



Termomecanica



SUSTAINABILITY **REPORT**

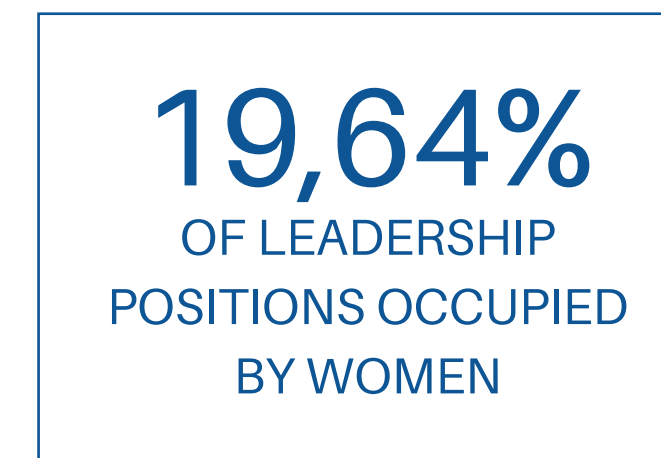
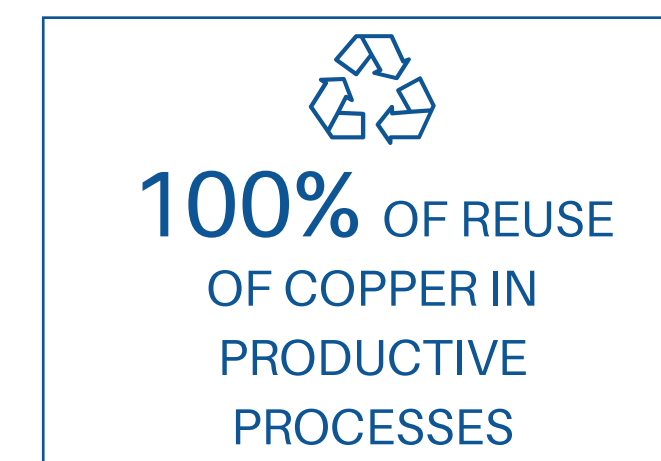
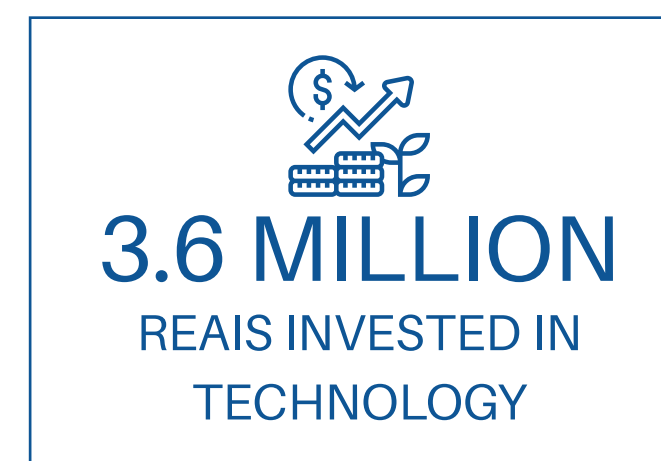
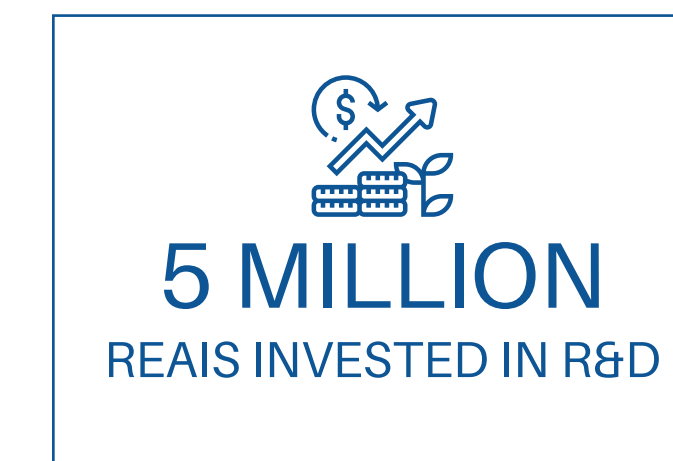
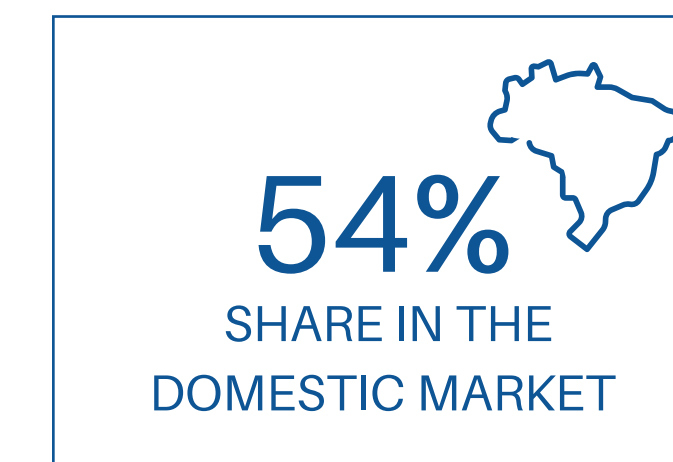
2023

About the Report

We are highly pleased to publish, once again, Termomecanica's sustainability report, in which the main results attained by the company in 2023 are reported. According to custom, editing this material has involved the work of several technical groups from distinct areas who contributed to the survey and checking of the required information, ensuring transparency and integrity throughout the process. These groups are also engaged in the deployment of the ESG Strategy at Termomecanica.













Since the beginning of the disclosure of this report, Termomecanica has been following up, for sake of reference, the market indicators related to sustainable and socially responsible businesses, in addition to inquiring the Table published by IBASE/The Brazilian Institute of Social and Economic Analysis. We present below the indexes that were outstanding last year and which will be addressed in further detail in the subsequent chapters.

