

SUSTAINABILITY REPORT 2015



Termomecanica



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01

MESSAGE FROM OUR PRESIDENT



MESSAGE FROM OUR PRESIDENT

Sustainability to combat the crisis

There were critical episodes for Brazil in 2015, both politically and economically. A deteriorating situation in relation to the previous year inevitably had negative effects for industry in general. Despite the unfavorable scenario, we believe in Brazil's potential and future recovery so Termomecanica continued to invest as planned and we even broadened our product portfolio.

Brazil's domestic contraction prompted the company to look for new business segments in order to boost market share. As the Brazilian real weakened, we sought to balance that by exporting more and strengthening distribution of our products through international affiliates. Internally, we have held down costs and invested in productivity initiatives.

Along with the above, we took several social and environmental initiatives and continued to recognize and reward people, thus enabling Termomecanica to push back against the crisis and further strengthen its leading position in South America's non-ferrous metal processing industry (copper and copper alloys). So these are the initiatives comprising the key theme for this report.

The purpose of the following pages is to help readers understand the initiatives and projects developed by Termomecanica and the measures that have been taken to gain major competitive edge in the course of the company's trajectory. Our robust financial position has been built up over more than 70 years in business and reflects our consistent focus on sustainability for the business.

This edge has undoubtedly been crucial to get us through high- turbulence periods such as 2015, and it will certainly continue to be the smartest way of tackling the adversities that will continue to challenge us until a more favorable and more promising future opens up for all those who share our belief in Brazil.

Enjoy reading the report.

Regina Celi Venâncio

President, Termomecanica

01

SUSTAINABILITY REPORT



Presentation

Termomecanica's sustainability report compiles data on performance and management practices that marked 2015, and its focus is corporate social responsibility. This document also aims to clearly and transparently assess our current initiatives and drive improvements on the organizational level while transmitting the values that make Termomecanica a standout company, particularly in terms of its personnel management practices.

Once again, our Social Responsibility Department benchmarked our numbers against Ethos Sustainable and Responsible Business Indicators and the Brazilian Institute of Social and Economic Analysis (IBASE) Table. The framework and methodology used are the same as the 2014 report's. To assist appraisal of performance and identify opportunities for improvement, the process continued to involve different stakeholders and approaches.

In addition to confirming the company's numbers with directors and officers, the report involved technical groups from different departments who were specially trained for this challenge. We also developed action plans to support fact-checking. This type of methodology not only ensures a comprehensive analysis of activities but also helps strengthen the company's relationship with its key stakeholders, particularly its employees and business partners.

Brazilian multinational

Founded in 1942 and one of Brazil's largest privately held companies, Termomecanica is the leader in the non-ferrous metal processing sector for copper and copper alloys in semi-finished and finished products. Most of its employees are at its main base in São Bernardo do Campo (SP), where there are two factories and one of its two distribution centers. The other DC is located in Joinville (SC).

Apart from Brazil, the company has a factory in Santiago, Chile and another at Tortuguitas in the Buenos Aires region of Argentina. The two plants joined Termomecanica Group in 2011 when it acquired 100% of the stock of Cembrass, the brass bars segment leader in both countries. The initiative enabled Termomecanica to work more closely with raw-material sources, thus boosting its competitiveness on international markets.

Mission

Act in the business of processing copper and other non-ferrous metals in order to deliver products, services and solutions to meet our customers' needs.

Vision

Be the Brazilian market leader and hold a growing share of the global market.

Corporate values

- Philanthropy;
- Social and environmental responsibility;
- Ethics and transparency;
- Competence and discipline;
- Recognizing and respecting people;
- Continuous improvement;
- Diligence and stewardship;
- Pride in belonging to the organization.

Social profit, our major edge

Termomecanica's profile is unlike that of other companies operating in Brazil. As a privately held company, it is controlled by Salvador Arena Foundation (Fundação Salvador Arena, or FSA), a nonprofit organization founded in 1964 by Salvador Arena, an Engineer who sought to attach a different kind of meaning to capital generated by the company and offered support for various social programs.

In 1991, since he had no heir and was concerned with ensuring the continuity of his humanitarian ideals, Salvador Arena named FSA universal heir to all his assets and appointed a board of trustees consisting of employees to take over the institution's leadership. On the death of its founder in 1998, Termomecanica's controlling interest was taken over by Salvador Arena Foundation, and its business was then associated with a special purpose.

Termomecanica's earnings are now used to help materialize socially transformational projects. Over the last ten years alone, FSA has invested around R\$445 million in social benefits for 670 entities. A total of 1470 million people have been benefited directly and over 2 million indirectly. Along with the above, the organization has trained nearly 690 social leaders and specialists by providing management courses for third-sector organizations.

SALVADOR ARENA FOUNDATION - KEY RESULTS FOR 2015

- 108 social projects supported;
- 1,021,826 people benefited directly and 1,064,002 indirectly;
- More than 2,300 students given 100% tuition grants for basic, vocational and higher education courses;
- 1st place in the ABC region's Enem (nationwide examination) for Termomecanica College;
- Termomecanica Technology College, one of the best in Brazil.

Respect reflected in results

To retain its leadership in the segment and boost global market share in 2015, Termomecanica continued to develop strategies focusing key stakeholders (customers, suppliers, community, government, employees and their families), based on social and environmental aspects that are crucial to the success of its business and ensuring more sustainable lifestyles. Positive outcomes arising from these initiatives may be seen in our ongoing ISO 14001 and OHSAS 18001 certifications, and we are systematically and constantly monitoring their related indicators.



Enduring principles

Termomecanica's corporate governance system was formally instated in 2010 when the Board of Directors and its committees were set up. Since then, the Company has been developing its activities based on the principles of transparency, fairness, accountability and corporate responsibility.

Consolidating this system has been a special focus because a priority for Termomecanica is that its foundational tenets not only be part of the Company's everyday business, but also extended to its key stakeholders. In this respect, Termomecanica Corporate University has played a major role.

In 2015 alone, initiatives promoted by UCTM for these themes drew over 2,000 attendances, of which 679 related to the School of Management. Highlights included courses for senior management focusing on "Strategic Reflection", since one of the Company's main concerns is ensuring the longevity of its principles and the organization itself.

A person in a dark suit and white shirt is pointing their right index finger towards the word 'COMPLIANCE'. The background is a blurred office setting with a window showing a cityscape.

COMPLIANCE

Ethical conduct and behavior

To ensure that its work is based on ethics and transparency, Termomecanica uses monitoring, oversight and accountability mechanisms that reflect its way of conducting business. These initiatives include publishing annual reports in major newspapers and posting sustainability reports on its own website.

For Termomecanica, ethical conduct of business powers its development as a corporate citizen. Therefore, in addition to complying with current legislation, the Company relies on dialogue and engagement with key stakeholders in order to maintain healthy and proactive relationships. Important channels such as the customer service call center and Ombudsman are always open to suggestions and criticisms, and opinion surveys are conducted for the same purpose.

Mutual respect should be the basis for all relationships, as stated in the Organization's Code of Ethics and Conduct. The importance of this document is unquestionable: in addition to strengthening the company's principles, it addresses expressly prohibited practices, such as bribery or kickbacks in relation to external stakeholders, whether they are members of the community, government, suppliers or partners.

