



Risk Management Policy



Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 1 /10
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1. OBJECTIVE

The objective of this Risk Management Policy ("Policy") is to establish the principles, guidelines, and responsibilities to be followed in the management policy for risks inherent to the business activities of Elfa Medicamentos S.A. ("Company"), in order to identify and monitor the risks related to the Company or the industry.

2. REFERENCES

The references of this Policy are: (i) the rules of corporate governance of the Company's Articles of Incorporation; (ii) the Company's Code of Conduct; (iii) the Information Disclosure and Securities Trading Policy; (iv) the Policy on Transactions with Connected Parties and Administration of Conflicts of Interests; (v) the Brazilian Corporate Governance Code – Publicly Traded Companies and (vi) the New Market Regulation of B3 S.A. – Brasil, Bolsa, Balcão.

3. FIELDS OF APPLICATION



This Policy applies to the Company and its controlled companies, and to all employees, managers, statutory and non-statutory directors, members of the Board of Directors, members of committees, members of the Audit Committee, representatives and third parties directly or indirectly related to the Company and its controlled companies.

4. RESPONSABILITIES AND EXECUTION

According to the "Three Lines of Defense" model, Risk management shall be conducted under the responsibility of the governance bodies, managers, and those who are directly responsible for processes, as described in this item.

4.1. The Company's Board of Directors has the following responsibilities:(a)

approve the policies, guidelines, Risk Matrix/Modelling, exposure limits and impacts as presented by the Management Board; (b) when necessary, provide the Management Board with its perception of the degree of Risk exposure that Company is exposed to (shareholder view) and influence the prioritization of Risks to be dealt with; (c) when necessary, evaluate changes in the



	Risk Management Policy				 SISTEMA DE GESTÃO ELFA	
Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 2 /10

Risk exposure limits approved by the Management Board; and (d) evaluate the appropriateness of the operational structure and internal controls for Risk management.

4.2. The Company's Management Board has the following responsibilities: (a) Design the guidelines, Risk Matrix/Modelling, determining the exposure limits, impacts, and tolerance for exposure to the Risks; (b) define the structure for the Risk management system within the Company; (c) define, together with the Risk Management Committee, the action plans for mitigation of the Risks; (d) supervise the process of Risks evaluation and monitor the changes in exposure to Risk and the Risk management systems; and (e) disseminate the culture of Risk management throughout the Company.

4.3. The managers of the business areas and those with direct responsibility for processes, as the first lines of defense, shall report to the Management Board and will have the following responsibilities: (a) identify and manage the Risks of the respective business and process areas according to the Risk Limits; (b) give timely notice to the Risk Management Committee, through any of its members if the Risk events show a trend towards occurring and possible exceeding the Risk Limits; and (c) implement and accompany the action plans to mitigate Risks and accompany corrective actions in the respective areas and processes.

4.4. The Company Risk Management Committee has the following responsibilities: (a) administer the Risk management system; (b) provide methodological support for the Company's operating and functional departments through the use of on-demand tools and services; (c) provide accurate, complete, and sufficient information for Risk modelling; (d) present their perception regarding Risk exposure (size of impact and probability of occurrence); if possible, also guided by market indicators; (e) propose limits for Risk exposure, and suggest, evaluate, implement, and monitor actions designed to reduce Risk exposure; (f) supervise the Risk evaluation process together with the Management Board and ensure constant monitoring of Risks from external sources, keeping an eye on emerging Risks; (g) accompany the Management Board in the implementation of this Policy through the dissemination of tools and good practices; (h) evaluate the Risks associated with certain strategic projects, partnerships or mergers and acquisitions; (i) comply with Risk limits approved by the Board of Directors; (j) give

	Risk Management Policy		 SISTEMA DE GESTÃO ELFA			
Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 3 /10

timely notice of Risk events that are likely to occur and/or extrapolate limits for discussion in the appropriate forums and levels; and (k) ensure that information is provided to the Management Board about Risks or incidents and coordinate the Risk management system at times of crisis in the event of major events.

4.5. As the third line of defense, the internal audit area of the Company, which is directly linked to the Board of Directors, will: (a) evaluate the quality and effectiveness of the Company's Risk management processes, suggesting alterations to the Board of Directors and the Management Board, when necessary; (b) provide, when requested, accurate, complete, and sufficient information for modelling; (c) present, when requested, its perception in regard to Risk exposure (size of impact and probability of occurrence); if possible, also guided by market indicators; and (d) propose Risk exposure limits to the Management Board.

4.6. As the third line of defense, the Audit Committee will report to the Board of Directors and: (a) give opinions on the contracting or removal of the independent auditors of the Company; (b) evaluate quarterly information, intermediary statements, and financial statements; (c) accompany internal audit activities and the internal controls area of the Company; (d) evaluate and monitor the Company's risk exposure; (e) evaluate, monitor, and recommend to the administration the correction or improvement of the Company's internal policies, including the policy on transactions with connected parties; (f) Have the means to receive and deal with information about the violation of legal and normative rules applicable to the Company, in addition to internal codes and regulations, including specific procedures for providers to protect the confidentiality of the information.