2023 Highlights



Objectives of Sustainable Development

The socially responsible approach adopted by Termomecanica, shown in this Report, is in compliance with 12 out of the 17 Objectives of Sustainable Development (ODS) set out by the 2030 Agenda of the United Nations (UN). The table below highlights the contributions by the company in relation to each of them:

<div data-bbox="269 559 509 797"> 3 GOOD HEALTH AND WELL-BEING  </div> <p>We take care of the human capital, our main priority. We take care of the safety of our employees, contributing to a healthier life and to promoting well-being.</p>	<div data-bbox="1019 559 1259 797"> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  </div> <p>Investments in research and development and leading-edge technology result in innovative products that contribute to improving people's quality of life, optimizing the use of natural resources. We continuously invest in the acquisition of modern equipment in line with NR12 or in performing improvements in order to make such equipment compliant with said standard.</p>	<div data-bbox="1772 559 2012 797"> 12 RESPONSIBLE CONSUMPTION AND PRODUCTION  </div> <p>Our cyclical productive process, the environmental awareness campaigns and actions, the reduction of residues generated, and the controlled use of natural resources allow us to attain sustainable development. By purchasing the scrap metal to be deployed in our processes, we value the activities related to the Circular Economy, fostering the innovation of patterns of reuse and segregation of residues, as well as the sustainability of operations.</p>	<div data-bbox="2525 559 2765 797"> 15 LIFE ON LAND  </div> <p>Through our actions, procedures, patterns, and legislation complied with in all environmental requirements, we increasingly reduced the impacts generated in our process, ensuring the protection of our surroundings and the preservation of biodiversity.</p>
<div data-bbox="269 939 509 1178"> 4 QUALITY EDUCATION  </div> <p>We offer alternatives that impact on our employees' development and education. These are actions carried out internally by means of Salvador Arena Corporate University or developed by competent institutions that add value to our workforce.</p>	<div data-bbox="1019 1014 1259 1253"> 10 REDUCED INEQUALITIES  </div> <p>Hiring young apprentices who come from low-income families allows for the company to contribute to reducing inequalities, by offering dignified work and economic growth.</p>	<div data-bbox="1772 1108 2012 1346"> 13 CLIMATE ACTION  </div> <p>Our energetic efficiency contributes to minimizing greenhouse gas emissions, the main cause of climate change.</p>	<div data-bbox="2525 939 2765 1178"> 16 PEACE, JUSTICE AND STRONG INSTITUTIONS  </div> <p>We fight corruption and bribery in all of their forms. We strictly comply with laws and support nondiscriminatory policies for sustainable development. All of our merchandise supply contracts and/or service contracts, in addition to purchase orders, contain specific clauses that condemn forced labor and use of slave labor, child labor or labor under degrading conditions.</p>
<div data-bbox="269 1403 509 1641"> 8 DECENT WORK AND ECONOMIC GROWTH  </div> <p>Our financial health results from ethical and responsible management. We generate employment and comply with labor laws. The payment of salaries is in line with the best market practices and the granting of a long list of benefits make it possible for our employees to have a quality of life and to have their main needs met.</p>	<div data-bbox="1019 1328 1259 1566"> 11 SUSTAINABLE CITIES AND COMMUNITIES  </div> <p>We supply innovative products, made from recyclable raw materials that can be reused, deployed in several enterprises and projects for sustainable development. By purchasing and using scrap metal in our processes, we contribute to the economic growth of society, generating added value in the supply chain and allowing a higher reuse of residues.</p>	<div data-bbox="1772 1478 2012 1716"> 14 LIFE BELOW WATER  </div> <p>We make use of reused water and have our own treatment plant for the effluents generated, and through analyses, we strictly comply with the patterns for discharging the water used in our productive processes.</p>	<div data-bbox="2525 1478 2765 1716"> 17 PARTNERSHIPS FOR THE GOALS  </div> <p>We educate our metal recycling partners, especially to prevent pollution resulting from burning wires and cables, on the mode of packaging, separation, and classification of scrap metals, so that we can obtain a competitive advantage to the business.</p>

Message from the Chair of the Board of Directors



REGINA CELI VENÂNCIO

**CHAIR OF THE BOARD
OF DIRECTORS**

In the past few years, several sectors of society have been demonstrating a greater concern about the future of the planet and the role of organizations regarding social and environmental challenges that may compromise the survival of future generations. In this scenario, a special movement has drawn Termomecanica's attention. Although it has been adopting sustainable practices since its foundation, the company decided to adhere to such a movement, taking a huge step in 2023, when we started to define our ESG Strategy.

This was a rather complex work that brought together the members of the Board of Directors and the members of the Executive Board, in addition to leadership from Termomecanica's strategic sectors. Before taking this important step, we listened to our clients, suppliers, and the representatives of the copper chain, as we believe that a successful ESG journey requires the engagement of our main stakeholders. From the financial perspective, 2023 was once again a period marked by positive results, but making progress in the ESG agenda was undoubtedly one of the most outstanding moments in such a period.

We are aware of the role Termomecanica plays as a leader in its segment, characterized by its ethical and responsible management. For that reason, the Board of Directors has not only been fostering but also actively participating in important moments like this. We believe that Termomecanica has all the credentials required to successfully take on this challenge, stimulating the continuous engagement of the entire value chain and inspiring other organizations to implement provenly effective practices.

In this regard, we will continue providing support to the Executive Board in the creation of an ESG Agenda not only committed to perpetuating the business, but also committed to the future of the planet. In view of its successful history of sustainable actions, the existing initiatives will be included in action plans in line with the expectations of the market and society. New projects will be discussed and implemented, engaging the teams in a joint effort and creating control mechanisms that will shape the company's actions.

Innovation will continue to be the backbone for the development of new products. We acknowledge the importance of copper in the transition to a greener future, and thus, we will keep prioritizing investments in the development of more and more sustainable products, in addition to adopting new technologies that contribute to reducing the impact of our activities, and consequently strengthening the circular economy, a model already ingrained in our productive processes especially.

Although Termomecanica's ESG Journey is just beginning and 2023 was essential for this process to mature, the company has a background of eight decades of successful experiences in issues related to environment, social, and governance. The Board of Directors understands that this will be Termomecanica's greatest differential at the time of introducing new changes, that are real and significant, so that it can leave a long-lasting legacy to future generations.

Message from the Chief Executive Officer



LUIZ HENRIQUE

CAVEAGNA

**CHIEF EXECUTIVE OFFICER
OF TERMOMECANICA**

Once again, Termomecanica has been attentive to the main market trends and closed 2023 with satisfactory results. In spite of the instable global copper market, the company remained sturdy prospecting new international clients and started exporting aluminum products, in addition to consolidating the selling of tubes to the United States. In parallel, it was able to increase its domestic market share, with a growth from 52% to 54%.