Anti-corruption practices and fair competition

Termomecanica does not tolerate any kind of unlawful behavior. Its Code of Ethics and Conduct reflects its "zero tolerance" of fraud and active or passive corruption in its business activities. The practices used internally to prioritize partnerships with reputable companies include regular checks with SERASA (credit bureau) and the Ministry of Labor and Employment ("Employer Blacklist") to ascertain that suppliers and customers are complying with current legislation.

One of the code's chapters provides details of the company's policy on relations with competitors, especially for employees in commercial departments. Termomecanica believes that making comments that attribute defects to its competitors' products or services is inadmissible as a means of promoting the company.

Internally, employees are instructed and trained to adopt the same commitment to obeying the law and avoiding any kind of criminal or unethical initiative. This type of behavior must apply to all stakeholders so Termomecanica also has an Ethics Committee responsible for assessing related reports or complaints and deciding any penalties that may be required.

Integrated management system

The focuses for Termomecanica's integrated management system are Quality, Environmental, HR, Finance, Legal, Industrial, Supplies, Commercial, and Engineering departments. At six-month intervals, several indicators are compiled to assess the Company's processes against targets set by each department and ensure continuous monitoring for senior management. In 2015, Termomecanica gained a new ally that contributed decisively to positive results: its new Compliance System ensures that controls are in place and requirements fulfilled in relation to local and international legislation, policies and regulations, control points in risk-mitigating processes, in addition to reports compiled to enhance internal controls and ensure sound operational risk management practices. Conducted by the Audit, Risk and Compliance Committee, which reports to the Board of Directors, the initiative was supported by senior management due to its importance for the Company's development. In particular, the system must ensure credibility for our customers, suppliers, shareholders and employees and must do so transparently, thus ensuring that organizational structure and internal procedures comply with external and internal regulations and Termomecanica posts healthy financial numbers, thus minimizing loss risk. Another important ally in this process is our Internal Audit department, which operates preventively in financial and accounting operations by validating internal controls and supporting Compliance and Corporate Governance systems. The department enjoys support from external audit firms engaged especially to assist compliance and validation for financial statements and accounting records.



INTEGRATED MANAGEMENT SYSTEM POLICY

Termomecanica acts in local and international markets by transforming copper and other non-ferrous metals into products, services and solutions while upholds the following commitments:

- Identifying, managing and preventing its risks, based on social responsibility;
- Fulfilling customer and stakeholder needs and requirements;
- Continuously improving its products and processes;
- Fostering safety and health of people involved, preventing injuries and illnesses, improving ergonomic conditions and controlling accident risk;
- Preserving the environment and preventing pollution, controlling waste generated by processes and reducing atmospheric emissions;
- Complying with legislation and fulfilling requirements applicable to our business.

2015 HIGHLIGHTS

- We started our program for assessing leaders' performance by setting and monitoring individual targets to identify employees' levels of competence and performance;
- Enhancing our Corporate University programs, especially the Management School's 'Making Leaders' program to prepare the company's line of succession; the Organizational Culture School concentrated its efforts on preserving the Organization's memory through monitored visits to the Memory and Reference Documentation Center; TM Academy's provided technical / operational courses for stakeholders;
- Specific talent management programs focused on our succession plan to ensure the organization's long-term strategies and therefore its sustainability;
- Consultancy firm Consultoria Âmbito was engaged to help control liabilities under occupational health and safety and environmental legislation.

KEY TARGETS FOR 2016

- Reinforcing themes related to values, beliefs and ethical principles in internal communication channels and initiatives;
- More in-depth studies of Anti-Corruption Law to identify measures that may be applied in the Company;
- Conclude the process of setting up our Compliance System by mapping all processes.

The future in our hands

Concern for environmental issues has been recognized as one of Termomecanica's values as shown by several practices followed in the Company's everyday business routines. These initiatives aim to disseminate information on the subject, encourage employees to identify opportunities for improvement related to switching raw materials, cutting losses, reusing materials and reducing consumption of electricity and water, among other items.

As a result of the process of heightening the awareness and commitment of its teams, Termomecanica has posted fantastic numbers for its performance on this aspect. Atmospheric emissions from its production processes are below the limits set by environmental agencies and all indirect emissions are mapped when necessary.

Proper disposal of waste generated by production processes is another point to note, since treatment in all cases involves previously audited and qualified companies. Waste from internal operations is also a special concern, and one of the main tools used is selective collection for recycling in place in all sectors to ensure proper separation and disposal of all factory waste.



Management and certifications

Our ongoing ISO14001 certification reflects the efficacy of the Environmental Management System developed inside the Organization. The pursuit of environmental quality is addressed in our Integrated Management System policy too. The initiatives undertaken by Termomecanica are part of programs defined by the Environment sector in partnership with each of the company's departments.

All plans implemented are periodically submitted to diligent monitoring, and our internal teams hold critical system review meetings to align projects. The means of controlling results include online systems to facilitate access to documents during audits and technical visits.

By adopting this type of procedure, Termomecanica is able to assess its investment requirements and improve its system by taking any measures needed to keep the company in line with modern environmental management practices.

An important point to note is that Termomecanica also measures and tests exhaust gas emissions from its factory vehicles, which are also strictly controlled and periodically maintained to ensure that there are no problems of any kind.

Our suppliers are also assessed and must show that they have the appropriate environmental monitoring in place for their processes; otherwise they will not be approved to do business with Termomecanica.

Environmental investments (R\$)	
2013	R\$ 2.878.255,70
2014	R\$ 3.677.422,00
2015	R\$ 952.375,00

Environmental education

Environmental education has been an important strategy adopted by Termomecanica in order to disseminate knowledge. A crucial aspect of this for the company is being a good influence for environment-related responsibilities, skills and competencies and in particular heightened awareness of our workforce.

Therefore these matters are systematically covered by our internal communication vehicles as well as by different types of training initiatives, many of them aligning employees with their activities depending on the latter's environmental impact. Matters that are regularly covered include waste disposal, responsible consumption of natural resources and air pollution, since there are countless opportunities for employees to contribute in this respect.

Our Internal Accident Prevention Week (SIPAT) has also been an important space for discussing environmental issues, as well as the Company's fire brigade which is trained to act in cases of environmental emergency.

Water and electricity

Rational use of water and electricity is an ongoing concern for Termomecanica. In addition to investments it is making to tackle this challenge, the company also runs awareness campaigns to cut back consumption and combat waste. Therefore, every type of use of energy that involves natural resources is mapped in order to achieve levels of efficiency and productivity that are consistent with the Organization's objectives and targets.



Environmental Indicators - Water Consumption

Water used	2013	2014	2015
Factory I	64.240 m ³	51.702 m ³	52.838 m ³
Factory II	7.567 m ³	22.208 m ³	27.304 m ³
Total	71.807 m ³	73.910 m ³	80.142 m ³

Energy used by factories

		2013	2014	2015
Natural gas	Factory I	1.699.207 m ³	1.849.996 m ³	2.293.978 m ³
	Factory II	771.681 m ³	788.985 m ³	792.900 m ³
	Total	2.470.888 m ³	2.638.981 m ³	3.086.878 m ³
Electricity	Factory I	114.256.252,80 KWh	106.539.883,20 KWh	94.178.000,00 KWh
	Factory I	34.807.557,60 KWh	37.408.828,80 KWh	36.850.660 KWh
	Total	149.063.810,40 KWh	143.948.712 KWh	131.028.660 KWh
Annual fossil fuels used (liters)	Factory I	144.028 L	235.140 L	110.610 L
	Factory II	72.468 L	126.000 L	84.400 L
	Total	216.496 L	361.140 L	195.010 L
Emissions	Factory I	0,0 kg/h	0,0 kg/h	0,06 kg/h
	Factory II	0,0 kg/h	None measured	0,0 kg/h
	Total	0,0 kg/h	0,0 kg/h	0,06 kg/h

2015 HIGHLIGHTS

- Equipment modernized to reduce environmental impacts (atmospheric emissions, water and electricity use) ;
- Environment Week, which successfully involved employees and their families.

