RISK MANAGEMENT POLICY

VELT PARTNERS

Versions

History of Reviews

Date	Draftsperson	Amended Item
06/14/2016	Chief Compliance and Risk Management Officer	-
04/15/2018	Chief Compliance and Risk Management Officer	Annual Review
07/02/2018	Chief Compliance and Risk Management Officer	Manager new name
01/02/2019	Chief Compliance and Risk Management Officer	Annual Review + Adjustment due to ANBIMA´s new Code
05/20/2019	Chief Compliance and Risk Management Officer	Diagram of Responsibilities
08/12/2019	Chief Compliance and Risk Management Officer	Private Credit Assets
01/02/2020	Chief Compliance and Risk Management Officer	Annual Review
03/01/2021	Chief Compliance and Risk Management Officer	Annual Review
12/01/2021	Chief Compliance and Risk Management Officer	Liquidity Risk
04/29/2022	Chief Compliance and Risk Management Officer	Annual Review

History of Validations/Reviews

Role	Date
Reviser I	06/15/2016
Reviser II	06/16/2016
Reviser I	04/15/2018
Reviser I	01/02/2019
Reviser I	01/02/2020
Reviser I	03/01/2021
Reviser I	12/01/2021
Reviser I	04/29/2022

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1. INTRODUCTION

1.1. Purpose

The purpose of this Risk Management Policy ("**Policy**"), adopted under CVM Resolution n. 21, of 25 February 2021, as amended ("**CVM Resolution 21**") and the ANBIMA Code of Regulation and Best Practices for Asset Management ("**ANBIMA Code**"), is to set forth the guidelines and controls used by VELT Partners Investimentos Ltda. ("**VELT Partners**") to manage and monitor the risks inherent to portfolios of securities and investment funds whose assets are managed by it (collectively referred to as "**Investment Vehicles**" or simply "**Vehicles**"), including under distress situations.

This Policy is subject to periodical reviews, seeking the constant monitoring of regulatory requirements and the requisite following of the best practices adopted by the market. The review of the risk management methodologies provided for in this document shall at all times consider the development of the circumstances of liquidity, concentration, credit and counterparty, operational circumstances and volatility in the markets as a result of changes in the economic situation and the growing sophistication and diversity of the assets in order to ensure that they reflect the reality of the current market.

1.2. Principles

VELT Partners, in the exercise of its activities and responsibilities as an asset manager, performs its duties in accordance with the investment policies set forth in the fund regulations and agreements applicable to its Investment Vehicles and within the limits of its mandate, identifying and monitoring, as described in this Policy, the exposure to market, liquidity, concentration, operational, credit and counterparty risks, sponsoring and transparently disclosing information relating to them.

These are the characteristics of this Policy:

(i) *Formalism:* It represents a formal process formal and defined methodology for the control and management of risks;

(ii) *Comprehensiveness:* It includes all Investment Vehicles managed by VELT Partners, except as otherwise stated herewith;

(iii) *Best Practices:* The process and the methodology are committed to the best practices of the market;

(iv) *Commitment:* VELT Partners is committed to adopting policies, practices and internal controls required for the management of risks;

(v) *Equity:* Any methodology or decision should ensure equitable treatment for all investors;

(vi) *Objectivity:* The information to be used in the process of risk management should be preferably obtained from independent sources;

(vii) *Frequency:* Risk management should take place in a regular period; and

(viii) *Transparency and Publicity:* This Policy will be available in its most up to date form on the website of VELT Partners.

2. ORGANIZATIONAL STRUCTURE AND RISK MANAGEMENT

The Chief Compliance Officer and Risk Management Officer, appointed under the terms of the articles of association of VELT Partners o ("**Chief Compliance and Risk Management Officer**"), is responsible for controlling and monitoring the risks inherent to the Investment Vehicles. The Chief Compliance and Risk Management Officer may at any time delegate certain control and monitoring functions to qualified employees, as provided in VELT Partners´ Compliance Manual.

Her main focus is in the sense of directing efforts for the analysis of risks, their sizes and impacts on the business, allowing the management of occurrences and development of action plans to correct and mitigate recurrences.

The Chief Compliance and Risk Management Officer has direct communication with the management of VELT Partners, whether to report on her activities or to discuss more sensitive topics related to this Policy. The Chief Compliance and Risk Management Officer acts independently from the officer responsible for managing third-party resources ("**Director of Investment**"), responding exclusively and directly to the partners of VELT Partners.