Other advancements have also marked the period and deserve celebration. Last year, Termomecanica achieved the lowest accident rate in its history. Such an achievement reflects our commitment to the well-being of our employees and is the result of ongoing investment in occupational safety, both in equipment and new processes and in awareness about the importance of safe behaviors. In the Human Resources area, we implemented substantial changes that strengthened our operation, driving our development towards the organizational goals.

From the strategic point of view, in 2023 we moved forward in the challenge of strengthening the ESG culture at Termomecanica. In addition to defining our materiality matrix, we started a detailed mapping to identify the initiatives that will make up the ESG action plan. The implementation of these practices requires continuous monitoring to identify any gaps and develop well-structured initiatives. Our teams are already aligned with that purpose and the results started showing up last year.

The Research and Development area, for instance, created two copper alloys with niobium, whose patent applications were filed with INPI (National Institute of Industrial Property). In addition to being innovative, they favor the circular economy, a production and consumption model fostered by Termomecanica, which aims at balancing the economic system, society, and the environment. Other areas have joined in to start planning different actions, such as calculation of the carbon footprint in production processes with a view to quantifying emissions of said chemical element per product throughout the entire chain. That is critical information to establish new sustainable goals and to strengthen Termomecanica's commitment to the environment.

For 2024, our challenge is to promote the engagement of all employees, so that they are in line with and committed to the ESG Agenda. By using communication and training as tools, I do not have any doubt that we will be able to proactively evolve in this topic. After all, whenever we have been challenged, we have responded with competence and professionalism, as Termomecanica already has a culture that systematically pursues continuous improvement.

In the next pages of this report, you will find the main initiatives that marked 2023, and also, you may discover more about our ESG Journey. To our stakeholders, you are kindly invited to join us in this important journey. Together, we are always stronger.

1. Corporate Profile



Termomecanica

Founded by engineer Salvador Arena in 1942, Termomecanica is positioned among the main private companies in the country. The company has been continuously investing in processes, people, and equipment, with a view to guaranteeing leadership in the industry of non-ferrous metal transformation, such as copper and its alloys, both in semi-finished and finished products.

Recognized for its capacity to compete in terms of cost, productivity, quality, occupational safety, and respect to the environment, since 2016 Termomecanica has also been successful in manufacturing aluminum products.

In order to meet its clients' demands, the company operates four factories in Brazil: one manufacturing unit in Manaus (AM) and three factories located in São Bernardo do Campo (SP), where the headquarters and one of the four Distribution Centers operate. Under the control of Salvador Arena Foundation, Termomecanica closed the year of 2023 with a team of 1,749 employees.

In the last two years, Termomecanica has been preparing its teams to define and implement in its business model an ESG Strategy - Environmental, Social, and Governance -, which is based on innovation, social responsibility, and environmental leadership, and will result in improvement and enhancement of its environmental, social, and governance practices.



MISSION

"To operate in the business of transformation of copper and other non-ferrous metals into products, services, and solutions to meet our clients' needs".



VISION

"To be a leader in the domestic market and to have growing participation in the global market."



VALUES

In respect to the memory and teachings of our founder, we uphold the following values:

- > Altruism
- > Social and environmental responsibility
- > Ethics and transparency
- > Competence and discipline
- > Appreciation and respect for people
- > Continuous improvement
- > Care for the property
- > Pride in belonging to the organization

Segments of Operation and Markets

The solutions developed by Termomecanica have contributed to the growth of several sectors in the economy, such as civil construction, electrical, mechanical, metallurgical, telecommunications, textile, white goods, refrigeration, automotive, machinery, equipment, and sugar-energetic sectors. Already consolidated in the domestic market, the brand is becoming increasingly competitive abroad, having products exported to 18 countries.

In spite of the fact that the external market faced unstable conditions in 2023, the company attained positive results, consolidating the sale of tubes to the United States, prospecting new clients, and planning new operations, such as the beginning of exports of aluminum products. In the domestic

market, the performance was favorable as well, being characterized by servicing of new clients and the increase of its market share, with a growth from 52% to 54%, in addition to the consolidation of production of aluminum products at a larger scale for Brazilian clients.

Thus, Termomecanica’s portfolio increased significantly in 2023, growing from 705 products to 830 different products in aluminum; and from 34,970 to 36,850 products in copper and its alloys. Items such as Brass Strip and C122 LWC Copper Tube (copper and its alloys), in addition to 1350 Alloy Rod (aluminum line) were sales highlights, both in the domestic and external markets.