KEY TARGETS FOR 2016

- Stimulating employees' awareness of the need to reduce and control environmental impacts from their activities, showing them that everybody has their share of responsibility in this respect;
- Reduce waste and consumption of non-renewable resources even further.



Diversity, inclusion and respect

Since Termomecanica respects diversity in all its forms, concern for human rights is integrated with business strategy. Appreciation and respect for people is one of our values that is reflected in policies as well as in everyday practices and procedures. Hiring processes and competitions for positions follow exclusively technical criteria without any discrimination of any kind. In addition, every employee gets the same opportunity to develop their potential.

Employees with disabilities are always allocated to sectors indicated by a risk mapping analysis in order to recognize their individual potential. In addition, the company has a LIBRAS (Brazilian Sign Language) interpreter to meet the needs of hearing impaired persons, and provide sign language courses for management and employees. For Termomecanica, diversity not only fosters inclusion, but also makes the workplace more dynamic by stimulating creative interaction, exchange of ideas and collective learning opportunities.

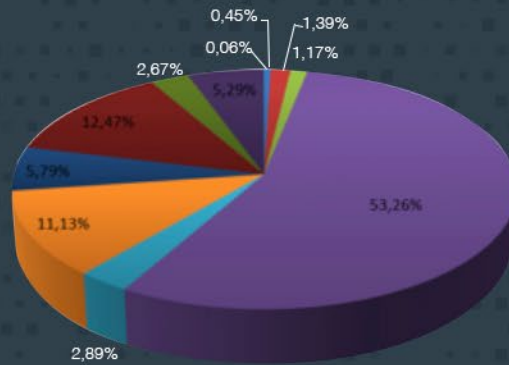
Termomecanica repudiates and bans the use of slave/forced labor or child labor by the organization, its suppliers or business partners. This stance is specified in contracts for the purchase of products or services. Any violation may be reported by sending an e-mail to ouvidoria@termomecanica.com.br.

Labor relations in general are conducted ethically and professionally since Termomecanica recognizes trade unions as legal representatives of employees. Dialogue is the alternative used to settle any disputes arising.

Workforce	2013	2014	2015
Trainees	13	15	20
Apprentices	71	90	103
Men	1.754	1.723	1.646
Women	127	116	115
Disadvantaged	89	88	83

Workforce Summary	2013	2014	2015
Total Employees	1842	1839	1761
Women in management/leadership positions, including CEO	12	12	12
% women employees	6,24%	6,31%	6,53%
% women employees - LEADERSHIP	21%	10,34%	16%

BREAKDOWN OF EMPLOYEES BY EDUCATION - 2015



- Elementary education incomplete / in progress
- Elementary education concluded
- High school incomplete / in progress
- High school concluded
- Technical education incomplete / in progress
- Technical education concluded
- Higher education incomplete / in progress
- Higher education concluded
- MBA / Graduate degree Incomplete / in progress
- MBA / Graduate degree concluded
- Master's degree

New talents

Termomecanica is also continuously investing to attract and retain new talents while developing individuals that show potential and commitment to the Company's values. Our Trainee Program follows rules set forth in Law 11788 / 2008, and all activities involving students not only identify but also develop skills and competencies related to their individual fields of vocational training.

Our apprentice program is run in partnership with various entities in the region as another initiative focused on inclusion for young people joining our workforce, also preparing skilled manpower to fill future positions with the Company - 12% of the 103 apprentices recruited in 2015 were subsequently hired.

For some specific sectors, candidates are selected in partnership with NURAP and CIEE. Candidates for our maintenance department are referred to us by SENAI. For manufacturing and administrative departments, our partnership with the Salvador Arena Foundation taps specific courses related to these two types of work and benefits young people aged 18 - 22 from families whose per capita income is not more than 1.5 times the national minimum wage.

	CIEE	NURAP	SENAI	FSA
Total apprentices	5	3	10	85
Admitted in 2015	2	0	0	85
Hired	0	0	1	11

Development and career

Termomecanica showed an extremely positive attitude in tackling the challenge of providing a sustainable ongoing personal and occupational development process. Even in crisis scenarios, the Company has continued to invest in initiatives designed to enhance the talents and technical skill sets of its key stakeholders. In 2015, for example, the company provided an average of 40 hours development time per employee through internal and external courses that reported 100% efficacy. Another important number: 82 of the 121 places available were filled by internal candidates thanks to this practice.

A feature of our track record is that we have offered career options for employees showing commitment to the organization's aims. Therefore, our Internal Recruitment Program prioritizes our own employees or their referrals whenever new job openings come up. Another highlight is our method of fitting pay grades to jobs, which enables the Company to maintain a level of compensation aligned with best market practices and compatible with career prospects.



Investment in training programs	Technical (hours)	Awareness / safety / Integration (hours)	Quality / job instruction (hours)	Investment (R\$)	Number of employees
2013	36.122,98	44.229,38	1.023,04	274.702,65	1.868
2014	40.969,98	23.130,03	6.806,09	298.296,05	1.868
2015	40.358,38	25.931,55	8.539,96	331.100,78	1.796

Types of training

One of the Human Resources department's special features is its annual training program covering qualifications for jobs, skill assessments and individual development plans for employees. In 2015, to facilitate referrals, control and programs for the IDPs, Termomecanica produced a catalog describing all training and development activities and their connections with human competencies.

EDUCATION (languages, higher education, postgrad programs and MBAs)

Investment (R\$)

2013	60.585,06
2014	118.134,30
2015	157.033,05



Internal – Training programs run systematically by internal multiplier agents in the workplace itself for recently hired employees, integration processes or training everyday routine activities.

"Knowledge Trail" - Distance learning for manufacturing / production department employees covering job procedures and instructions, operational documents and occupational safety. Their own managers grade the practical part and may issue a certificate or allow automatic updating of their multifunctionality matrix.

Languages - Grants cover 85% to 100% of monthly tuition over two years up to a maximum of R\$500.00 per month to benefit employees using a foreign language for their job. In 2015, four people got grants for English and Spanish courses and a total of R\$9,906.46 was invested.

Supplementary Courses - Additional training and development courses are fully subsidized by the company if they fit in with Individual Development Plans (IDPs) and the annual training program.

Higher Education Postgraduate programs, MBAs and master's degrees - Tuition reimbursement covers up to 50% for college and up to 100% for postgraduate programs, MBAs or Master's degrees. Benefits are for employees who have been with the company for at least a year and meet the following requirements: their course must be correlated with the company's strategies and professional development required for the person's current job or career, and they must be authorized by the executive board / chief officer.