The Chief Compliance and Risk Management Officer has the help of a risk analyst, responsible for supervising the operational routines and generating reports associated with the assets and liabilities of the Vehicles (including for the purpose of measuring exposure and risk management), monitoring the composition and movement of portfolios, controlling classification limits, and managing the liquidity of the portfolios to meet redemptions, as well as supervising Vehicles service providers and implementing systems for automating controls relevant to their routines with the objective of mitigating risks.

Should there be any inconsistency among the parameters set forth herein, the Chief Compliance and Risk Management Officer shall be entitled to request the advice of the Compliance Committee and, as the case may be, require the participation of the Chief Investments Officer to resolve together on an action plan that seeks to mitigate the effects of such inconsistency. The Compliance Committee may be convened extraordinarily whenever there are situations that conflict with the risks established herein.

In addition, all Employees are advised to immediately inform the Chief Compliance and Risk Management Officer of any events that fall under the aegis of this Policy, so that the Chief Compliance and Risk Management Officer can define an action plan aimed at addressing the event that occurred, as well as review existing processes with a view to mitigating the chances of similar risk in the future.

All decisions relating to this Policy shall be documented in writing and kept with the materials that evidence such decisions on file for a minimum period of 5 years. The Chief Compliance and Risk Management Officer shall be responsible for documenting such decisions and keeping the files for the above-mentioned period.

3. RISK MANAGEMENT

Risk management is an integral and inseparable part of VELT Partner's investment analysis and decision process. The risk of an asset is not determined numerically, i.e., from an exact definition of returns as a function of an average, but by means of the incorporation thereof as a variable throughout the process of fundamental analysis. In this sense, the approach adopted by VELT Partners is primarily bottom-up, with an emphasis on the specific risk analysis applicable to each asset.

3.1. Market Risk

As a result of its investment philosophy and strategy, VELT Partner's approach is far more qualitative than quantitative, focusing on an analysis that seeks to minimize the risk of permanent loss of capital. In this sense none of the Investment Vehicles uses automatic stop-loss mechanisms or quantitative analysis, such as V@R. VELT Partners performs, at least monthly (or less frequently, if necessary), a stress test to monitor the funds reaction in the event of a 10% drop in Ibovespa. Such tests are conducted as a follow-up tool to the Chief Compliance and Risk Management Officer and are therefore, not used as a parameter or guideline for investment decision making.

VELT Partner's investment strategy focuses on the long term and adopts an investment approach based on value. It seeks to invest in shares in Brazilian companies that are being traded at significant discounts in relation to their intrinsic value, estimated by means of a deep fundamental analysis. The approach is similar to the approach for private equity: investing with an "owner" mindset and dedicating much time to study a limited number of businesses. The objective is to create an analytical difference in relation to such companies, their executives and their perspectives of growth so that investment decisions are made at favorable times – when major discrepancies are identified between the market price and the intrinsic value of these businesses.

The focus of the analysis is companies whose success depends more on microeconomic factors than on the macro circumstances. Common characteristics to the businesses in which VELT Partners seeks to invest are:

- Superior quality businesses:
- Low or no financial leverage;
- Structure potential for growth;
- Aligned executives with a proven track record;
- Attractive valuation (significant discounts in relation to the intrinsic value) and low risk of permanent loss of capital.

The portfolio positions tend to be companies focusing on the domestic market with the best corporate governance practices. However, in special situations (corporate restructuring, major acquisitions, spin-offs etc.) there may be an involvement when it is common understanding that such complex situations are ill priced by the market and offer good investment opportunities.

In other words, by means of the qualitative analysis that is used, VELT Partners seeks to identify the intrinsic and fair value of a given asset in the most independent form possible from the market, which is susceptible to speculations and changes, thus preventing the definition of risk from being made in absolute numerical terms.

The decision to liquidate an asset position of an Investment Vehicle under the management of VELT Partners is based on the difference found between (i) the market price of the asset and (ii) the intrinsic value of this asset, and the fact of such difference having substantially reduced either by an increase in the price of the asset in the market and/or by the deterioration of the bases of the transaction in question and consequently a reduction in the intrinsic value of the asset.