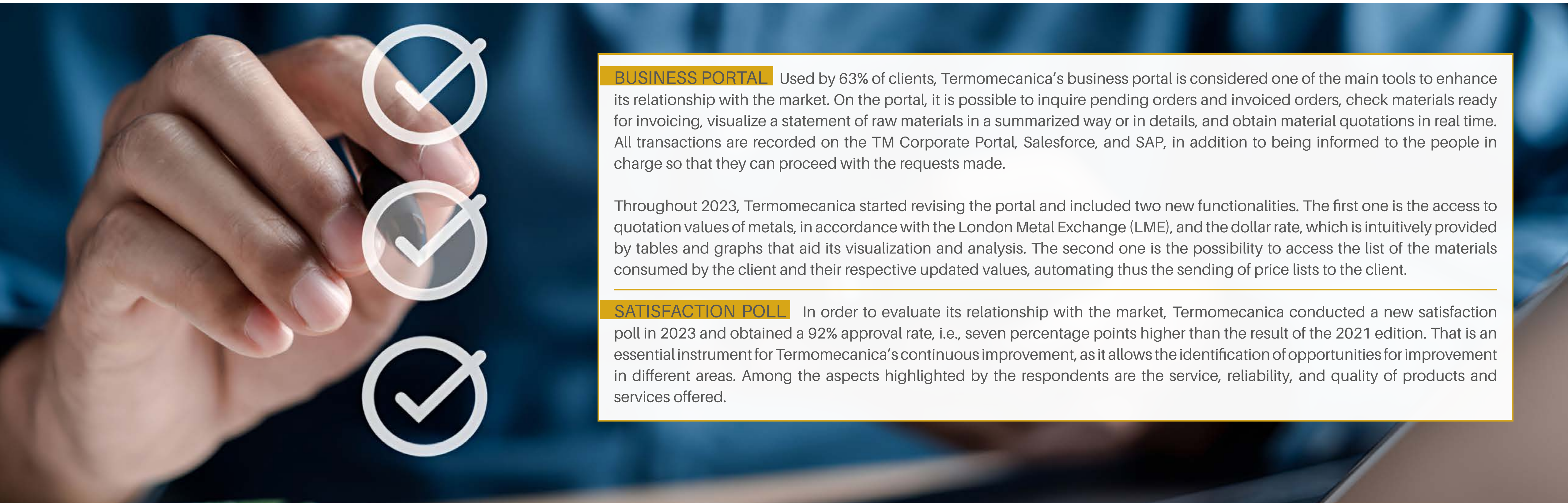


2023 HIGHLIGHTS		
	COPPER AND ITS ALLOYS	ALUMINUM
Domestic Market	C360 Brass Rod Round	1350 Alloy Rod
	C260 Brass Strip	6201 Alloy Rod
	C360 Brass Rod Hexagonal	1350 Extruded Tube
	C268 Brass Strip	6061 Round wire
	C122 LWC Copper Tube	1070 Extruded Tube
External Market	C260 Brass Strip	1350 Alloy Rod
	C350 Brass Strip	8176 Alloy Rod
	C122 LWC Copper Tube	6101 Rectangular Bar
	C122 Pancake Copper Tube	6101 Rectangular bar
	C122 Straight Length Copper Tube	3003 Extruded Tube

Client relationship

Partnership is the word best defining Termomecanica's relationship with its clients. In 2023, it could not be otherwise, and the numbers explain why: the company proposed 100% of resolutions to complaints. Several other factors also contributed to strengthening that relationship even more, such as the quality of products, the excellence in service, and transparency in actions, attributes that have always been the company's hallmark in its business transactions.

Endeavoring to contribute in strengthening the ESG culture, the commercial area started a revision process of the sales policies in order to include the ESG practices, as it acknowledges the relevance of the topic in negotiations, which cannot be only based on financial aspects. The challenge faced by the team was to assess the possibilities for generation of new businesses through a more synergetic operation, strengthening Termomecanica's image as a "catalyzer of innovative ideas".

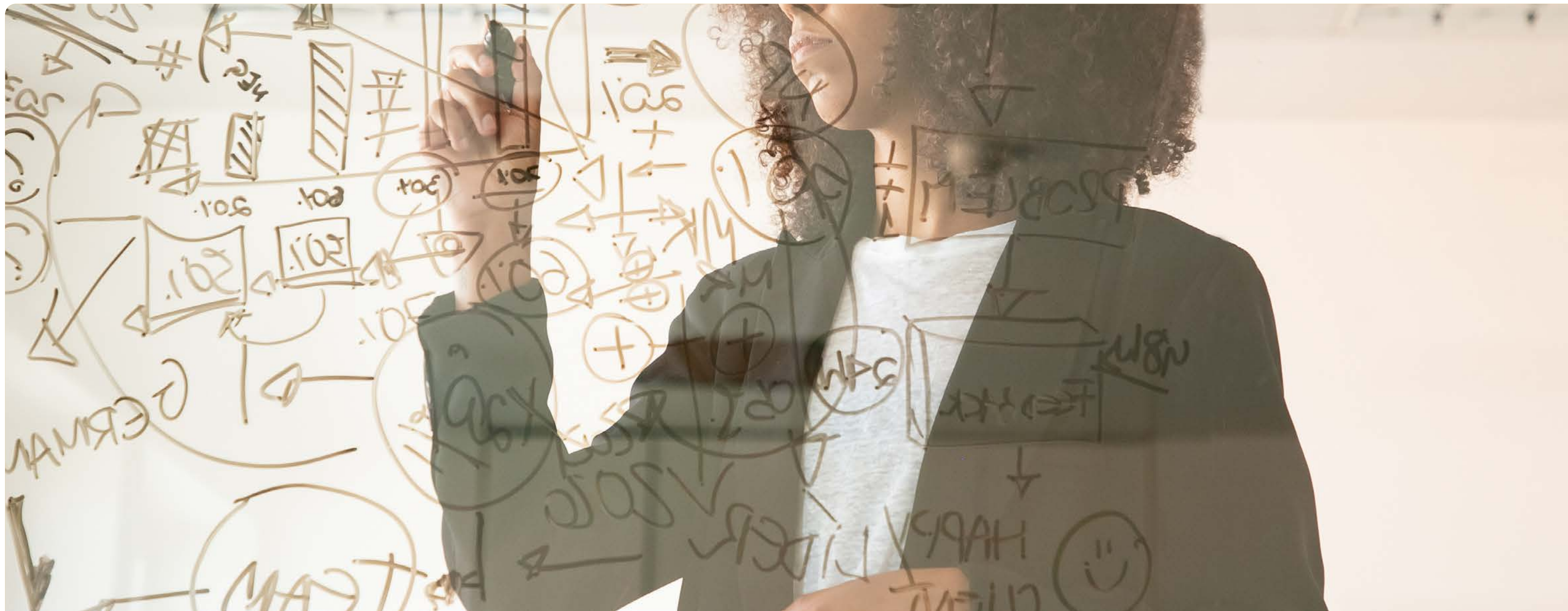


BUSINESS PORTAL Used by 63% of clients, Termomecanica's business portal is considered one of the main tools to enhance its relationship with the market. On the portal, it is possible to inquire pending orders and invoiced orders, check materials ready for invoicing, visualize a statement of raw materials in a summarized way or in details, and obtain material quotations in real time. All transactions are recorded on the TM Corporate Portal, Salesforce, and SAP, in addition to being informed to the people in charge so that they can proceed with the requests made.

Throughout 2023, Termomecanica started revising the portal and included two new functionalities. The first one is the access to quotation values of metals, in accordance with the London Metal Exchange (LME), and the dollar rate, which is intuitively provided by tables and graphs that aid its visualization and analysis. The second one is the possibility to access the list of the materials consumed by the client and their respective updated values, automating thus the sending of price lists to the client.