Termomecanica Corporate University

Termomecanica Corporate University (UCTM) is a strategic means of ensuring the Company's perpetuity. Its development activities target employees, partners, customers and suppliers to build bridges between human competencies and organizational skills aligned with business strategies. Its results have been excellent. In 2015, 146 initiatives drew 2,190 attendances for over 820 training hours resulting in about five months of activities.

UCTM is attached to the Salvador Arena Foundation, and its mission is to develop competencies in general for all positions, for management positions and functional skills for operational, technical and administrative jobs, focusing on the organization's strategies to meet specific demands for training arising from the Company's business. Its structure is based on four key pillars: TM Academy, School of Culture, School of Management and Operations School, which offer from technical and behavioral courses to talks or lectures and other learning tools.

To support its initiatives, UCTM uses the TM Cultural Space ("Espaço Cultural TM" or "ECTM"), which occupies an area of about 1,400 m² and provides internet, library, media and film library facilities, study rooms and projection theaters, as well as areas for socializing. The physical library has a collection of about 4,500 volumes and 500 media units. Several current magazines and journals are available on a daily basis. There are 38 computers with Internet access for use by employees. Games and TV sets provide entertainment and relaxation during breaks.

The TM Cultural Space also provides access to an online university library available full-time and free of charge, with advanced search tools and accessibility features for visually impaired users. On the same site, distance learning courses are offered by UCTM using video. In 2015, there were 2,314 participations, totaling 11,730 training hours showing an increase of approximately 30% in use of the tool against 2014.



TM ACADEMY

Develops competencies for partners, suppliers and customers, with the aim of securing the future of the Salvador Arena Foundation and its subsidiaries. Topics covered include: Non-Ferrous Metals, TM 23 and TM 620 Bronze courses; Installing Termomecanica Copper Tubes and Connections; Metallurgy Applied to Copper and its Alloys; and Customer Service. These courses instruct students from various backgrounds in proper use of the company's products. The Academy also runs a "Meet TM" program on markets/demand for TM products and a visit to the São Bernardo industrial complex. In 2015, TM Academy recorded 594 participations on courses totaling over 140 development hours for partners.

ORGANIZATIONAL CULTURE SCHOOL

Conceived to instill appreciation of organizational culture and its influence on everyday practices and to reinforce the philosophy, principles and values of the Salvador Arena Foundation and its subsidiaries. Last year, the school held its "Meet FSA" program to help employees understand more about the organization's history. In 2015, the Organizational Culture School delivered 124 training hours to a total of 633 participants and arranged 24 visits to Salvador Arena Foundation's Educational Center and its Memory and Reference Documentation Center in particular.



MANAGEMENT SCHOOL

The school fosters competencies needed for staff of Salvador Arena Foundation and its subsidiaries to consolidate the management model (processes, practices and tools) as required for each institution's core business. In 2015, the school enhanced and expanded its 'Leader Factory' and 'Management by Processes' programs for management and administrative staff respectively, and two more courses were added: Tax Management and Managing Communication. A total of 78 development initiatives drew 679 participations for 312 hours.

OPERATIONS SCHOOL

Intended to broaden Termomecanica employees' knowledge, principally those involved in core activity operations related to raw materials, non-ferrous metal transformation and production processes. In 2015, the Operations School continued to offer its Basic Non-Ferrous Metals Course and introduced two new courses on Aluminum Metallurgy and Hydraulic/Pneumatic Maintenance. A total of 284 employees attended the school in 13 groups for 247 training hours.



Well-being - an ongoing priority

As part of its culture and values Termomecanica has an outstanding employee benefit policy, most of them extending beyond legally required levels, which it offers on its own account with no financial compensation. These initiatives help lower turnover and are crucial to retain professionals.

One of the main highlights of Termomecanica's benefits package is its health plan, which assisted over 4,900 people in 2015. The health plan is for all employees and their dependents and the monthly charge is 100% subsidized by the company. There is nationwide coverage from its accredited network and reimbursements if using services that are not covered. In 2015, with the health plan operator's support, a number of programs that have been offered for some time have been enhanced. The dental plan is another outstanding benefit program that expands services covered by the same rules as the health plan.

In partnership with the plan's brokers/agents, Termomecanica provides a healthcare station to facilitate the use of these two plans. Employees may make appointments and schedule exams, apply for reimbursements or authorizations for exams and surgeries. In addition, Termomecanica's Medication Benefit Program provides two optional medication lists: one with 100% Company-subsidized medications and the other with discounts of up to 60%.

PROGRAMS UPGRADED IN 2015

Amil Quality of Life (local acronym PAQV): prevention and wellness program.

POSTURAL CORRECTION UNIT (UCP): Treatment and prevention of postural disorders. The program's fourth cohort consisted of 57 employees in 2015.

MOTHER & BABY: Focuses relationships and advice for mothers to be, also monitoring babies from birth for the baby's first year of life. Participants also receive a newsletter covering all pregnant employees' rights and duties.

RADAR: This program identifies major users of so-called low-complexity events (consultations, exams and procedures) to provide guidance and referrals for the appropriate resources.

High-Risk Patient Management (GPAR) identifies beneficiaries for who there is a high risk of developing chronic diseases in order to screen, allocate and monitor their course of treatment and proactively intervene to enhance their quality of life.

Constant Focus on Quality of Life

In 2015, Termomecanica not only maintained quality of life benefits, but also expanded its package of options to provide assurance and add to physical and emotional well-being for employees and their dependents.

One of last year's new initiatives was a partnership with Sesi for use of infrastructure at its **QUALITY OF LIFE CENTERS**, including facilities such as sports areas or indoor courts, gyms, pools, kiosks, gyms and games rooms. At no additional cost to the company, the initiative has been delivering leisure, fun and social integration activities for employees and their families.

The collective bargaining agreement for these workers stipulates **DAYCARE REIMBURSEMENT / SUBSIDIES** for female employees with children aged up to 2. Another important benefit is a **PRIVATE PENSION PLAN**. In this case, Termomecanica pays 80% of retirement pension contributions and 100% of risk (insurance) benefit related amounts on favorable technical and financial conditions compared to market rates.

Termomecanica has a special agreement with Brazil's social security institution (**PREVIDÊNCIA SOCIAL** or INSS) under which special healthcare services are provided at the São Bernardo do Campo INSS facility in order to facilitate sick pay, workplace accident and retirement benefit procedures involving Termomecanica employees.

RESTAURANTS Termomecanica factories have 24-hour self-service restaurant providing a range of meals during the day that also cater for employees on special diets (due to diabetes, hypertension or obesity) with assistance from nutritionists. Restaurant management is in-sourced with company staff monitoring quality of services and avoiding waste while an independent laboratory periodically controls the microbiological properties of food served.

Our **FOOD VOUCHER** program is another important benefit for all employees that is fully subsidized by the company so that voucher levels are very competitive in relation to industry practices. In December each year, although not legally required to do so, the company pays a double benefit to help employees prepare for year-end festivities.

In terms of **TRANSPORT** benefits or arrangements Termomecanica also goes the extra mile to provide parking near factories and chartered-bus routes for employees. If they live more than 1.5 km from a bus route, employees are eligible for vouchers and reduced deductions.

