CORPORATE RISKS MANAGEMENT POLICY

Grendene®

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GRENDENE S.A.

Publicly Held Company

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Corporate Risks Management Policy

1. Objective

1.1. Due to the risk inherent in business activity, companies in their management need to assume calculated risks, reduce volatility of their results, increase predictability in their operations, and become resilient to extreme scenarios. Efficacy in management of risks can positively affect the objectives adopted by a company as strategic, and/or stated in its Bylaws, and in the last analysis can effect on the organization's longevity.

1.2. With this in mind, this Corporate Risk Management Policy ('the Policy') aims to establish guidelines and directives to be obeyed in the corporate risk management of Grendene S.A. ('Grendene' or 'the Company'), to enable the risks that permeate the Company's processes and business to be identified, evaluated, prioritized and dealt with.

2. Scope

2.1. This Policy applies to the Company, to its subsidiaries, and to all of their managers and other employees, with the aim of enabling appropriate identification, evaluation, direction, monitoring and communication of any facts, or any events which, should they materialize, could cause an adverse impact on the business of the Company and its subsidiaries, or to which the Company and/or its subsidiaries are or may be exposed, contributing to the management of those risks and the taking of timely decisions and applicable measures.

2.2. Thus, this Policy applies to all the organizational levels of Grendene S.A., in Brazil or elsewhere in the world, as the case may be.

3. Reference documents

- The Grendene Code of Conduct;
- Committee of Sponsoring Organizations of the Treadway Commission: COSO ERM 2017 – *Enterprise Risk Management Integrating with Strategy and Performance;*
- Committee of Sponsoring Organizations of the Treadway Commission: *COSO ICIF 2013 – Internal Control – Integrated Framework;*
- Brazilian Corporate Governance Institution (IBGC): *Corporate Risk Management: Evolution in Governance and Strategy (Chapter 19);*
- The Institute of Internal Auditors: *The IAA 2020 Three Lines Model: Updating of "The Three Lines of Defense";*

4. Concepts

4.1. For the purposes of this Policy we highlight the following terms:

a) Risk: The possibility of occurrence of an event that could have an adverse impact on compliance with the Company's strategic objectives and/or the processes of its business.

b) Risk factors: Represent the causes/consequences of the identified risks.

c) Corporate risk management: A process, integrated with strategic planning and operational performance, that aims to provide reasonable guarantees in relation to meeting the Company's objectives, through identification, classification, and evaluation of risks, and responses to them, taking into account the degree of risk appetite decided by the Company.

d) Risk appetite: A measure of the limits of acceptable risk associated with the degree of exposure to risk that the organization is disposed to accept in order to achieve its business objectives and create value for its stockholders, taking stakeholders into account. In other words, the degree of exposure to risks that the Company is disposed to assume in order to achieve its objectives.

e) Response to risk: An approach to the treatment of a risk, applied in accordance with the guidelines of risk appetite defined by the organization. In other words, any action or decision related to taking of steps to avoid, transfer, mitigate, or accept, a risk.

f) Risk tolerance: This refers to the quantity of risks that the Company (or a stakeholder/interested party) is willing to absorb in order to achieve its objectives.

g) Internal controls: Process(es) or mechanism(s) created to offer reasonable confidence of achieving the Company's objectives, through mitigation of the risks inherent to the business, including but not limited to creation of the Company's internal monitoring and inspection bodies (e.g., an Audit Committee).

h) The Three Lines model: This was developed by the Institute of Internal Auditors (IAA), presenting the three main roles involved in an organization's risk management – previously known as the Three Lines of Defense.

i) The First Line mainly consists of the company's employees, who are directly involved with the delivery of value to clients (for example, people in sales, logistics, production and/or supplies), also including the support functions (for example Human Resources, Information Technology and Finance) – that is to say, those who are on the 'front line' of management of corporate risk.

ii) The Second Line comprises the specialized functions of risk management that provide advice to the First Line, such as Risk Management, Internal Controls, Compliance, Quality, Workplace Health and Safety, Information Security, and Sustainability.

iii) The Third Line comprises the functions that check and monitor the efficacy of corporate risk management, represented by the function of internal audit.