3.1.1. Monitoring

In addition to the real time monitoring of all trades intended by the management team – which are compulsorily registered in the order management system (INOA Alpha Tools, "Alpha Tools") of which the Chief Compliance and Risk Management Officer is the Key-User, the Chief Compliance and Risk Management Officer is also informed by the management team (by being copied in every email in which the funds' investment and divestment decisions and formalized) in relation to portfolio transactions to be effected in relation to the Investment Vehicles.

Based on the resources mentioned above, the Chief Compliance and Risk Management Officer is responsible for monitoring such investment and divestment decisions in order to monitor potential effects on the portfolios from the perspective of the investee companies, their respective industries, corporate governance and impacts resulting from regulatory changes.

Additionally, VELT Partners carries out stress tests periodically, taking into account the impacts on the Investment Vehicles in the event of a hypothetical scenario of a 10% drop in the Ibovespa.

3.2. Credit and Counterparty Risk

Credit risk is connected with counterparty risk and can be defined as the possibility of occurrence of losses associated with the failure by the counterparty to comply with its respective obligations, as agreed.

VELT Partners focuses on asset acquisition and other liquid assets traded in organized markets relying on clearings, mitigating credit and counterparty risks.

The entire cash balance of the Investment Vehicles is (i) invested in floating rate government bonds (or repos backed by them) with daily liquidity, where the assets are in local currency or (ii) kept in cash or invested in US government bonds (T-Bills) where the assets are in US Dollars.

The Investment Vehicles whose portfolios are managed by VELT Partners have a qualified custody service chosen by VELT Partners, whereby the effective financial settlement of the purchase and sale of assets in the stock market listed on the stock exchange carried out by the Investment Vehicles is processed exclusively by a single clearing member registered with the exchange.

Due to the centralized settlement, which originates from the qualified custody service contracted by the investment vehicles, the purchase and sale of assets in the stock market by the Investment Vehicles are not subject to the credit risk of the brokers used to process the trade orders.

In the event of any private credit acquisition, VELT Partners shall, at a minimum:

- Verify, prior to the acquisition, the compatibility of the credit intended to be acquired with the investment vehicle's investment policy and the current regulation;

- Assess the ability of the debtor and / or its subsidiaries to pay, as well as the quality of the guarantees involved, if any;

- Set limits on investment in private credit assets for both Investment Vehicles and the management company, where applicable, and for issuers or counterparties with similar characteristics;

- Consider, on a case-by-case basis, the importance of combining quantitative and qualitative analyzes and, in certain situations, using metrics based on the debtor's financial ratios, accompanied by duly documented analysis;

- Make investments in private credit assets only if it has had access to the information necessary for the proper credit risk analysis to purchase and monitor the asset;

- Observe, in operations involving companies of the conglomerate or economic group of the fund manager and / or the fund´s administrator, the same criteria used in operations with third parties, maintaining documentation in order to prove the execution of operations on an equitable basis and free from conflicts of interest; and

- Acquire Private Credit only from issuers that are legal entities and which are subject to annual financial auditing conducted by independent auditor authorized by CVM and/or Banco Central.

VELT Partners will also maintain a register of the different private credit assets, so as to enable the review of the characteristics of these assets, such as (i) credit instrument, (ii) installment dates and amounts, (iii) contracting dates and maturity, (iv) interest rates, (v) guarantees, (vi) acquisition date and value, and (vii) asset rating information, when applicable.

With regard to investment in private credit, the investment management and risk management areas of VELT Partners will be responsible for evaluating and monitoring such investments, as well as controlling the credit limits per issuer, and must notify the Chief Compliance and Risk Management Officer in the event of any breach of established credit limits.

3.2.1. Monitoring

The Chief Compliance and Risk Management Officer as Key-User of the Alpha Tools monitors the composition of the portfolios of the Investment Vehicles on a daily basis, ensuring compliance with their mandates and therefore guaranteeing that their portfolios comprise mostly with securities purchased on stock exchanges and in organized over-the-counter markets upon the issuance of orders solely to brokers registered with the Alpha Tools and that the cash balance of the Investment Vehicles is fully invested in federal government bonds, repurchase agreements backed by such bonds or shares of investment funds that only invest in these same assets. In addition to the adoption of IPN, the Chief Compliance and Risk Management Officer reviews from time to time the list of brokers registered with the Alpha Tools – and participates periodically in the review of this list approved brokers – in order to monitor the counterparty risk of the Investment Vehicles in transactions that take place on stock exchanges/ in organized over-the-counter markets.