Other benefits in partnership with Salvador Arena Foundation

Termomecanica offers a series of other benefits in partnership with Salvador Arena Foundation, its sponsor. The relationship between the two institutions enables them to offer a number of initiatives. Once again, the main beneficiaries are employees and their families:

Solidarity and Mourning Program – Humanized professional assistance provided as part of corporate attitudes pertaining to bereavement, showing respect, compassion and consideration. In 2015, there were 29 cases of which 3 were employees and 26 family members.

High-cost medications and exams - This program enables employees and their dependents to obtain expensive drugs and / or get exams that are not covered by government programs or their corporate healthcare / dental plan. In 2015, 11 employees were benefited, 6 through financial donations and 5 through advice and referral to government programs and / or the medical plan.



Support for Employees with Disabilities - Financial and technical support is provided for purchases of costly prostheses, orthoses or equipment. In 2015, 4 employees benefited from advice and referrals to government programs.

Family Emergency Assistance - This program supports and encourages employees involved in caring, charitable or humanitarian initiatives by providing technical - social guidance and financial assistance to meet basic needs for low- or no-income families in situations of vulnerability and social risk. In 2015, 422 employees participated in the program, which directly assisted 422 families (1,045 people).

Top Marks Volunteer Campaign - This program helps employees donate to social entities under a São Paulo state government program that pays out partial refunds against sales tax. The Salvador Arena Foundation periodically inspects certain non-governmental organizations (NGOs) to check their accounts and ensure funds are used properly before recommending them under this program. In 2015, 8,509 sales-tax notes and receipts were collected and donated to four social organizations.

Emergency help during sick leave - This program minimizes economically vulnerable situations for families of employees affected by income lost or significantly lowered by illness. In 2015, four employees were directly benefited by this program.



2015 RESULTS

- 4,906 lives covered by healthcare and dental plans;
- 118 daycare subsidies / reimbursements paid;
- 1,761 active private pension plans;
- 1,172,861 meals served by the company's two restaurants;
- 21,497 food/meal vouchers provided;
- 1,113 medications donated;
- Partnership with SESI to encourage physical activity and leisure for enhanced social integration and quality of life.

KEY TARGETS FOR 2016

- Continue working to improve employee perception of benefits offered by the Company;
- Enhance the benefits package without impacting outlays.



02

Occupational Safety



Focus on Behavior

Termomecanica believes that investing in occupational safety involves more than just complying with legal requirements. From a practical point of view, the impact of safety on employees' well-being directly affects productivity, since they cannot work well unless they feel confident and safe in their workplace.

Termomecanica therefore not only complies with legal requirements and monitors their application, but also identifies hazards and uses risk-analysis processes for change management. Legal requirements are monitored regularly by internal and external audits. Outsourced or sporadic activities are also continuously checked using a specific form.

Termomecanica uses procedures to evaluate employee behavior in relation to safety, including a program known as the "Safety Chain". The initiative encourages employees to be actively involved by identifying job-related risks, behaviors and suggestions for corrections.

The Company's emergency system includes testing, employee fire brigade training, escape routes, emergency kits strategically located in or around factories and regular simulated emergency and evacuation drills.



There are also periodic training sessions for the purposes of both legal compliance and continuous improvement of the system, as well as specific courses for newly admitted staff and service providers. Another point to note is the important role of the Ergonomic Committee in making improvements suggested by ergonomic analyses.

In this context, communication has been an important ally for the safe behavior effort so this subject is constantly covered by internal communication vehicles and 'Safety Dialog' sessions. Termomecanica employees also get every available type of advice on appropriate use of personal protective kits, which are systematically inspected by our Occupational Safety Engineering department.

Termomecanica also encourages employees to take part in specific initiatives such as Occupational Accident Prevention Week or the Emergency Brigade consisting of representatives from several operational departments who are given proper training to ensure they follow the best procedures in an emergency.

In 2015, to ensure even better results, Termomecanica invested R\$2,250,000.00 to safeguard machinery, provide training and heighten awareness, thus helping to reduce occupational accident frequency by 13.16%.

- Improved smelting furnace exhaust systems;
- Roof repair with asbestos tiles replaced by thermal insulator tiles, thus improving thermal comfort for employees;
- Floors and platforms refurbished to improve ergonomics in passage ways, facilitating transport for materials and people's movements;
- Continuing to safeguard machinery in order to fully comply with Ministry of Labor NR-12 regulations;
- Holding training sessions to raise employees' awareness in relation to working safely.

Occupational Safety – Accidents	2013	2014	2015
Accidents / year	49	39	37
Percentage of accidents that led to temporary absence of employees and / or service providers	73%	79%	51,35%
Percentage of accidents that led to death and / or permanent incapacity	0%	0%	0%

Visitors and Outsourcers

Termomecanica believes that outsourcers' safety is as important as that of its own employees. After all, workplaces should be healthy and safe for everybody. As a result, the Company has developed a specific prevention process that has obtained satisfactory results.

Using our Corporate Portal, managers post detailed records of outsourced activities to be verified and checked by our Occupational Health and Safety and HR departments. Safety and risk analysis are then incorporated. Job permits (locally APTs) are not issued until this process has concluded.

Risk analyses are validated by managers on a daily basis and outsourcers are immediately notified if any deviations are detected. Contractors have access to information through their contract manager who keeps documentation and monitors jobs for conformity with parameters as planned and approved. All outsourcers attend annual safety induction sessions and refresher courses.

Visitors too are covered by special precautions: on entering company premises, they are given our Visitor Manual containing advice on key safety procedures and environmental precautions.

2015 RESULTS

- 13.16% reduction in the number of accidents in relation to 2014;
- 82% compliance with ergonomics initiatives/measures.

KEY TARGETS FOR 2016

- Improvements for 75% of hazards identified and rated above 243 Risk Priority Level;
- Deploy at least 75% of the measures identified in the "Chain for Safety" program;
- Heighten awareness in relation to safe behavior with a 95% target;
- Hold at least two hours / monthly training per employee on Occupational Health and Safety related subjects;
- Reduce the number of incidents, accident severity and frequency by 10%.



03

Occupational Health



Prioritizing life

The constant involvement of senior management highlights the importance Termomecanica attaches to the health of its employees as soon as they join our workforce, beginning with preventive examinations of their metabolic profiles. Having assessed the findings, employees may be referred to a specific program or specialist for medical follow-up or assistance. In 2015, 257 employees went through this process.

Once diagnosed through periodic medical examinations or occasional checkups, employees affected by chronic conditions such as diabetes, hypertension, obesity, dyslipidemia, or smoking are referred to healthcare services as required and then monitored every six months or annually. More complex cases are followed up more often with earlier consultations, examinations and contacts with doctors in attendance to ensure better, faster and more effective responses.

Our substance dependency program developed in partnership with a specialized health institution offering outpatient care, psychotherapy and hospital admission continued to deliver satisfactory outcomes and enabled more comprehensive and specific treatments with long-term monitoring.

