

Risk Management Mission

- Create and embed a risk-aware culture at Workhorse
- Develop and maintain an effective ERM framework across the Workhorse organization, to support timely decision making and enhance stakeholder value
- Enable ERM by implementing policies, processes, and organizational roles for identifying key business risks and developing responses to manage towards favorable outcomes
- No risk no champagne. Properly align and update our risk appetite to ensure that a risk-aware culture does not affect our profitable growth

Enterprise Risk Management

A structured Enterprise Risk Management ('ERM') Framework is being implemented across Workhorse to enable the Company to carefully and effectively identify and manage risks arising from its businesses and to work collectively as a team. The ERM Framework is aligned to the Workhorse "Vision" and 'Risk Management Mission.' The ERM Policy describes the ERM Framework, comprising ERM processes and organizational structure to embed risk-aware culture across Workhorse.

The intention of the ERM framework is not to eliminate risks, as that would simultaneously eliminate all chances of rewards/opportunities. It is instead focused on ensuring that risks are identified, and key risks impacting the organization are addressed.

Enterprise Risk Management Framework

Enterprise Risk Management Framework		
Process		
1. Risk management objectives		
2. Risk identification, prioritization, and reporting		
3. Gap analysis and risk mitigation		
4. Risk monitoring and assurance		
Structure		
Risk Management Policy	Roles and Responsibilities	Activity Calendar

I. The ERM Process

The Enterprise Risk Assessment process is scheduled to be performed every 24 months and in event of significant changes in internal or external business environment or whenever strategic/ non-routine activities are undertaken by the Company. The following are the key sub-processes:

a. Key ERM Objectives:

- Embed risk management culture in the business practices and processes
- Provide confidence that the Company's risks are known and managed appropriately

- iii. Allow resources to focus on enterprise growth, strategy and exploiting the Company's risk appetite
- iv. Ultimately, preserve and enhance the overall value of the Company by optimizing the tradeoff between risk and return and minimizing the potential for material adverse impacts to the Company

b. Risk identification, prioritization, and reporting:

i. Risk Identification through surveys, interviews, and past organizational experience

- 1. Identification of risk events across operating units and functions through risk assessment
- 2. Categorization of risk events within the Workhorse Risk Universe, and
- 3. Updating risk events listing and subsequently, risk register.

ii. Prioritization

Assessment of the priority of each risk to arrive at the key risks or Risks That Matter ('RTM') considering the potential impact and likelihood of occurrence of the risk. See Appendix A for impact and likelihood considerations.

iii. Reporting

A risk report is distributed to the CEO and senior management and other various management teams throughout Workhorse. This enables the organization to identify responsibilities of those tasked with risk mitigation activities and monitoring.

c. Risk mitigation

- i. For each RTM, identify risk leaders and support team members
- ii. Developing mitigation plans with defined action steps and timelines for implementation.

d. Risk monitoring and assurance

- i. Reporting to the Audit Committee and the Risk Management Committee "RMC" on the risk profile and effectiveness of implementation of mitigation plans.
- ii. Monitoring the ERM process activities to ensure their timely and appropriate execution.

II. ERM Structure

a. Audit Committee

The Audit Committee is responsible for ensuring that the Company has developed an appropriate risk management framework and that the framework is effectively deployed in the Company. The responsibility for overseeing the risk management framework has been delegated to the RMC, which will submit a report annually on RTM to the Audit Committee for their review.

b. Risk Management Committee

The RMC will receive inputs from management on assigned risk related activities. On an annual basis, the RMC will report to the Audit Committee on the status of the risk management initiatives and their effectiveness. The RMC is responsible for ensuring that the risk management framework contributes toward:

- i. Achieving business objectives
- ii. Safeguarding enterprise assets
- iii. Enhancing shareholder value

Risk Management Committee Members		
Name	Designation	Role in RMC
Jim Harrington	CCO	Committee Chair
Bob Ginnan	CFO	Financial Committee Member
Josh Anderson	CTO	R&D Committee Member
Jeff Mowry	CIO	IT/Cyber Committee Member
Ryan Gaul	President, Commercial Vehicles	Committee Member
John Graber	President, Aerospace	Committee Member
Jim Peters	VP, Purchasing & Supply Chain	Committee Member
Kerry Roraff	CHRO	Employee Relations Committee Member
Stan March	VP, Corporate Development	Committee Member

c. Internal Audit

- i. Making tools and techniques, available to management, used by internal auditing to analyze risks and controls
- ii. A champion for introducing ERM into the organization, leveraging its expertise in risk management and control and its overall knowledge of the organization.
- iii. Providing advice, facilitating workshops, coaching the organization on risk and control, and promoting the development of a common language, framework and understanding.
- iv. Acting as the central point for coordinating, monitoring, and reporting on risks.
- v. Supporting managers as they work to identify the best way to mitigate a risk.

Enterprise Risk Management Policy



WORKHORSE

Appendix A

Impact Rating	Impact Considerations			
	Strategic / Stakeholder	Reputation	Legal/Compliance	Financial
(5) Materially Adverse	Serious threat to a current or future mission AND/OR Critical impact on employee relations, retention rates, and morale	Significant, sustained national media attention, significant long term damage to public image (e.g., greater than 24 months)	Lawsuit and/or new/changing regulations requiring significant changes to the business model	> \$25M impact
(4) Major	Threat to current or future mission AND/OR High impact on employee relations, retention rates, and morale	Major national media attention, medium term damage to public image (e.g., between 12-24 months)	Lawsuit and/or new/changing regulations requiring moderate changes to the business model	\$10M - \$25M impact
(3) Moderate	Some threat to current or future mission AND/OR Medium impact on employee relations, retention rates, and morale	Regional media attention. Short term damage to public image (e.g., less than 12 months)	Lawsuit and/or new/changing regulations requiring a moderate change to an existing product or service	\$5M - \$10M impact
(2) Minor	Minimal threat to current or future mission AND/OR Low impact on employee relations, retention rates, and morale	Local press coverage limited to a local market issue	Lawsuit and/or new/changing regulations requiring minor changes to an existing product or service	\$1M - \$5M impact
(1) Insignificant	No threat to current or future mission AND/OR Minimal impact on employees and management	Trade market press coverage that has not been included in mainstream media; minimal damage to public image	Lawsuit and/or new/changing regulations requiring an evaluation of an existing product/service	< \$1M impact

Likelihood Rating	Time Frame for Consideration: 3 years	
	Qualitative	Quantitative
(5) Almost Certain	The event is expected to occur in most circumstances and/or there is a history of regular occurrence at our organization	> 90% chance
(4) Highly Likely	There is a strong possibility the event will occur and/or there is a history of frequent occurrences at our organization	50 – 90 % chance
(3) Likely	The event might occur at some time and/or there is a history of occurrences at our organization	25 – 50 % chance
(2) Unlikely	While it is not expected, but there's a slight possibility the event may occur at some time	5 – 25 % chance
(1) Remote	Highly unlikely, but the event may occur in exceptional circumstances	< 5% chance