Subject to applicable regulations, practices related to the acquisition and monitoring of private credit assets described in this policy may be mitigated by VELT Partners, as long as they involve issuers listed in organized markets and take into account (i) complexity, (ii) asset liquidity, (iii) the quality of the issuer and (iv) the representativeness of the asset in the Investment Vehicles portfolios.

3.3. Operational Risk

Operational risk results from the possibility of losses resulting from failure, deficiency or inadequacy in internal processes, persons and systems (infrastructure/IT) or external events. It also includes the legal risk associated with the inadequacy or deficiency of executed agreements, as well as sanctions for breach of legal provisions and indemnifications to third parties resulting from the activities developed by VELT Partners.

This risk can be mitigated by determining processes such as separation of functions, systems with user-controlled access protected by passwords, close supervision by the Chief Compliance and Risk Management Officer, use of an order management system to control allocations and strategy limits, among other things.

In this respect, the Alpha Tools has a module specifically for Compliance monitoring, to help and guarantee that all trades are correctly executed as a result of the mandates and regulatory restrictions and limits of each portfolio. The system monitors these restrictions and limits automatically based on parameters previously recorded and validated by the Chief Compliance and Risk Management Officer. The Compliance monitoring module of the system works online, checking all portfolios before and after an order is executed.

In addition, all trades are executed through Alpha Tools, via FIX protocol, to minimize the risk of human error in the transaction flow. Because of this, all orders are checked from a perspective of Compliance, mandate and restrictions before and during their execution (online monitoring). All confirmations from the brokers are automatically reconciled by the Alpha Tools and all portfolios received by the manager of the Investment Vehicles are also reconciled with the information contained in the system. This process allows greater flexibility and strength in the process as a whole.

Given its investment strategy, VELT Partners does not use leverage. The Alpha Tools system automatically blocks sales of any shares borrowed in the lending market. VELT Partners manages margin control by checking the reports received every day from the brokers.

3.3.1. Monitoring

The Chief Compliance and Risk Management Officer supervises the whole process every day in automated form by means of compliance alerts sent by email, as well as by means of reports on the portfolio.

VELT Partners provides all of its employees with a Compliance Manual and a Code of Ethics with the description of its policies, rules and procedures also for the purpose of mitigating operational risks and causes such documents to be permanently up to date. Moreover, the Chief Compliance and Risk Management Officer conducts training from time to time, the presence at which is compulsory for all shareholders and employees of the company, at least once a year, to elucidate VELT Partners' policies and practices, as contemplated by the Compliance Manual and the relevant policies, as applicable.

Any losses associated with operational processes – or operational risk – shall be documented and stored by the Chief Compliance and Risk Management Officer in a database of VELT Partners also for the purpose of preparing the Annual Risk Management Report, as defined in Section 6 of this Policy and pursuant to CVM Resolution 21.

Specifically, in relation to infrastructure risks, VELT Partners relies on a strong IT structure. The company operates with its own data center located at its premises – in an environment with fully redundant servers, storage and network (CPD) – and all data from this file system is synchronized, online, to a cloud in São Paulo. The email system is located on the cloud (Microsoft Office 365), with a local contingency domain.

The firm has redundancy for internet access, electricity backup and firewall redundancy. In addition, there are always backup laptops in case of failure in the existing equipment. The foregoing seeks to guarantee the maintenance of the longest time of activity possible for the head office of VELT Partners. VELT Partners has a Chief Technology Officer and an IT analyst.

VELT Partners also has a diversified backup system insofar as all the company's production systems are located in an external Microsoft datacenter in São Paulo, with online back-up to another datacenter from the same supplier on a different continent (geo-redundancy).

In relation to information security, VELT Partners has security measures generated internally, including blocking the use of pen drives (the equipment authorizes an encrypted and previously approved version, distributed to all new members of the team). Additionally, all system and document files have different access levels, depending on the function exercised by each person. Only the Chief Compliance and Risk Management Officer and the CTO have clearance to access the DPC room.