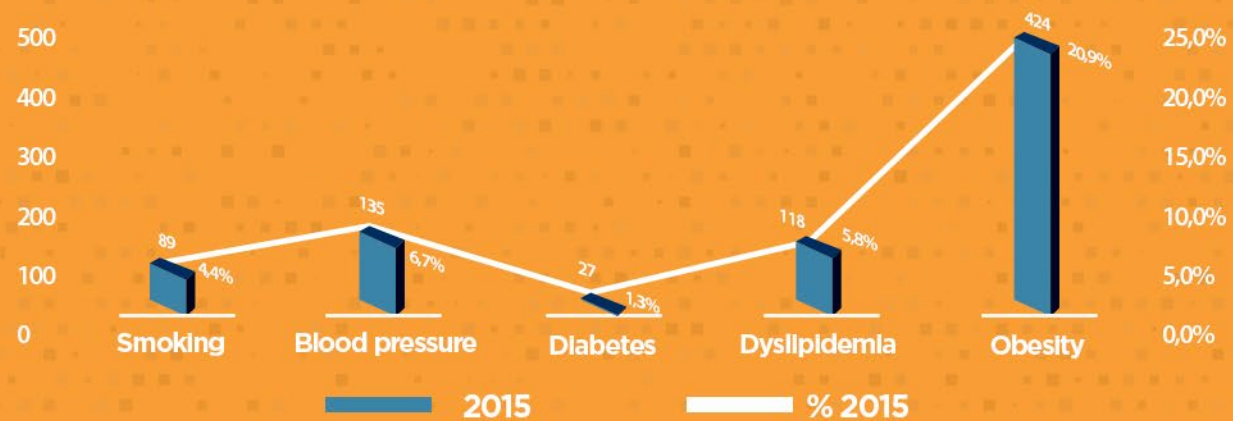
In addition we continued to donate broad-spectrum de-wormers to all our employees as part of Company benefit policy.



Breakdown of comorbidities flagged by yearly checks



Percentage of employees affected by chronic diseases or smoking - 2015 (TMSP/FSA)



SPECIAL PROGRAMS

Special Meals/Food Program (PAD) helps to improve control for conditions such as hypertension, diabetes mellitus and obesity through guidance and balanced diet in order to improve future quality of life for employees. In 2015, an average of 3,290 diets per month were served at Termomecanica's two factories with regular return visits to the clinic for specific checks.

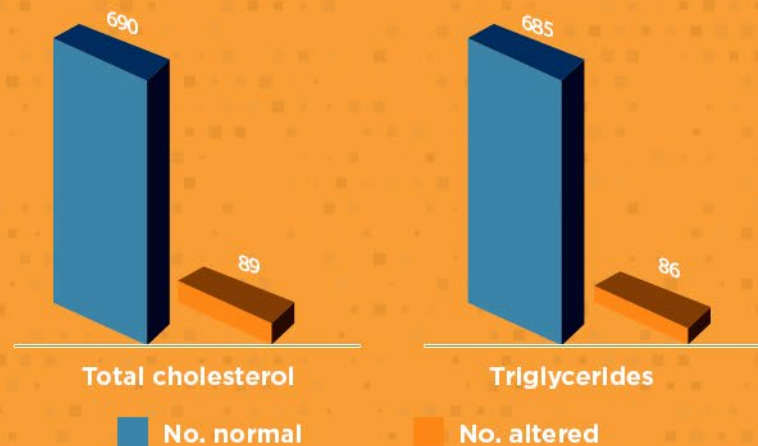
PAD	2013	2014	2015
Enrolled	272	283	298

Dyslipidemia and Diabetes

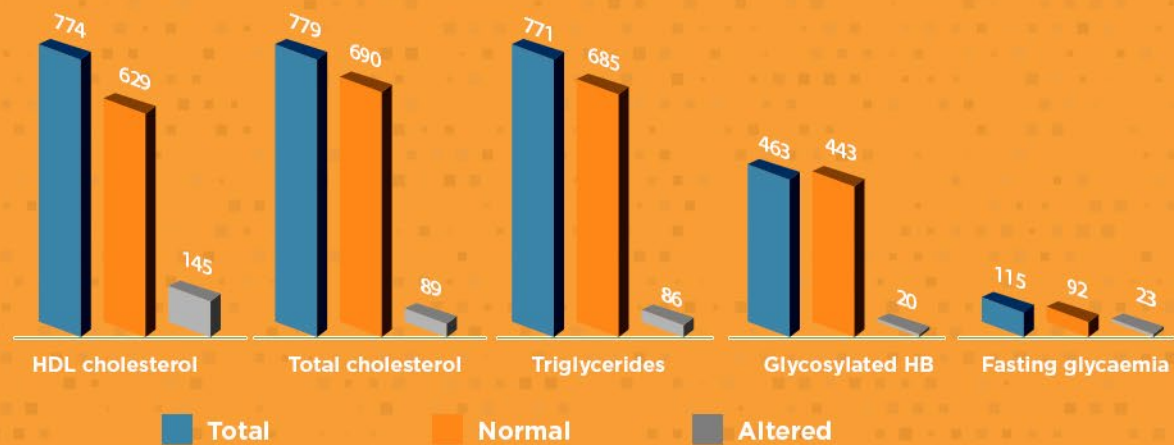
A survey conducted by the Ministry of Health in 2014 found that non-communicable chronic diseases accounted for over 72% of causes of deaths in Brazil. High blood pressure, diabetes, chronic back conditions, high cholesterol (major risk factor for cardiovascular diseases) and depression showed the highest prevalence and most are associated with risk factors such as smoking, alcohol abuse, being overweight and sedentary lifestyle. Given this scenario, in order to ensure information, monitoring and evaluation, all company employees were told to have cholesterol, triglycerides and glycated hemoglobin exams, as shown below. When abnormal results were found, employees were notified; some were medicated and others given referrals.



Dyslipidemia exams - 2015



Dyslipidemia and diabetes exams - 2015



Anti-Smoking Program - Individuals were given advice on problems arising from smoking, addiction mechanisms, treatment options, adverse effects of medications and abstinence. In 2015, 89 employees stated that they were smokers, which was 4.4% of employees interviewed for our periodic check and well below the 14.7% rate found for Brazilians (PNS, 2013). Treatment was provided on spontaneous demand using nicotine patches offered free of charge. Despite encouragement and support from the Company, certain factors have affected the success of the initiative, including the difficulty of ending addiction and tobacco being a legal drug, which facilitates access. Other difficulties noted: living with family members who are smokers, lack of determination, and smoking being a socially accepted addiction.

ANTI-SMOKING PROGRAM

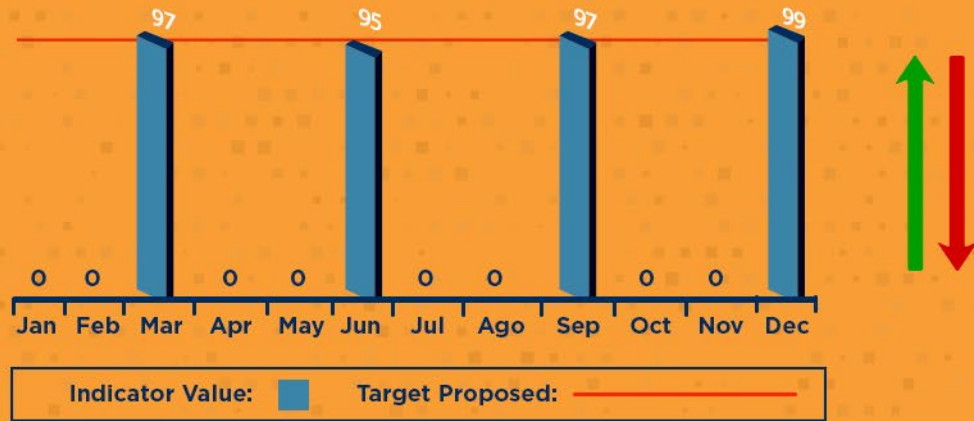
Indicators	2013	2014	2015
Total participants	8	10	6
Stopped smoking when medication ended	2	5	1
Boxes of medication distributed	20	24	31

Vaccination Checks

During periodic examinations, our Occupational Medicine department systematically checks vaccination cards issued from an employee's date of admission and updated as per Brazil's National Immunization Program (PNI). All workers must get tetanus vaccinations under the Occupational Health Medical Control Program (local acronym PCMSO). All members of fire brigades and health professionals should procure public health services with a doctor's referral for Hepatitis B vaccinations.