SATISFACTION POLL In order to evaluate its relationship with the market, Termomecanica conducted a new satisfaction poll in 2023 and obtained a 92% approval rate, i.e., seven percentage points higher than the result of the 2021 edition. That is an essential instrument for Termomecanica's continuous improvement, as it allows the identification of opportunities for improvement in different areas. Among the aspects highlighted by the respondents are the service, reliability, and quality of products and services offered.

2. Business Strategy





Strategic Vision

Termomecanica believes in the potential of human beings and organizations to interact with the world in a more sustainable way. Hence, it adopts an Integrated Management System that has been decisively contributing to the company's evolution, as it contemplates topics related to governance, environment, and people. Through that system, Termomecanica evaluates its processes on a monthly basis and defines, jointly with the areas, the indicators and goals to be attained.

All that work is followed up by the top management and is in line with the Integrated Management System Policy (Table) serving as an inspiration and takeaway for the next steps that Termomecanica has been taking towards the definition of an ESG strategy, in addition to being essential for conquering and preserving the most important certifications valued by the market.

Certifications

ISO 14001
ISO 9001
ISO 50001
ISO 45001
ISO IEC 17025
AS9100D



Integrated Management System Policy

Termomecanica, operating in the domestic and international markets in transformation of copper and other non-ferrous metals into products, services, and solutions, is committed to:

- > Identifying, managing, and preventing its risks, based on social responsibility;
- > Meeting the needs and requirements of clients and interested parties;
- > Ensuring continuous performance improvement of its products and processes;
- > Ensuring continuous improvement of the energetic performance, by providing resources and information, acquiring and/or developing energetically efficient solutions;
- > Promoting safety and health of the people involved, preventing injuries and diseases, respecting ergonomic conditions, eliminating risks and hazards, encouraging participation of workers, and promoting continuous improvements;
- > Preserving the environment and preventing pollution, controlling the generation of residues from the process, atmospheric emissions, and promoting continuous improvement;
- > Complying with the legislation and the requirements applicable to the business.

Technology

In line with Termomecanica's strategic vision, the Information Technology area continued operating throughout 2023 with focus on the concept of Industry 4.0. Among the main tools evidencing the success of such an approach is the Industrial Technological Excellence Center which, last year, received an investment of R\$1.8 million to emphasize the systems and digital processes for manufacture management, improving the existing ones and adding new approaches, such as the adoption of robots in TM's production line.

Other R\$3.6 million was invested in information technology, with highlight to the Industrial Digital Platform with aims at optimizing even more the production/governance; and Termomecanica's Business Portal, for improvement of its relationship with clients, in addition to other projects that allowed the strengthening of information security processes and tools.

With works started back in 2022 for the creation of ESG strategies, the IT area has been playing a critical role in the attainment of positive results as regards environment, social, and governance. Every new year, the company adopts a more systemic and

differentiated approach, working in partnership with several sectors, especially the teams of Alloy Preparation, Casting and the Industrial Area, being focused on distinct fronts.

In 2023, for instance, the main challenges were related to developing tools for identification of consumption and application of the most effective metrics in order to improve the power use management; aiding the optimization of use of recyclables in the production line; and contributing for Termomecanica to achieve greater productivity with lower use of inputs.

Digital education and on-the-job training, in addition to monitoring corporate risks, have also been strategic tools to the company. Combined to the adoption of leading-edge digital technologies, they allowed for Termomecanica to enhance its operational efficiency, the quality of products, and innovation in production lines, in addition to making operations more agile, minimizing errors, and improving collaboration among teams, allowing a quicker and more precise decision-making regarding operational and strategic aspects.



R\$1,800,000

of investment in the Industrial Technological Excellence Center to emphasize the digital systems and processes.



Innovation

The innovative processes adopted by Termomecanica are still an important differential and a strategic element for perpetuating the business. For that reason, investments in Research and Development are ongoing. In 2023, they reached R\$5 million with aims at creating solutions that could meet the different market demands. The team works in synergy with all the company's areas, providing strategic guidance to the use of chemical compositions, in a technical and sustainable way.

The main initiatives were focused on the scientific development and technological improvement of the copper alloys existing in Termomecanica's portfolio. In this regard, researches were carried out for deepening the processes of rotary friction casting in aerospace alloys; friction casting processes in alloys used in the automotive industry such as electric connectors; and studies that developed methods to pave the way for the development of new copper alloys were conducted. The latter initiative led to the filing of two patent applications with the National Institute of Intellectual Property. The news, however, were not restricted to the field of new products.

A reference in its segment, the TM's Center for Research, Development and Testing acquired an optical emission spectrometer, which provides high analytical performance and spectral sensitivity. The new piece of equipment is ideal not only for analyzing exclusive alloys, but also for general use alloys and it may be equipped with several adapters for different types of samples.

Additionally, in 2023 the Center for Research collaborated in strengthening new projects, aimed at gaining market share through the commercialization of services, in addition to actions oriented to health and sustainability, with continuous efforts towards reducing the use of heavy metals. In parallel, the team strengthened projects with universities that include recognizing the high biocidal properties of copper against a wide range of pathogens.

In 2023, the ESG agenda gained additional strength and became a priority for guiding the actions put into practice by the R&D team. In this regard, important agreements were made with the partners

in the industry and projects were started for strengthening the Circular Economy in the company. Termomecanica believes that it can contribute in projects for the use of raw material in copper alloys, prioritizing issues related to the use of raw material, and focusing on the technical classification for compliance with the normative requirements provided for in domestic and international specifications.

In this regard, the company started conducting a study to form a technical group to operate in the Development and Application of raw material, which will be focused exclusively on the strategic disposition of use, having sustainability as priority.

On social media, in August the company adopted a new strategy not only to disclose, but also to recognize the importance of Termomecanica's Center for Research and Development. By December, 75 pieces of content had been published, contemplating the three main profiles of the Center for Research and Development. The posts reached more than 1.2 million on Facebook and Instagram, in addition to obtaining an engagement of 1.6 thousand on LinkedIn.



