.

**Parties responsible for the document:**

**Preparation**

Risk Management and Compliance

**Review**

CEO's Office

**Approval**

Board of Directors

Latest review:

Date: December 14, 2023