Coverage of vaccines for first-aid employees (%) - Target: 95



From a prevention point of view, one of the most important allies for Termomecanica is the Occupational Health Medical Control Program, which is of an educational nature and involves holding internal events in order to foster employee wellness and quality of life.

This includes drafting content for the company's internal communication vehicles using objective, succinct and easily understood language to address standout issues such as importance of preventing AIDS and other sexually transmitted diseases (involving the distribution of male and female condoms to employees and service providers), and precautions in relation to other diseases such as dengue, tuberculosis, Ebola, kidney stones, chikungunya and conjunctivitis.

In 2015, 31 notices of this nature were published covering subjects such as smoking, healthy eating, diabetes, blood pressure, obesity, dyslipidemia, and the importance of regular physical activity.

Termomecanica invested to distribute advice on preventing prostate cancer and other types of cancers most frequently found in women, while addressing precautions, reasons for fear, and demystifying issues and questions. On the world days for breast cancer and prostate cancer awareness, Termomecanica office workers wore colored clothing alluding to the dates' colors. These small initiatives aim to sow seeds that will germinate into better healthcare awareness and preventive measures.

2015 RESULTS

- 100% of diabetics monitored;
- 100% of periodic examinations carried out by the proper date;
- 100% fulfillment of target for drafting / disseminating health communiques.

KEY TARGETS FOR 2016

- Continue monitoring at least 90% of the diabetics;
- Continue to perform dyslipidemia exams;
- Draft and publish at least one health notice every two months;
- Encourage employees' physical activities;
- Continue the de-worming medication program.



04

SUPPLIERS



Solid productive relations

Termomecanica's policy is build solid partnerships with its suppliers that reach beyond conventional criteria such as price, quality and punctual delivery. To get approval, companies must show they are committed to comply with social responsibility requirements that add value and ensure sustainability for business. Supplier contracts, purchasing orders and service agreements, for example, include specific clauses repudiating forced labor, preventing use of slave labor, child labor or degrading conditions of work.

Our rules for suppliers are always transparent and the entire process of appraisal, qualification and monitoring is conducted to follow Termomecanica's high standards. To ensure efficiency and agility, Termomecanica has an internal supplier management system managed through its corporate portal, which is based on technical and legal criteria for each type of material, segment or service to be supplied.



Once they have been registered, companies must provide full updated corporate documentation and fulfill requirements such as meeting quality standards for their products or services. They must also certify their compliance with chemical and technical specifications for their product and compliance with basic Health, Safety and Environmental standards. In cases of products using controlled substances and / or components to manufacture certain materials, suppliers must show compliance with international standards and directives.

Once suppliers have been approved, Termomecanica will be monitoring their performance. To ensure satisfactory indicators for its suppliers, the Company applies criteria for quality and compliance with specifications, delivery dates, punctuality, assertiveness of tax documents, and compliance with applicable legal requirements.

For scrap metal suppliers, there are specific purchasing guidelines for compliance with applicable legislation. In these cases, Termomecanica also conducts periodic visits to check operations and facilities used by suppliers in order to provide advice on the most appropriate form of packaging, sorting and classifying scrap metal.

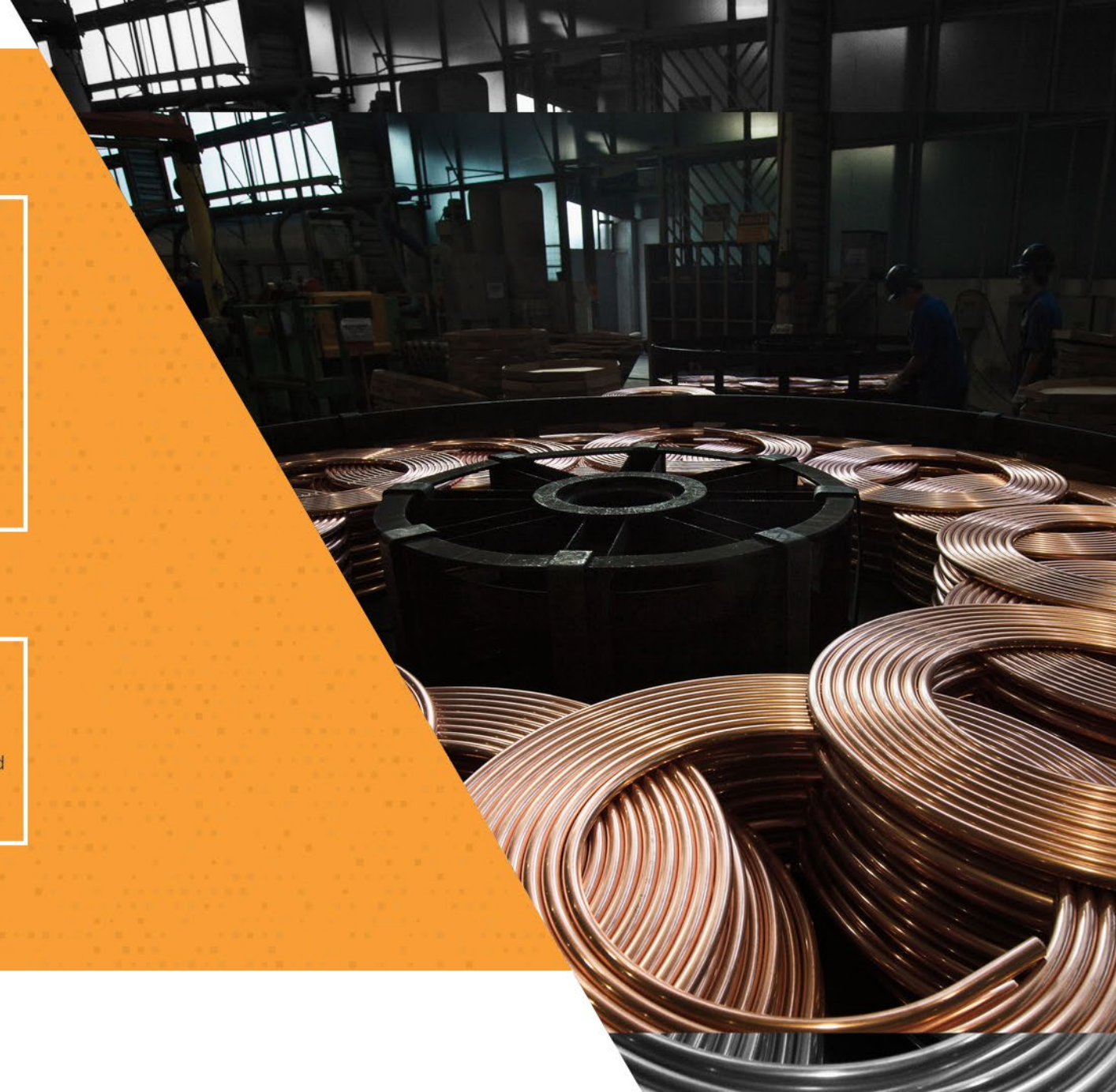
Year	Raw materials	Intermediate materials Monitored
2012	99,78%	99,67%
2013	98,82%	98,83%
2014	98,93%	100,00%
2015	99,95%	100,00%

2015 RESULTS

- Issued Environmental Responsibility declaration and applied for declaration of conformity and commitment;
- Drafted new version of scrap purchasing policy;
- Introduced new model for reporting visits made to raw-material and scrap suppliers;
- Included scrap suppliers for control of registration in Supplier Management System on Corporate Portal.