<https://www.facebook.com/CPDE.TM>



https://www.instagram.com/cpde_tm/



<https://www.linkedin.com/company/laboratório-termomecanica-cpde>

Communication Channels

Strengthening communication and relationship with its main audience of interest has been fundamental and strategic for Termomecanica, not only to preserve the excellent reputation attained throughout its history, but also to serve as a reference for those who value ethical partnerships based on the exchange of information and mutual respect. Below there are some of the modes of communication currently used by the company:



SUPPLIERS

Termomecanica conducts in-person visits, always observing the safety protocols adopted by the company and its suppliers, in addition to holding online meetings, which are used to address specific issues when a prompt decision is required. Corporate WhatsApp is also an important contact channel in transactions involving suppliers. Additionally, E-procurement is an integrated management system of suppliers for contact, negotiation, and purchase of merchandise and/or services.



PRESS

The media relations work was strengthened throughout 2023, as the company made 15 press releases, showing a growth of over 25% if compared to that of 2022. In 2023, overall, 351 articles were published, a volume 60% higher than that of the previous year. Additionally, out of the total of articles published in 2023, 59% of them were on the 1st focus media, i.e., in priority communication vehicles from different areas, such as business, industry, automotive, refrigeration, technology, and mining. In parallel, 12 opportunities for interviews were obtained, generating on average at least one opportunity per month.



CLIENTS

To resolve any questions, Termomecanica relies on several customer service channels. In the sales area, the contact can be made through telephone, Corporate WhatsApp, e-mail, TM's B2B Business Portal, in-person visits at the clients' locations and/or at Termomecanica's facilities.



SOCIAL MEDIA

In 2023, Termomecanica continued investing in contents in various formats on its Facebook, Instagram, and LinkedIn accounts. With aims at getting even closer to its audience and keeping it updated on the main news about the company, it invested in a new strategy that started back in August 2023. Such a plan included bringing more dynamic and didactic contents in order to engage and interact with the company's target audience. From August to December 2023, 156 pieces of content were published on Termomecanica's social media, totaling a reach of almost 40,000 only on Facebook and Instagram. While on LinkedIn, it was possible to map an engagement of more than 8 thousand in publications posted. Hence, by the end of 2023, Termomecanica's profile on Facebook had more than 8.7 thousand followers; on Instagram it exceeded 2.7 thousand, and on LinkedIn it had 73.3 thousand connections



EMPLOYEES

Termomecanica makes use of a variety of communication channels to keep the internal public informed about topics of common interest, in addition to campaigns and endomarketing actions that contribute to preserving a positive organizational environment. TM Comunica, a WhatsApp channel implemented during the COVID-19 pandemic, has become an important ally, as well as Corporate TV sets, placed at strategic locations at Termomecanica's units. Other formats, traditionally used in the company, such as the Corporate Portal and e-mail bulletins, continue to bring notices and other informative topics.



COMMUNITY

In addition to publishing its financial statements in wide-circulation newspapers and disclosing the Sustainability Report on its own website, the company has Customer Service (SAC) and Ombudsman services; two important communication channels created to receive suggestions and criticism.

3 - ESG and Sustainability





ESG in Business

Sustainability has been a decisive factor for decision making at Termomecanica. Throughout its history, the company has always been sensitive to problems impacting society and the environment, systematically taking actions in the search for solutions. The interest in the ESG Agenda arose as the organization could see in itself some of the restlessness that gave rise to several other projects developed throughout more than eight decades of existence.

For that reason, Termomecanica hired the specialized consultancy “Além das Palavras” in order to have a better understanding of the concept of ESG and how Termomecanica could work, in line with it, on three topics that have always been part of its day-to-day life. Although it is a closed corporation, being under no requirement of rendering accounts in relation to sustainability, Termomecanica is aware of its role as a promoter of good entrepreneurial practices.

Stages of the Project

The first stage of Termomecanica’s ESG project took place in 2022, upon the conduction of an internal analysis, involving the survey of information and leadership’s visions, which were gathered by interviews with Termomecanica’s executives and members of the Board of Directors. In order to check the relevance of ESG themes to the business, it has also conducted an analysis of internal documents, such as policies, risk matrix, and materiality matrix, among others.

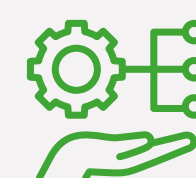
The parameters for those works were the pillars and themes used by the key international reference organizations, such as the Global Pact for the Environment/UN, DJSI, SASB, Global Reporting Initiative/GRI; and domestic reference as well, such as ISE B3 and Ethos Institute. Hence, it was possible to understand how Termomecanica’s leadership, from their points of view, knowledge, and experiences, viewed not only the risks and opportunities of ESG, but also the future. Listening to the leadership in depth and collaboratively constructing a positioning on ESG were critical to identify how the concept is present in the company’s culture and business, including strengths, weaknesses, and points for improvement.

In 2023, the project proceeded with the performance of its second stage, which comprised the analysis of external context. In March and April, the consultancy analyzed the contents of 12 sustainability reports of competitors, clients, and suppliers operating in the domestic and international industry. Such an initiative was intended to identify the main ESG themes addressed in the documents and how they were managed by companies also integrating the copper value chain.

In parallel, interviews were held with external stakeholders' representatives in order to evaluate how ESG themes were present in their business relation with Termomecanica. One of the strengths highlighted by all of the interviewed companies, with great emphasis, was the ethical, transparent, and respectful conduct existing in the commercial relationship with Termomecanica, in addition to mentioning attributes such as politeness, qualification, and the pride perceived.

Besides the practices under the Governance pillar complimented by the interviewees, they also pointed out environmental and social aspects as the company's strengths. The diagnosis prepared by the consultancy also included suggestions for improvement. Among the recommendations, the interviewees suggested that Termomecanica could establish a closer relationship with its stakeholders, especially those that are more engaged with the ESG pillars, with aims at having exchanges, synergies, and establishing future partnerships in this regard.

GENERAL DIAGNOSIS



STRENGTHS

- > Excellent reputation
- > Ethical values
- > Robust integrity program
- > Operating Efficiency
- > Employee engagement
- > Power Management
- > Employee compensation
- > Client satisfaction
- > Health and Occupational Safety



Materiality Matrix

The next step was the creation of a Materiality Matrix for the copper value chain, whose points were defined through the analysis of the materiality matrix existing in the sustainability reports that had been previously analyzed and the ESG themes mentioned on websites of companies whose matrix was not published in the document analyzed during the benchmarking. Two other matrixes were also prepared by the consultancy, covering material themes raised by the interviewees during the internal and external analysis phases.