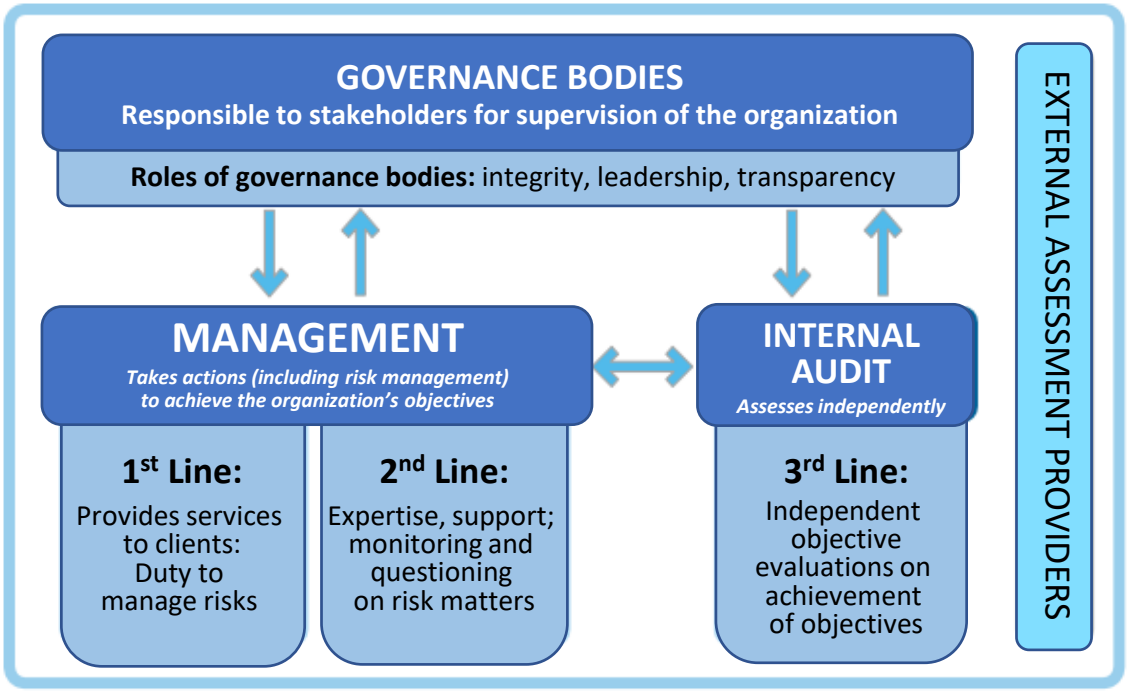

Figure 1: The IAA Three Lines Model.

5. The risk management process

The organizational structure of the Company's risk management processes uses as a parameter the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'), especially in relation to the flow of identification, evaluation, treatment and monitoring of the risks to which the Company and its subsidiaries are exposed.

The objectives should be established before identification of the potential situations that could affect their realization.

Thus, the process of corporate risk management involves adoption by the Company's management of the process of establishing alignment between the set objectives and the purpose, values, and strategic pillars of the Company: it permeates all the processes of Grendene's business, since every decision taken in every activity carried out has some inherent risk. To achieve this aim, the process comprises 6 stages: (i) analyze the context and decide the risk appetite; (ii) identify and classify the risks; (iii) evaluate the risks and place them in order of priority; (iv) respond to the risks; (v) monitor risks and internal controls; and (vi) communicate.

5.1. Analyzing context and deciding risk appetite

This stage consists of understanding of the Company's business environment and strategy, identifying and analyzing the main risks that can affect achievement of these strategic objectives. At this moment, the Company defines its risk appetite, and, in line with its strategy, establishes limits to exposure of the business, serving as a parameter for evaluation of the organizational risks, and responses to them.

With the support of the Audit Committee, the Board of Directors periodically carries out an analysis of and review of Grendene's acceptable risk appetite.

