RANDONCORP

RISK MANAGEMENT POLICY

1. OBJECTIVE

Establish guidelines, strategies and responsibilities in risk management at Randoncorp for the continuous improvement of management processes.

2. APPLICATION

This policy applies to all Randoncorp. .

3. REFERENCES

- Randoncorp Code of Ethical Conduct.
- ISO 31000:2018 – Risk management – Guidelines.
- ISO Guide 73:2009 – Risk management – Vocabulary
- COSO Enterprise Risk Management – Integrating with Strategy and Performance (2017).

4. DEFINITIONS

Risk Appetite: the amount and type of risks that the organization is prepared to pursue, retain or take.

Risk Owner: who have the accountability and authority to manage risk.

Risk Management: risk management, contributing to activities related to the identification, assessment, treatment, monitoring and communication of the risks inherent to the activities.

Risk: effect of uncertainty on objectives in the Randoncorp

5. PRINCIPLES

The purpose of risk management is the creation and protection of value. These principles provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose.

At Randoncorp, the principles are the basis for managing risks. The risk management must be integrated, structured, customized, inclusive, dynamic, have the best available information, observe Human and cultural factors, and maintain continual improvement. These principles can further explained as follows:

a) Integrated

Risk management is an integral part of all Randoncorp activities.

b) Structured and comprehensive

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

c) Customized

The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.

d) Inclusive

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

e) Dynamic

Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

g) Human and cultural factors

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

h) Continual improvement

Risk management is continually improved through learning and experience.

6. GUIDELINES

6.1 ESTABLISHMENT OF THE RISK MANAGEMENT CONTEXT

Every 2 (two) years, the organization should examine and understand its external and internal context. Examination of the organization's context may include, but is not limited to the definition of risk appetite and culture, the identification and criteria for assessing corporate risks.

The risk must be categorized into strategic, financial, operational or compliance in order to compose future analyzes and provide a corporate vision.

Strategic Risk

Associated with the organization's strategic decisions to achieve its business objectives and/or resulting from the company's lack of capacity or ability to protect itself or adapt to changes in the environment.

Operational Risk

Associated with the possibility of losses (production, assets, customers, revenues) resulting from faults, deficiencies or inadequacy of internal processes, people and systems, or from external events such as natural disasters, fraud, strikes and terrorist acts. Operational risk generally involve a reduction, degradation or interruption, in whole or in part, 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 can be caused by changes in the behavior of interest rates, exchange rates, stock prices, commodity prices and amendments to legislation.

Credit - defined as the possibility of loss resulting from the uncertainty regarding the receipt of amounts agreed with borrowers, agreement counterparties or securities issues.

Liquidity - when cash flows are not effectively managed to maximize the generation of operating cash, manage the specific risks and returns of financial transactions and raise and apply financial resources in accordance with established financial policies.

Compliance Risk

Associated with legal or regulatory sanctions, financial loss or reputation that the company may suffer because of failure to comply with the application of laws, agreements, regulations, code of conduct and / or internal policies.

6.2 RISK TREATMENT

The purpose of risk management is to select and implement options for dealing with risk, and every risk must addressed. Risk treatment involves an iterative process of formulating and selecting risk treatment options. Options for treating risk may involve:

- avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk.
- taking or increasing the risk in order to pursue an opportunity;
- changing the likelihood and/or changing the consequences;
- sharing the risk (e.g. through contracts, buying insurance).

Selecting the most appropriate risk treatment option involves balancing the potential benefits derived from achieving the objectives with the costs, effort or disadvantages of the implementation. The selection of risk treatment options must made according to the organization's objectives, risk criteria and available resources, and monitored by the Risk Management and Compliance area.

If there are no treatment options available or if treatment options do not sufficiently modify the risk, the risk should recorded and kept under ongoing review.

The remaining risk should be documented and subjected to monitoring, review and, where appropriate, further treatment.

6.3 RISK INDICATORS

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

The KRI should have sufficient components for monitoring the risk, anticipating or delaying the conditions of the potential risk. The KRI must established to allow real, opportune monitoring of any changes that may have an impact on companies.

7. RESPONSIBILITIES

Board of Directors

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

Executive Committee

- Conduct continuous assessment of the effectiveness of the risk management model.
- Define the risk appetite.
- Define risk owners.
- Approve the risk assessment.
- Support in acculturation of risk management.

Risk Management and Compliance Area

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

Risk Owners

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

8. DOCUMENT CONTROL

This Policy was approved by the Board of Directors on November 07, 2017 and has been effective since November 2017.

Responsibilities for this document:

Author	Review	Approval
Risk Management and Compliance Area	Chief Executive Officer	Board of Directors

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