Material Themes for the Copper Value Chain - Benchmarking

ENVIRONMENT	SOCIAL	GOVERNANCE
Water	Professional Development	Ethics and Compliance
Power	Human Rights	
Residue Management	Diversity and Inclusion	
Climate Changes	Relationship with Communities	
Air Quality	Health and Occupational Safety	

Material Themes - interviews with an external point of view

ENVIRONMENT	SOCIAL	GOVERNANCE
Circular Economy	Supply Chain Management	Ethics and Compliance
Climate Changes	Human Rights	
Power Management	Relationship with Community	
GEE Emissions	Worker's Health and Safety	
Residue Management		

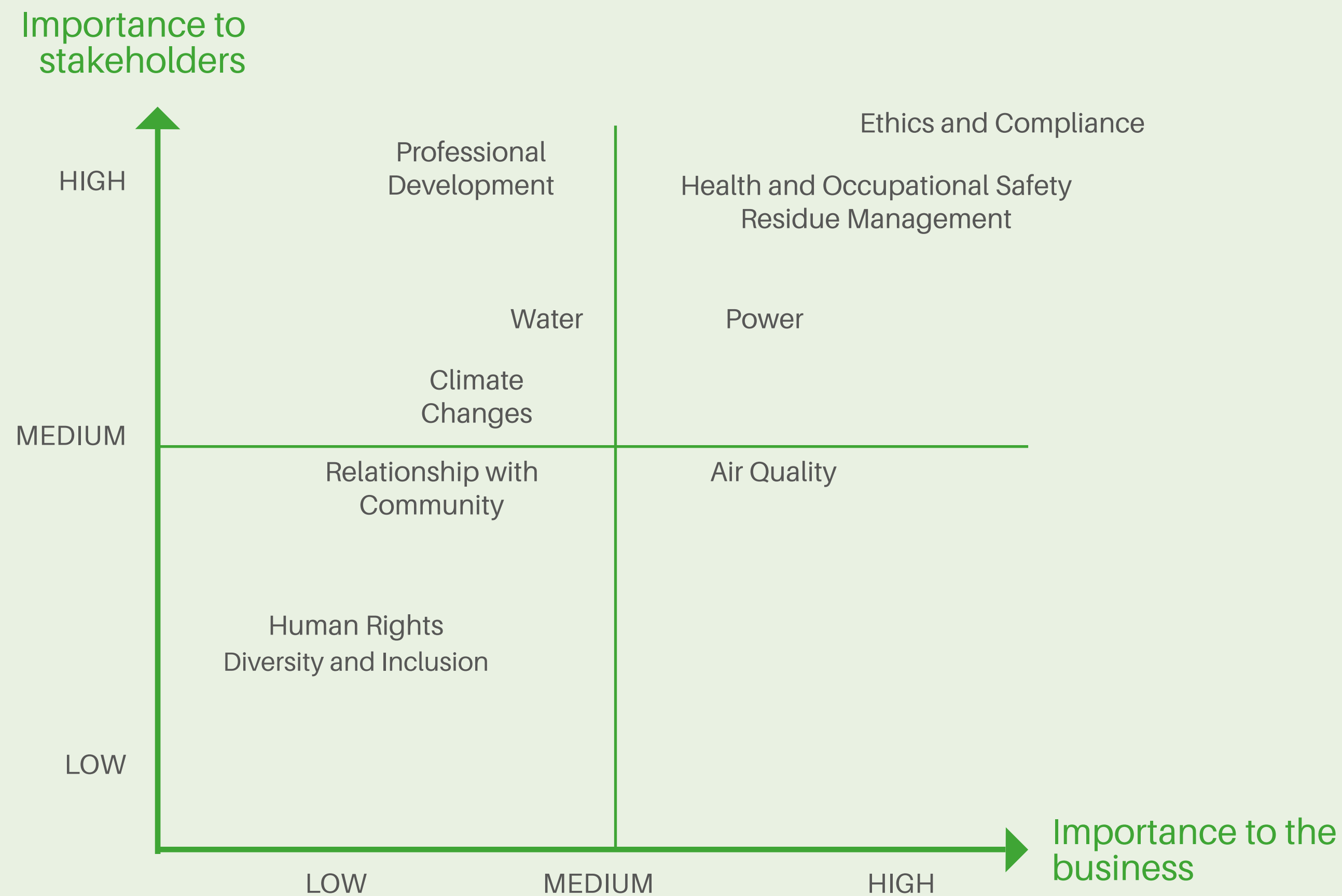
Material Themes - internal interviews

ENVIRONMENT	SOCIAL	GOVERNANCE
GEE Emission	Compensation and Benefits	Organizational Governance
Soil Management	Professional Development	Ethics and Compliance
Environmental Management	Health and Occupational Safety	
Water Management	Social Actions and Community	
Power Management		

This content provided important information for Termomecanica to be able to define its own Materiality Matrix, which took place in September during the "ESG Strategy" workshop and brought together the company's main leadership and members of the Board of Directors. The meeting was intended to present the scope of the ESG Project, describe concepts of sustainability, present social-environmental themes of higher impact on the value chain and discuss the social-environmental themes of higher impact to Termomecanica, among other subjects.

By crossing the internal and external stakeholders' perceptions of the themes considered material and important to the sustainability of the business, the group has identified, prioritized and validated the material themes relevant to Termomecanica, with a view to attaining more assertive management by the leadership and a better compliance with demands and questionings by stakeholders.

Termomecanica's materiality matrix



Challenges



The work developed throughout 2023 resulted in a comprehensive study of the panorama, the challenges and the good ESG practices that are relevant to the key stakeholders; benchmarks and trends; in addition to including the analysis of 40 articles covering future themes that may become new challenges to the whole industry. All such movement has resulted in a strategic report prepared by the consultancy, which also includes a roadmap of actions with proposals for the next three years. With such a material, Termomecanica ended 2023 with the areas already reflecting and putting into practice those initiatives related to the theme, as we can see throughout this report.

Termomecanica is aware that, in the last few years, the theme of sustainability, in the mineral transformation industry has been directed towards the adoption of innovative technologies and solutions to deal with climate changes, and it recognizes its power of contribution to themes that are already rooted throughout its history, such as ethics, integrity, health, safety, and especially diversity and inclusion. The action plans to be prepared in the future will reinforce once again the company's commitment to sustainability.