5. TERMS AND DEFINITIONS (GLOSSARY)

For the purpose of application of this Policy, the following definitions shall be used:

5.1 Limit (Or appetite) for Risk: the exposure and/or maximum impact of Risk that the Company is willing to accept in the search for its objectives and value generation. Not all types of Risks can be accepted. Therefore, the proposal of limits must be grounded and formalized based on the following analyses: (i) evaluation of tangible and intangible return related to the



Risk Management Policy



Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 4 /10
------------------------------	----------------------------	-----------------	-------------	------------------------	------------------------------	------------------

proposed Risk limit; (ii) Company capacity to bear the impact of the proposed Risk limit (iii) decision whether or not the Risk should be accepted according to its typology; (iv) viability of implementation of the mitigation initiatives (cost and effort) versus effect on mitigation of the Risk and the respective return; and (v) availability of resources (investment and effort) for implementation.

5.2. Risk Matrix/Modeling: seeks to establish an individual comparison of the Risks based on degrees of impact and probabilities of occurrence for purposes of prioritization and management. The risk matrix is an organism in constant evolution and is updated whenever necessary and in a timely manner with the appearance of events of emerging Risk.

5.3. Risk(s): the possibility of occurrence of an event, resulting from internal or external sources, capable of adversely affecting the achievement of the Company's objectives.

6. GUIDELINES

The Company is committed to Risk management dynamics, in order to preserve and develop its values, assets, reputation, competitiveness and the continuation of its business .

6.2. The objective of Risk management is to understand and evaluate the risks, and then define response actions so that any losses can be forecast and reduced, seeking to maintain the Risks at acceptable levels. The Risk analysis should assist the decision-making process at the different levels of Company management.

6.3. In addition to preventing the materialization of Risks, Risk management contributes to the detection, treatment and monitoring aligned with the Company's objectives. The Company's approach is to integrate Risk management into the day-to-day conduct of its business through a structured process. (a) Strategic Risks - Risks associated with the organization's strategic decisions to achieve its business objectives and/or resulting from the lack of the Company's capacity or ability to protect itself or adapt to changes in the environment. (b) Operational Risks - Resulting from the lack of consistency and adaptation of the information systems, operations processing and control, as well as from errors in resource management and in internal controls or



Risk Management Policy



Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 5 /10
------------------------------	----------------------------	-----------------	-------------	------------------------	------------------------------	------------------



fraud that render the exercise of Company activities improper. (c) Compliance Risks - Resulting from the lack of adherence or from risks related to the failure to comply with legal rules in any areas and scopes, such as fiscal, labor, civil, regulatory, etc. (d) Financial Risks, separated into (i) Market Risks - Resulting from the possibility of losses that can be caused by changes in the behavior of interest rates, exchange rates, share prices and commodity prices; (ii) Credit Risks - Defined as the possibility of loss resulting from uncertainty about the receipt of sums agreed upon with borrowers, other parties to contracts or securities issuers; and (iii) Liquidity Risks - Possibility of loss resulting from the inability to conduct a transaction in a reasonable timeframe and without significant loss of value or the possibility of lack of resources to honor commitments made as the result of a mismatch between assets and liabilities.

6.4. Risk Modelling should make up the tools for analysis and support for decisions by the Management Board, and the Company's Risk Management Committee is responsible for providing the necessary support to the Management Board to manage Risk.

6.5. It is essential that the departments and executives involved understand and disseminate the correct differentiation of impacts caused by events and situations that do not directly involve Risk management, such as: (i) failures of internal controls in processes; (ii) unsuccessful strategic decisions; or (iii) failures of governance. This understanding seeks to improve and strengthen the Company's model of corporate governance.

6.6. All Risks, as well as the approved limits, shall be formalized in detailed and explanatory reports, with action plans, as the case may be, and with identification of those responsible and deadlines for conclusion of the action plans.

6.7. The Company also has an advising Committee, which makes recommendations, is non-statutory and permanent, subordinated and reports its activities to the Board of Directors ("Risk Management Committee"), and without prejudice to other attributions established in the Company's internal policies and its Bylaws, its attributions are: (a) integrated risk management (materialized or potential); (b) validation and periodic review of the risk matrix; (c) assistance in quantification and prioritizing; (d) assistance to administration for adequate response and

	Risk Management Policy		 SISTEMA DE GESTÃO ELFA			
Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 6 /10

treatment of risks; (e) monitoring of risks and action plans; (f) establishment and accompaniment of risk management indicators; and (g) communication via appropriate channels and recipients.

6.8. All decisions made by the Elfa Group administration related to risks should first be evaluated by the Risk Management Committee for the relevant recommendations.

7. PROCEDURES

MANAGEMENT PROCESS

7.2. Risk Management will follow the decisions of the Administration in regard to the treatment that will be given to the risk (elimination, reduction, transfer or tolerance) and will seek to reduce/eliminate inherent and residual risks, whether materialized or potential, always in line with the Company's business and strategic objectives, subject to the rules of conduct, as well as its internal policies and current legislation, seeking to achieve the desired results, maximize opportunities and promote improvements in efficiency of controls, in addition to providing adequate support for capital management.