VELT Partners also relies on an external Disaster recovery structure. The Firm operates with a datacenter of its own, where its physical and virtual servers are located, and an external datacenter located in the cloud – Microsoft Azure, responsible for the production services (Alpha Tools from INOA), and backup.

3.4. Concentration Risk

Without prejudice to the adoption of qualitative analyses, another relevant factor is that part of the philosophy of VELT Partners is a concern with the aggregate risk of the portfolio. For this reason, we do not use leverage in our Investment Vehicles and avoid excessive concentrations.

Therefore, VELT Partners adopts as part of its investment strategy no excessive concentration in assets of the same issuer or assets from the same market sector so that: (i) the exposure of each Investment Vehicle to an asset issued by the same issuer cannot exceed 15% of the net assets of each Investment Vehicle, considering its market value; and (ii) the positions held in the same sector cannot exceed 30% of the net assets of each Investment Vehicle.

3.4.1. Monitoring

As mentioned in item 2.3.3. above, VELT Partners uses a system – Alpha Tools, customized for the due control and management of the concentration limits per issuer and concentration limits per sector mentioned above.

In this sense, the Chief Compliance and Risk Management Officer monitors the concentration limits by issuer and sector through the system, parameterized to generate alerts each time an order to buy or sell an asset approach any of the concentration limits described above. Based on such alerts, the Chief Compliance and Risk Management Officer will then contact the management team to set up an action plan to prevent an effective breach.

If, however, a breach occurs, the management team must, under the supervision of the Compliance Committee, endeavor to re-classify the Investment Vehicle in question, observing the best interest of its shareholders and respecting the maximum period for re-classification provided for in current legislation. In exceptional situations, the Chief Compliance and Risk Management Officer may determine the purchase or sale of assets or the reweighting of the portfolio with the sole and exclusive purpose of promoting the adjustment of the Investment Vehicle portfolios to the current limits.

However, it is important to highlight that in the conglomerate of Investment Vehicles whose assets are managed by VELT Partners there may be products with a specific strategy of concentration in few assets to which the concentration limits per issuer and/or sector specified above may not apply. For these Investment Vehicles in particular, VELT Partners will seek to reflect in their fund regulations all risks inherent to the concentration in order to provide transparency to the investor in relation to the risks associated with such strategy and will develop such management instruments as may be desirable for the due management of such risks, incorporating them into this Policy by way of reviews hereof by the Chief Compliance and Risk Management Officer.

3.5. Liquidity Risk

Liquidity risk is the occurrence of imbalances or mismatches between tradeable assets and enforceable liabilities that may affect the ability of a given Investment Vehicle to fulfil the redemption requests of its investors.

Investment Vehicles should be able to honor redemption requests from their investors whenever these are made without this resulting in sales of assets at a cost below expected or in a volume that adversely affects market value.

The monitoring of liquidity risk comprehends only Investment Vehicles in which investors may request unit redemptions at any time, subject to their grace period rules, excluding closed-ended Investment Vehicles that have their own liquidity rules.

It should be noted, however, that lower liquidity does not necessarily change the fundamentals and intrinsic value of the assets invested and is not a decisive factor for investment or disinvestment. Additionally, VELT Partners considers the diversification issues of the underlying sectors and their implication in portfolio concentration, as explained herein.

Finally, it should be noted that the calculations adopted for measuring liquidity under the terms of this policy are based on (i) an analysis of the composition of the portfolio; (ii) in the analysis of the markets in which such assets operate and (iii) in the redemption terms of each Investment Vehicle as provided in their respective regulations.

3.5.1. Asset

3.5.1.1. Liquidity by Asset Type

(A) **Shares:** to calculate the number of days in which it would be possible to settle a position in a given company listed in the market, VELT Partners adopts the following formula:

$$ND = QTA \div (QMN * PN\%)$$

Where:
ND = Number of days needed to settle the selected asset
QTA= Total number of shares in a given listed company allocated to the relevant Investment Vehicle[1]
QMN = Daily average number of such shares traded in the previous 30 (thirty) trading sessions
PN = Percentage of the volume of the traded shares.

(B) **Fixed Income:** VELT Partners invests the cash amounts available in the Vehicles' in: (i) federal government bonds, (ii) overnight repos (backed by government bonds), or (iii) units in investment funds that invest exclusively in federal government bonds.