5.2. Identifying and classifying risks

Understanding of the processes of the business and/or its structure and mechanisms of support is fundamental for the process of risk management, this comprises: (i) Mapping the activities involved in the process; and (ii) understanding (including analysis of the existing documentation related to the process), identifying, classifying and recording the risks inherent to Grendene's activities, which are present in a very wide-ranging organizational processes. In this process historic assessments, arising from a wide range of sources (such as audits, the Ethics Channel, and other records), and also changes in the business context analyzed in the previous stage, should be taken into consideration.

This identification and classification of risks should be conducted by the Governance, Risks and Compliance (GRC) area – a component of the Second Line of Defense – jointly with the areas responsible for the organizational processes (the First Line of Defense), through understanding of the activities, context and objectives of each process.

Each risk identified needs to be duly classified and recorded in accordance with the following categories:

a) Strategic: Risks related to the Company's strategic plan and its macro guidelines. These may be related either to factors external to the Company, such as economic, political and social aspects, or to interior internal aspects of the Company, such as innovations, strategic partnerships, mergers and acquisitions, and other questions related to Grendene's strategy, whether internal or external.

b) Operational: Risks associated with the possibility of occurrence of losses (for example of production, assets, clients or revenue), resulting from failings, deficiencies or inadequacies of internal processes, or people.

c) Compliance: Risks related to lack of skill or discipline on the part of the organization to comply with external legislation and/or regulations (e.g., regulations of the Brazilian Securities Commission (CVM) or the São Paulo stock exchange (B3)) applicable to the business and /or to internal procedures, including the Grendene Code of Conduct.

d) Financial and market: Risks associated with exposure of financial transactions and management of the organization's cash, including but not limited to: liquidity risk, credit risk and risk related to market variations (e.g. interest rates or exchange rates).

e) Information: Risks associated with loss, leaks or undue use of confidential or personal data, whether due to negligence or malice of those involved.

f) Technology: Loss or damage related to availability, performance, completeness and/or safety of the Company's systems, or failings or unavailability of IT equipment.

g) Social-environmental: Risks associated with factors related to climate, the environment or social issues.

5.3. Evaluate risks and put them in order of priority

After risks have been identified, classified and recorded, they should be evaluated in terms of two dimensions:

a) Probability: Expectation of occurrence of the risk over a given time horizon.

b) Impact: Severity of the result of a given risk materializing.

A Probability and Impact should be allocated to each risk, at five different levels, and each risk then allocated into one of three degrees – as shown in Figure 2 below.

a) High risks: These should be allocated as requiring the highest priority, for action of mitigation and/or installation of internal controls in the extremely short term or short term.

b) Medium risks: Actions of mitigation and/or installation of internal controls for these risks should be allocated as short- or medium-term priority.

c) Low risk: These risks should be allocated as priority after implementation of actions and internal controls to deal with risks that are assessed as Critical or Significant.