KEY TARGETS FOR 2016

- Implement policy for taking delivery of materials and scrap for processing;
- Review Supplier Management Procedure to include other segments and extend evaluation, qualification and monitoring criteria for scrap suppliers.



05

CUSTOMERS



Long-term partnership

To measure customer satisfaction levels, Termomecanica conducts a satisfaction survey every two years to evaluate aspects related to commercial and technical services, product quality and commercial conditions, among other items. This is an important initiative for our company, which has a reputation in the industry for cultivating good relationships and long-term partnerships.

This recognition is the result of a policy that includes periodically training customer service teams and emphasizing technical aspects related to metallurgy, taxation and doing business. This type of initiative is important because these professionals survey and compile demand on visits made for prospecting, commercial and technical purposes, or even visits concerning product-related services as well as findings and surveys in specialized publications.

At the same time, business intelligence professionals conduct surveys to quantify market shares and trends in each segment served, among other items, thus pursuing continuous improvement in meeting customers' needs. In this case, primary and secondary sources used include reports of business visits, publications and internet surveys or searches.

All complaints and questions received through phone calls, e-mails, TM's B2B Business Portal or when visiting customers in person are recorded in SAP Customer Services and forwarded for evaluation by the department concerned. In cases of dissatisfaction or criticisms, our recommendation is to find causes and take measures to correct and definitively eliminate the problem. The Company guarantees confidentiality and privacy for information provided by customers, who will in all cases be assisted by Termomecanica's data security policy.

TM's B2B portal is one of Termomecanica's main customer service channels. Designed as an electronic channel for purchases and relationships, it facilitates contact with customers, enables a number of important actions, from online purchases and consulting outstanding invoiced orders to displaying summarized or detailed statements for primary and / or scrap raw materials.

The portal also enables real-time quotations for materials in a matter of minutes, thus ensuring rapid customer responses. All events are registered through the Corporate Portal, Salesforce and SAP for integrated reporting to those responsible who will progress incoming requests.

2015 RESULTS

- 18% increase in number of customers using B2B portal;
- 403 valid complaints were answered through customer service channels, and 100% of them were solved.

KEY TARGETS FOR 2016

- A 5% increase in customers using TM's "B2B portal" digital platform;
- Add more functionalities to TM's B2B Portal, such as querying data for bank pay-in invoices (boletos) / negotiable invoices and products that are not in the portfolio, request to bring forward / put back deliveries of materials, invoicing requests and registering "Info" codes in material.



06

COMMUNITY



Solid relationship

Termomecanica's relationship with the community extends beyond geographical boundaries and reaches many places around Brazil, including those where the company has no physical presence. This is because the company's relationship policy is aligned with the institutional mission of the Salvador Arena Foundation, its parent company: "Follow the founder's ideals of contributing to society, especially those most in need, working for education, health, housing and social assistance, for social transformation, using the proceeds from investing legacy assets."

Services for stakeholders, governance and decision-making processes are also based on corporate values shared by both organizations, including altruism or philanthropy. Through its sponsor, Termomecanica backs several social and community initiatives that benefit over 30,000 people all over Brazil every year. These programs support projects developed by non-profit NGOs such as children's homes, day cares or crèches, shelters or care homes, charitable hospitals, vocational centers and other organizations fostering social development.

Yet other social investments include management training and education, fundraising and drafting projects for managers and technicians of social entities. Institutions aiming to meet legal requirements pertaining to their corporate ownership situation may obtain free technical advice on the subject.

A major highlight among the initiatives developed is the Salvador Arena Foundation Educational Center (local acronym CEFSa), consisting of Termomecanica College and Termomecanica Technology School which provides high quality education free of charge for nearly 2,500 students every year using its own funds to cover 100% of costs. CEFSa's supporting structure includes the Engineer Salvador Arena Theatre, the TM 23 Bronze Olympic Stadium and the Salvador Arena Aquatic Complex.

07

COMMUNICATION



Relationships with responsibility

"Create, implement and support media processes and initiatives that enable Termomecanica to retain its positive and favorable image for its key stakeholders." This is the mission set for Termomecanica's Corporate Communication department, run by qualified professionals committed to the organization's values.

The team's diligence and professionalism are reflected in projects it develops, from planning and managing relationships through to evaluating results. For TM, communication must be based on ethics while keeping channels open for dialog and fully exercising social responsibility.

In this context, recognizing individuals, respect for diversity and eliminating prejudice are crucial to maintaining a climate favoring exchange of information, ideas and knowledge. These aspects are the basis for all communication initiatives, particularly in challenging scenarios.

For relations with employees, for example, the company uses various instruments that not only strengthen proactive attitudes but also enhance the behaviors that TM expects in terms of Corporate Values and its Code of Ethics and Conduct.

Communication with the market is also an ongoing challenge for TM's Corporate Communication department. Its main tools are its press office advisory services and advertising in specialized vehicles, as well as trade shows and events. This strategic high-priority customer and press relations process has played an important role in the consolidation of the brand's image and identity.

"Mural Newsletter" covering a wide range of issues related to citizenship, health, human resources, quality, culture and leisure among others, updated every week. This vehicle is also used for urgent notifications;

The in-house newspaper "Somos TM" ["We are TM"]: first published in 2006, comes out every two months. Its contents are aimed at employees and their families;

Corporate Portal carries the same information as Mural Newsletter in addition to digital versions of the in-house newspaper "Somos TM";

8-page "notice board" updated twice weekly, carries clear, direct and visually attractive messages using a mosaic format;

Communication agents help pass on information or news, explain issues and provide support for critical points in communication. These employees are committed to the company and seen as opinion makers.

2015 HIGHLIGHTS

- 257 articles published based on press releases of which 47% in media that have major impact on TM's business. This was 40% up on 2014's number;
- 70 different messages carried on 8-page boards;
- 20 ads published in 11 different print-media vehicles;
- `Copper Essential to Life` campaign items on the importance of copper for society were systematically disseminated working together with Procobre. In the course of the year, these contents were published in our in-house newspaper "Somos TM" [We are TM], our Facebook page, notice boards and 8-pager notice board;
- Our Social Responsibility Project was deployed. This is an ongoing initiative since studies will be carried out every year.

KEY TARGETS FOR 2016

- Continue using press advisory activities to drive the brand's outreach into the market;
- Introduce disclosure routines for themes such as cost cutting, motivating people in difficult periods, personal and organizational achievement, encouraging employees to help bet the company through Brazil's political and economic crisis while minimizing the extent of its impact.

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