(i) *Government Bonds*: the liquidity parameter adopted is n D+0. If necessary, the allocation of new liquidity parameters will be established by the Chief Compliance and Risk Management Officer, with support from the technical department dedicated to risk management and by consultation with the investment team of VELT Partners for the clarifications they deem necessary;

(ii) *Repos*: as there is a repurchase obligation, the liquidity is D+0;

(iii) *Investment Funds Units*: the liquidity parameter adopted is the one set forth in the fund regulation of the investee fund.

(C) **Cash in current account:** the cash in current account is deemed 100% (one hundred per cent.) liquid, i.e., available on D+0. VELT Partners performs a daily control of each one of the Investment Vehicles whose assets are managed by **it** using in-house tools and information provided on a daily basis by the managers of such vehicles.

(D) **Leverage:** VELT Partners' investment strategy does not contemplate the use of leverage or the carrying out of transactions that lead the investment portfolio to have short positions. However, it should be noted that such restriction may not apply to exclusive investment funds and/or offshore funds, as the case may be,

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[1] In order to reflect the asset liquidation curve in a credible way, shares that represent an exposure of less than 1% of the portfolio will be treated similarly to assets considered illiquid.

whose target audience consists of professional investors. The control of operations with derivatives is done through Alpha Tools, either to restrict uncovered or leveraged operations, or to allow them to be carried out in line with the above.

3.5.1.2. Margin deposits, adjustments and other guarantees

When the investment strategy of VELT Partners involves the granting of guarantees and/or the delivery of financial instruments to compose the margin of operations, the risk analyst, with the support of the Operations area of VELT Partners, must confirm with the Director of Compliance and Risk Management if they are authorized to do so, before any operationalization.

In the case of margins composed of financial assets, VELT Partners selects the assets for which it is not intended to have liquidity in the short and medium term.

3.5.2. Passive

(A) **Obligations:** The Operations team monitors the cash inflows and outflows of the Investment Vehicles on a daily basis, which includes not only monitoring the payment of requested redemptions, but also all operating expenses of said Vehicles.

In this way, during the daily checking and picking process, the Operations area analyzes the current cash position of the Investment Vehicles in order to ensure that the available resources are sufficient to honor the obligations of each vehicle/settlements of each operation. If any deficiency is identified, the Operations area of VELT Partners will immediately contact the Compliance and Risk Management Director to define the strategy and procedures to be adopted, depending on the case.

(B) **Degree of dispersion of shares:** VELT Partners monitors the position of each shareholder individually, in order to avoid excessive concentration of liabilities in Vehicles classified as non-exclusive.

(C) **Redemption settlement:** the settlement of redemptions is defined in each Vehicle mandate. Nevertheless, and with a view to enabling the manager to take preventive and early action in the event of any mismatches in the payment flow of these redemptions, the system adopted by VELT Partners is parameterized to monitor intermediate redemption vertices, under the terms provided for by ANBIMA's self-regulation, until the effective period for the redemption of the Vehicle in question has been reached.

3.5.3. Aggravating and Mitigating Factors

Events that may generate the need to anticipate or accelerate the expected liquidity are defined as aggravating factors with a view to making the funds available for the payment of redemptions, consequently increasing the liquidity risk, such as:

- Vehicles with the prerogative of paying an exit fee for conversion and payment of redemptions within a period shorter than the general rule;
- Deadlines for conversion of quotas and payment of redemption of less than 90 days;

- Vehicles classified as exclusive, restricted, or, in the case of condominium funds, which have a greater concentration of quotas among a few quota holders; and

- Portfolios with greater exposure to assets considered illiquid, under the terms of this Policy.

On the other hand, mitigating events are defined as those that can provide a comfortable margin of time for VELT Partners to carry out the movement of the portfolio, without impacting the investment strategy, asset price and/or other shareholders, thus allowing for liquidity sufficient to be entitled to the payment of redemption of the Vehicles:

- The existence of redemption windows, grace period and gates, in which redemption requests are limited by time (pre-fixed dates) and/or amount;

- Deadlines for conversion of shares and payment of the redemption of more than 90 days;

- Condominium vehicles with a pulverized base of shareholders;

- Vehicles that are closed for collection;

- Portfolios with less exposure to assets considered illiquid, under the terms of this Policy; and

- Possibility of payment of the redemption through the delivery of financial assets, under the terms of the applicable regulation.