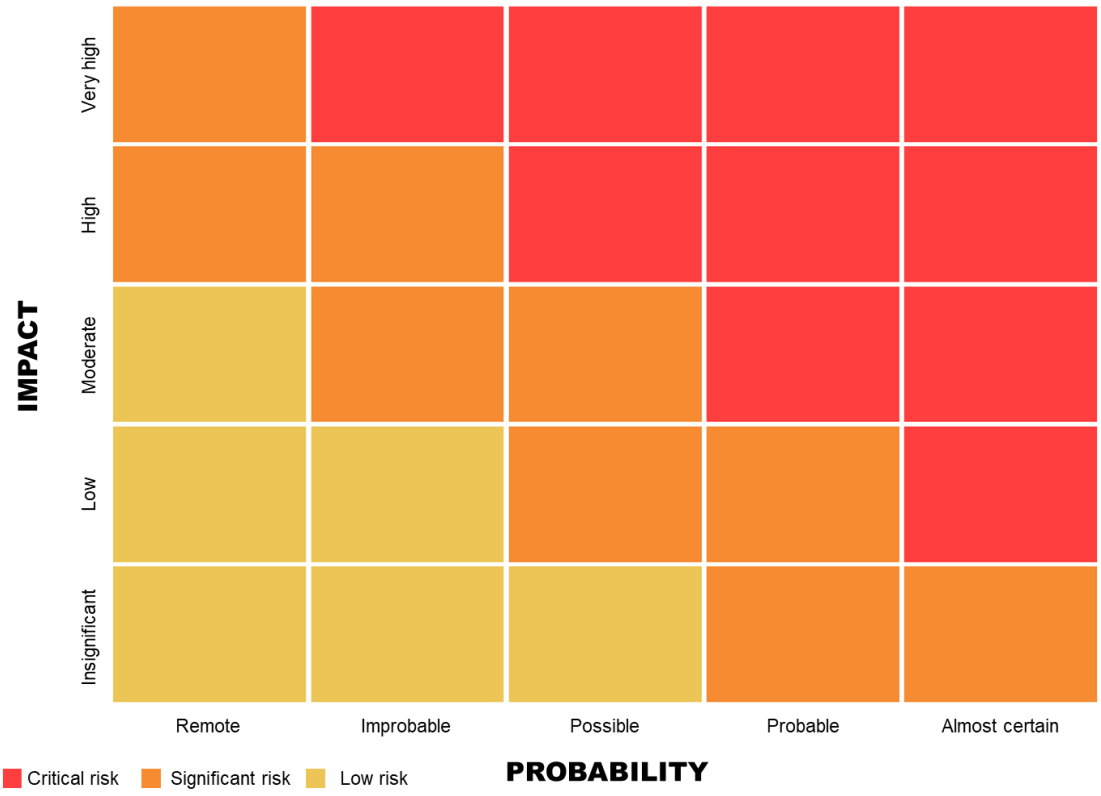

Figure 2: The Risk Assessment Matrix

For this stage of assessment and prioritization of risks the following aspects should be taken into account:

a) Regardless of the risk classification, consider the potential socio-environmental impacts if the risk materializes.

b) Efficiency of the present internal controls – this requires an evaluation of their functioning. Examples of aspects which should be checked are: mitigation of risk, timeliness; segregation of functions; procedures for detection of errors, and their treatment; and automation.

c) The frequency with which the process is exposed to the risk.

d) Possible interferences in the Company's operation if the risk materializes.

e) Possible financial losses if the risk materializes.

f) Possible negative impacts for the Company's image in relation to stakeholders, if the risk materializes.

g) Possible tax infringement claims, court judgments, loss of benefits, or embargoes, if the risk materializes.

5.4. Responding to risks

Based on the assessment made in the previous stage, responses should be chosen from one of the following four types of action:

Avoid: Discontinue the activities that generate the risk. This is a situation where no alternative is acceptable or viable for reducing the impact or probability of occurrence of the risk – justifying cessation of the business operation or the process that generates the risk.

Mitigate: Adopt measures to reduce the probability of occurrence of the risk, or their impact.

Transfer: Reduce the probability of occurrence or impact of the risk by transfer or sharing a part of the risk through, for example, an insurance contract, a hedge, an association, or outsourcing of an activity.

Accept: Take no action to affect the probability of the occurrence or impact of the risk, but monitoring for the possible event using periodic reassessment controls.

When risks are in the category of 'mitigate' or 'transfer', internal controls need to be monitored, improved or (if they do not already exist) implemented. Internal controls have a fundamental role in corporate risk management: both they and the risks that they aim to mitigate must be mapped and managed by the Company.

5.5. Monitoring risks and internal controls

Once the risks have been evaluated and internal controls reviewed or put in place, the process will proceed to cycles of monitoring, aiming to establish the efficacy of the internal controls and, as a consequence, the evaluation of the risks.

The risks recognized, and the internal controls to be implemented, must be consolidated in the Company's risk matrix and matrix of internal controls, to facilitate their monitoring and management.

The Company will periodically carry out reviews of risks, and may change the degree of risk, and also include new risks detected ('emergent risks'). In this phase, any changes in the external and internal environments should be identified and recognized, to improve analysis of events and the process of assessment of risks.

Internal controls must be monitored through tests based on the Company's matrix of internal controls (with decisions on sampling recorded, and evidence of the internal controls collected), in accordance with a pre-established calendar.

5.6. Communicate

The purpose of this final stage is to develop a culture of transparency, accountability and raising of awareness of risks, and also to ensure clear, objective and timely communication to all interested parties, by issuing of notices, reports, etc.

