



FOREIGN EXCHANGE RISK MANAGEMENT POLICY EXTRACT

1. PORPOUSE

This policy establishes exchange risk management rules and guidelines, indicating the risk appetite and the main protection instrument.

2. APPLICATION AND SCOPE

This policy applies to all Randon Companies, their subsidiaries and affiliates, in Brazil and abroad, except Financial and Digital Services Division, which follows specific regulatory bodies policies and guidelines.

3. DEFINITIONS

Balance Sheet Foreign Exchange Exposure: any exposure in a currency, different from the company functional currency, that generates exchange variation in the accounting result, arising from the variation in exchange rates during the entire period in which the accounting balance is open.

Cash Flow Foreign Exchange Exposure: all net exposure of the Company operating and financial cash, in a currency different from Randon Companies or its Subsidiaries functional currency.

Hedge: it is the term designated for a company's strategy to protect/mitigate/neutralize the effects of unexpected fluctuations in prices of financial assets/liabilities and/or the market on its balance sheet/result.

Risk: the potential for a given threat to exploit the vulnerability of an asset or group of assets to cause loss or damage to assets.

Domestic Currency: according to International Accounting Standards, it is the main economic environment currency in which the company operates.

Threshold: range of active and/or passive cash flow currency exposure with no necessity of intervention from Corporate Finance Area.

4. GUIDELINES

The guidelines that guide Randon Companies decision making in relation to the process of managing foreign exchange risks are:

5.1 Exposure to changes in exchange rates

Randon has assets, liabilities and results in different functional currencies including Real, US Dollar, Argentine Peso, Rand, Novo Sol, Chilean Peso, Euro, Yuan, Mexican Peso, Dirham, Colombian Peso and Indian Rupee, so, it is exposed to risks related to the exchange rate of these currencies.

5.1.1 Exchange rate variations exposure types

a) Variation between the Company functional currencies and its subsidiaries and the currencies of their assets and liabilities:

- Amounts payable or receivable from third parties that may generate changes in the assets and liabilities value, as well as, income or expenses from exchange rate variations in the result and changes in cash flow.
- Amounts payable or receivable among related companies that may generate changes in the assets and liabilities value, as well as income or expenses from exchange rate variations in the result and changes in cash flow.

b) Variation between subsidiary domestic currency and the Real currency:

- Permanent investment in subsidiaries that may generate variations in the value of the Consolidated Shareholders' Equity (conversion of the balance sheet).

Exchange rate exposure is divided into Balance Sheet Exchange Exposure and Cash Flow Exchange Exposure.

a) Balance Sheet Exchange Exposure

Balance sheet foreign exchange exposures must be monitored by the Business Units Controllershship Management and reported to the Corporate Finance Area on a monthly basis. In the balance sheet exposure, the CFO (Chief Financial Officer) must recommend an exchange protection initiative to be performed by the Corporate Finance Area.

b) Foreign Exchange Exposure to Cash Flow

The Business Units Controllershship Management must report monthly to the Corporate Finance Area the projected cash forecast for the current year next years, which includes:

- i. expectations of purchases and sales in other currencies, and

- ii. the debt installments in other currencies in the period whose term is about to expire.

In this cash projection, the capacity to pass through the price and market prospects background must be observed.

In the Cash Flow exposure, the CFO must recommend an exchange protection initiative to be performed by the Corporate Finance Area.

The Corporate Finance Area must evaluate the export and import projections on a monthly basis, with a focus on carrying out the combined exchange rate, with the aim of minimizing the spread between foreign exchange purchase and sale operations.

5.1.2 Types of Protection Instrument

Foreign exchange transactions in the financial market provide trading options to protect the company. At Randon Companies, these are the defined protection instruments:

- Non Deliverable Forward (NDF);
- Swap;
- Foreign Exchange Futures Contract;
- Exchange contract;
- Long and/or short plain vanilla foreign currency options
- Cash and cash equivalents in foreign currency

Instruments, operations or strategies that, individually or together, create any type of leverage or contain contractual provisions that make them leveraged are strictly forbidden.

5.2 Hedge Accounting

Financial protection instruments accounting, as well as financial liabilities in a currency other than their domestic currency, through "hedge accounting" aims to minimize the impact of volatility in the result of the mismatch between the measurement (Marked to Market) and the accounting classification between the financial instruments used for protection, financial liabilities and the items protected by the Company.

The Company may adopt hedge accounting, in compliance with international accounting standards ("IFRS") and in accordance the Accounting Pronouncements Committee standards. This assessment must be carried out at each act by the Business Units Controllershship Management in conjunction with the Corporate Treasury and Controllershship. Any proposals, must be submitted to COMEX by the CFO.

5.3 LIMITS – RISK LEVEL

5.3.1 Balance Sheet Foreign Exchange Exposure Limit

The balance sheet exposure limit may not exceed the amount equivalent to 12 (twelve) months of cash generation or consumption projected in the same currency.

If it is not possible for the Corporate Finance Area to provide protection for any of the subsidiaries through any of the instruments in this policy, it is necessary to report this specific situation to the CFO.

Any and all fundraising and hedging initiatives in subsidiaries must be previously authorized and conducted by the Corporate Finance Area.

5.3.2 Cash Flow Foreign Exchange Exposure Limit

In order to reduce the Cash Flow volatility, the operacional mismatches expected for the next 6 (six) months must be neutralized through the use of any protection instruments listed in this policy, when they are above and/or below the threshold.

In relation to the projected financial flow for the next 6 (six) months, the Corporate Finance Area together with the Business Units Controlling Departments must evaluate the capacity to renew or roll over the falling debt (Principal and Interest) in its original currency. In the absence of the intention or the possibility of this renewal or rollover, the mismatch must be neutralized through the use of any of the protection instruments listed in this policy, when they are above and/or below the threshold. This protection is allowed in the range between 80% to 120%, based on the projected values.

If it is not possible for the Corporate Finance Area to provide protection for any of the subsidiaries through any of the instruments of this policy, it is necessary to report this specific situation to the CFO.

5. RESPONSABILITIES

Corporate finance Area is responsible for ensuring and monitoring compliance with this foreign exchange risk management policy and COMEX for approving the Policy strategy and its updates for deliberation by the Board of Directors

This Policy has been available since August 2019. There is periodic review and approval by the Board of Directors.

Last review: 04.26.2022



Empresas