3.5.4. Monitoring

The asset and passive monitoring metrics indicated above are gathered in a proprietary system developed by VELT Partners capable of simulating liquidity supply and demand scenarios. Among other functions, the system daily monitors the volume of redemptions requested, the composition of the portfolio, the liquidity of the aggregate portfolio (comprised of all Investment Vehicles) and their respective positions individually.

As they are carried out periodically, such tests allow any liquidity mismatch to be identified and remedied by the Chief Compliance and Risk Management Officer in a timely manner.

3.5.5. Soft and Hard Limits

VELT Partners establishes minimum and maximum indicators for the liquidity management of Investment Vehicles, which, when identified, may or may not require action plans to control risk.

(A) Soft Limits

VELT Partners performs two tests to monitor soft limits:

- to liquidate 100% of the portfolio, considering 30% of the average volume of shares traded in the last 30 days, and liquidating the assets without preserving the exposures and composition of the portfolio; and

- to liquidate 50% of the portfolio, considering 20% of the average volume of shares traded in the last 30 days, and liquidating assets preserving the exposures and composition of the portfolio[2].

For both scenarios, any exclusive Vehicles managed by VELT Partners will be disregarded.

If VELT Partners is not able to settle the redemptions following the parameters defined here, a first indicator of increased liquidity risk will be characterized. Once such a scenario has been identified, the risk analyst must record the result of its monitoring and communicate to the Chief Compliance and Risk Management Office, so that she can then consider with the Compliance Committee any measures to be adopted.

(B) Hard Limit

VELT Partners must be able to settle 100% of the requested redemptions, considering 25% of the average volume of shares traded in the last 30 days, and settle the assets preserving the exposures and composition of the portfolio2.

For the purpose of validating this parameter, VELT Partners considers all Vehicles under its management, regardless of whether they are exclusive or not.

In this case, if VELT Partners is not able to observe the hard limit established herein, it will be up to the Chief Compliance and Risk Management Officer to coordinate with the Compliance Committee, the Investment Director and the Trader to jointly define prevention measures and /or containment, such as, but not limited to, the liquidation of certain assets in the market in advance of the redemption conversion date or at lower prices, or the payment of the redemption through the delivery of financial assets, as permitted by the applicable regulations and provided that they are in accordance with the respective mandates, among others.

3.5.6. Frequency of Tests

The test associated with monitoring the hard limit will be carried out daily, while the tests referring to the metrics of soft limits will be carried out monthly.

3.5.7. Stress Tests

For preventive assessment, VELT Partners performs stress tests, considering the impacts suffered by the Investment Vehicles' assets in any critical situations observed by the market in which VELT Partners predominantly operates, as well as in hypothetical scenarios simulated in the proprietary system.

However, due to the investment strategy adopted by VELT Partners, isolated elements such as the fall in the price of a certain asset or its trading volume are not sufficient for making investment or divestiture decisions. Stress tests are used as a monitoring tool by the Chief

[2] VELT Partners assumes that, from the perspective of the portfolio (i) only assets representing 1% or more of its composition will be considered; and (ii) the exposure of positions representing a percentage equal to or greater than 1% will be maintained.

Compliance and Risk Management Officer, but do not lead to the reframing of Vehicles to a pre-established parameter in Alpha Tools.

Risk management in atypical market situations will be considered and carried out in a specific way based on the concrete scenario and on the procedures chosen as the most appropriate by the Chief Compliance and Risk Management Officer, together with the Compliance Committee, the Director of Investments and/or the Trader, as necessary.

4. GENERAL PROVISIONS

4.1. Source of Data

The data relating to market moves are extracted from official sources or sources widely recognized by the market, including but not limited to the Brazilian Financial and Capital Markets Association – ANBIMA, B3 S.A. – Brasil, Bolsa, Balcão, NYSE and NASDAQ, external data providers such as Bloomberg and the Central Bank of Brazil – Bacen.

4.2. Annual Risk Monitoring Report

The Chief Compliance and Risk Management Officer will issue, annually, a report covering (i) the outcome of her monitoring of all parameters established within this policy and (ii) identified deficiencies pertaining to this policy, measures implemented to remedy them and respective timetable for their remediation. Such report will be presented by the Chief Compliance and Risk Management Officer to the VELT Directors until the last business day of April every year.