6. Responsibilities

Since the process of risk management permeates all the business processes, all of Grendene's workers – from employees to directors – are responsible for management of the Company's risks, from the decision on strategies and projects through to performance of day-to-day functions.

6.1. Responsibilities of the Board of Directors

The Board of Directors has the following responsibilities:

Periodically to monitor Grendene's principal risks as reported by the Audit Committee;

Periodically to supervise the Company's processes of corporate risk management, including exposure to risks, efficacy of internal controls, and Compliance;

To decide the Company's risk appetite as a function of the strategic guidelines, objectives and projects;

To ensure that Grendene has an Auditing, Governance, Risks and Compliance structure that is adequate to and compatible with its complexity (and size);

To act at all times to preserve the independence of the Governance, Risks and Compliance (GRC) area;

Define and approve the responsibilities of internal audit;

To approve the risk management policy, including any alterations or revisions to it; and

To deal with any subjects omitted from this Policy.

6.2. Responsibilities of the Audit Committee

To supervise the activities, effectiveness, progress and structure of Grendene's corporate risk management, and suggest improvements to the Board of Directors;

To monitor and evaluate Grendene's exposure to risk, and when necessary recommend alterations in the risks matrix and/or the Company's levels of risk appetite;

To define and manage Grendene's process of communication and reporting in relation to corporate risk management; and

Periodically to review this policy, and if necessary to submit suggestions for alterations to the Board of Directors.

5.3. Responsibilities of the Executive Board

To accompany and sponsor the process of corporate risk management, supporting initiatives by the Company's leadership, including those for raising of awareness, based on the IAA Three Lines Model; and

To ensure integration of corporate risk management into the process of conception, monitoring and review of the Company's strategy.

6.4. Responsibility of employees (First Line)

To manage risks in all day-to-day activities, identifying, assessing and putting in place actions for mitigation, and supporting actions conducted by the areas of the Company specializing in risk management;

To report to their risk management area and/or their manager any events or situations that represent risks to Grendene; and

To participate actively in all actions for dissemination of the risk management culture, including communications, notices and training.

6.5. Responsibilities of the Governance, Risks and Compliance (GRC) area (Second Line)

To coordinate Grendene's process of Corporate Risk Management, identifying, classifying, evaluating and responding to risks, jointly with the business areas responsible for the processes that are the scope of the analysis, and taking into account the risk appetite defined by the Board of Directors;

To consolidate the Company's risk matrix and keep it up to date, constantly monitoring the environment of risks and reporting any new risks identified to the Audit Committee;

To prepare the internal controls matrix and keep it up to date, evaluating the controls and providing advice to the business areas for strengthening Grendene's internal controls environment;

To develop and apply the methodology of corporate risk management, based on best market practices and in accordance with external rules and regulations and internal policies and procedures;

- to conduct actions of dissemination of a culture of transparency, accountability and raising of awareness of risks in the Company; and

- periodically to report on the corporate risk management activities to Grendene's Audit Committee.

6.6. Responsibilities of the Internal Audit area – (Third Line)

To examine, in an independent, impartial and timely fashion, the effectiveness and quality of Grendene's corporate risk management process, recording and reporting fragilities, and making recommendations for improvements and adjustments to the process;

To evaluate the Company's internal controls environment and matrix, carrying out tests, reporting on the effectiveness of the existing controls, and recommending improvements taking into account the efficacy of the mitigation of the risks involved.

To identify and point out possible risks not yet mapped by the organization, by monitoring and evaluation of the process of management of risks and internal controls.

To accompany implementation of the recommendations pointed out in the process of auditing/evaluation of Grendene's risk management process and controls environment; and

To supply information and reports to senior management and the Audit Committee on the effectiveness of the Company's risk management and internal controls, and the manner in which they comply with the regulations and requirements of legislation.

7. General Provisions

Any omissions in this Policy and any doubts on interpretation shall be decided by meeting of the Board of Directors.

This Policy was implemented on February 24, 2022, and revised on February 29, 2024, by the Company's Board of Directors, effective indefinitely, and may be terminated or modified at any time, provided it is approved by the Board of Directors.

Farroupilha, RS, February 29, 2024.

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Renato Ochman
Secretary