7.3. In this regard, the Risk management process adopted by the Company was prepared in line with "ISO 31000:2009 – Principles and Guidelines for Risk Management".

7.4. Evaluation process

7.4.1 Evaluation of Risks is principally done in accordance with the following: (a) Identification of the factors (causes) of Risks and implications for objectives (goals and results) projected; (b) analysis of the principal Risks susceptible to affecting Company objectives by determining the degree of impact and likelihood of occurrence of the Risks, according to the Risk Matrix below: (c) prioritization and definition of the Limit (or appetite) for each Risk that the Company and its shareholders are willing to assume in the search for return and value generation, classifying Risks according to the risk prioritization matrix and the definitions below:

I – Unacceptable Risk: Risks that are unacceptable and require priority management action to eliminate the risk component or reduce their severity and/or frequency.



Risk Management Policy



Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 7 /10
------------------------------	----------------------------	-----------------	-------------	------------------------	------------------------------	------------------

II – Unexpected Risk: Unexpected Risks, with high impact and low frequency. Risks should be regularly quantified and monitored to continually direct mitigation strategies and/or contingency plans. The objective is to be prepared if the event occurs.

III – Probable Risk: Risks that are less critical due to a lower impact level on the value of the business – focus should be on defining acceptable levels of loss for events and limits of authority to prevent the impact level from climbing over time. Treatment is subject to the feasibility of purchasing insurance for these risks.

IV – Acceptable Risk: Risks with low impact and low frequency, the need for ongoing monitoring should be evaluated on “case by case” basis, considering the existence of any negative precedents.

Note: Risks will be categorized as follows:

I – Those risks that offer an average impact between 0 and 3% of the group's EBITDA projected for the year will be considered low impact;

II – Those risks that offer an average impact between 3 and 6% of the group's EBITDA projected for the year will be considered of medium impact;

III – Risks that offer an average impact above 6% of the group's EBTIDA projected for the year will be considered high impact and, regardless of the financial amount involved, risks involving: a) the Group's image and reputation will also be considered high impact. b) acts of corruption and bribery; c) deprivation of freedom of employees and administrators.

7.5. Treatment

7.5.1. After evaluation, Risks should be treated through defined initiatives that are implemented by the Management Board, with assistance from the Company's Risk Management Committee, to adapt the Company's exposure to the approved Risk Limits.

7.5.2. The Risk Management Committee will assist management in dealing with the risks detected; that is: (i) acceptance; elimination, (ii) mitigation or transfer to third parties. The tools used to deal with the Risks should be designed to achieve that objective within acceptable limits.



Risk Management Policy



Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 8 /10
------------------------------	----------------------------	-----------------	-------------	------------------------	------------------------------	------------------

7.6. Communication and Consultation

7.6.1 Communication within the governance structure shall provide the necessary information so that management and the Committee can perform their Risk Management responsibilities and activities .

7.6.2 Communication should be focused on developing clear and timely understanding of the Company's risks.

7.6.3 Information dealt with by the Risk Management Committee shall be treated with the highest degree of confidentiality and will remain restricted to the members of that body, management, and Shareholders; for the latter, it will be as applicable.

7.6.4 The frequency and level of detail in communications between management and the Risk Management Committee shall allow for the understanding of the evaluation results and their impacts and enable management to react on a timely basis to the indications of efficacy.

7.6.5 Direct communication between Collaborators and the Risk Management Committee Coordinator shall be allowed without any restrictions.

7.6.6 The Risk management process shall be followed in all decision-making processes at the Company, including strategic planning, investment decisions and project management, from the moment they are created and throughout their development.

7.7. Monitoring

7.7.1. Based on the identification of the Risks, they shall be continuously monitored according to the division of responsibilities described in item 7.

8. GENERAL PROVISIONS

8.1 All collaborators shall comply with the guidelines established in this Policy and shall work to ensure it is complied with and known. Violation of this Policy will not be tolerated

8.2 It is the obligation of everyone to report risks detected; this matter can be sent directly to the Risk Management Committee.

Control:
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 Prepared on:
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Janaina Pavan

 Página: 9
/10

9. ROLES AND RESPONSIBILITIES

Roles and Responsibilities					
Activities		Board of Directors	Management Board	Committee	Collaborators
Creation of the Risk Management Committee		X			
Preparation and Review of the Risk Management Policy and updates				X	
Approval of the Risk Management Policy and updates		X			
Establishment of risk tolerance limits		X			
Diagnosis of Risks		X	X	X	X
Definition of responses to risks considered the limits of established tolerance			X		
Implementation of Risk Management Methodology and Tools			X	X	X
Filling out of Routine Templates and Indicators			X		X
Continuous Monitoring and Improvement		X	X	X	X
Performance of Action Plans			X		X
Report and notification of the Board of Directors			X	X	

Control: POL.J&C.COMP.010	Prepared on: 05/13/2021	Version: 0.0	Revised on:	Prepared by: XXXXXX	Aproved by: Janaina Pavan	Página: 10 /10
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10. EXPECTED RESULTS

Keep the Elfa Group aligned with the highest standards of conduct, especially as it pertains to the best practices of Risk Management