4 - Corporate Governance





Our Purpose

Transparency, equity, rendering of accounts, and corporate responsibility are the principles guiding Termomecanica's Corporate Governance System (SGC). Established back in 2010, it ensures the implementation of good practices for economic and ethical development, in addition to promoting relationships of trust with its various audiences of interest.

Termomecanica's main governance body, the Board of Directors, comprises six members, out of which four are women. Assisted by three committees that address specific subjects, in 2023 the Board held 57 meetings to discuss themes relevant to the company's continuous development. Among the main challenges, it is worth mentioning, is the continuance of the works regarding the

succession process and the performance of the second phase of the ESG Project.

Termomecanica understands that it is time to formalize the initiatives existing in the organization by structuring them so that they can be viewed as ESG practices, in addition to including new themes relevant to the organization's sustainability. Initially, that theme was conducted by the Strategy Committee. The steps taken in 2023 were critical for Termomecanica to create, in 2024, the ESG culture in the company in a more concrete way, engaging everyone around a common objective and creating control mechanisms that make possible the development of such initiatives.

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Regina Celi Venâncio - Chair of the Board of Directors
 Nelson da Silva Leme - Vice-President of the Board of Directors
 Luis Carlos Rabello - Member of the Board of Directors
 Márcia Thiemi Uemura - Member of the Board of Directors
 Maria Luzia de Almeida - Member of the Board of Directors
 Iara Satoco F. Yamada - Member of the Board of Directors

BOARD SUPPORTING COMMITTEES



Strategy



Audit, Risks and Compliance



Governance, People and Compensation

Code of Ethical Conduct

Termomecanica's excellent reputation, strengthened throughout its history, is basically due to its high ethical and moral standards. Mutual respect is considered critical and the foundation of all good relationships, which is clearly expressed in the organization's Code of Ethical Conduct. It is an important corporate governance practice that outlines the guiding principles for employees' actions and behaviors in any situations that may raise ethical doubts.

In addition to making public the organization's posture, the Code of Ethical Conduct reinforces Termomecanica's principles and its intolerance to fraud and corruption, and it is updated as required. To the company, its employees' ethical behavior, in an increasingly complex world, is crucial to the survival of the business and an important ally for transformation of society.

Thus, this document is nothing else but the reflection of Termomecanica's culture and beliefs, whose guidelines are included in work contracts, as well as in contracts made with suppliers, service providers, and clients. The main objectives of Termomecanica's Code of Ethical Conduct are:

- > To strengthen the company's ethical culture, increasing the level of trust and respect in all of its internal and external relations;
- > To manage, by preventing, reducing, or eliminating conflicts of interest among people, groups and interested parties in the company;
- > To preserve the image and reputation of Termomecanica and its controlled companies in the market;
- > To serve as a foundation of moral sustainability and the backbone that should guide and conduct Termomecanica's management and actions as a socially responsible company.

Human Rights

Termomecanica supports and puts into practice a set of fundamental principles including human rights, standards of work, and the fight against corruption. This means that the company's management must be grounded on respect, awareness, and promotion of human rights. To Termomecanica these are non-negotiable and indispensable themes for the construction of a fairer society, and for this reason, it is fundamental that they are extended to its entire value chain.

In this regard the Code of Ethical Conduct provides that Termomecanica, its employees, and business partners must comply with the laws and political systems of the countries in which they operate, and all of them shall be attentive to compliance with the following commitments in effect:

- > Respect to Human Rights;
- > Prohibition of minor labor and forced labor;
- > Prohibition of discrimination;
- > Working day in compliance with the legislation;
- > Compensation compatible with the market;
- > Quality, health, and safety standards;
- > Environment preservation;
- > Repudiation of corruption and bribery;
- > Payment of taxes and proper communication of financial information;
- > Fair competition.

In addition to keeping its business partners informed of principles, laws, and regulations, Termomecanica also encourages such partners to abide by them. Equally, the organization ensures that the legal, accounting, and tax consultancies conduct their activities in compliance with the Code of Ethical Conduct.

Compliance System

Consolidated in 2016, Termomecanica’s Compliance System officializes the observance of rules and legislations in effect, being considered the main parameter for decision-making and the actions taken by the company since its foundation, both in the domestic and international extents.

Implemented in accordance with the regulation of the Anti-Corruption Act (Law 12,846/13), the Compliance System is intended to ensure legal, statutory compliance and other applicable rules and policies. Being considered an important ally in the procedures for identification, administration, and mitigation of corporate risks, it has allowed the effective control of Termomecanica’s activities, such as structuring of processes related to Brazil’s General Data Protection Law (LGPD), which aim to guarantee the integrity of personal and sensitive information eventually gathered by the company when running its businesses. In 2023, the highlight was the establishment of a Reporting Channel, an important tool used to report any irregularities in the working environment.

In addition to independent audit companies contracted to ensure compliance with the legislation and for validation of financial and accounting statements, Termomecanica also relies on the support from the Internal Audit area, which has been contributing decisively in this process, by auditing all of the business areas and processes conducted by the corporation and its associate companies.

The team works preventatively in financial and accounting operations, validating internal controls that support and ground the Corporate Governance and Compliance systems. In 2023, 168 internal audits were carried out which resulted in the evaluation of 62 business areas and identification and monitoring of 398 corporate risks.



168
internal
audits

62
business areas
evaluated

Risk Management

Termomecanica adopts a policy for corporate risk management addressing themes such as operational and strategic risks, opportunities, fraud risk appetite, with aims at ensuring a governance model, reducing the probability and impacts of risks, ensuring reliability of processes, legal and regulatory compliance, and communicating benefits of risk management to all interested parties.

For instance, in order to prevent contamination of reused raw material, the Metal Intake Section classifies the raw material jointly with the laboratory team, and then they prepare the alloys for casting, according to the demand. Any kind of contamination is identified during the process and treated in the system. Furthermore, that process was updated in 2023.

In relation to power sources, Termomecanica has a matrix containing all mapped risks and indicating mitigation actions. In order to ensure its employees’ safety, Termomecanica created an app for validation of Individual Protection Equipment (EPI) and for dialogues about safety using a tablet, which brings benefits ranging from the efficient dissemination of guidance and important information to the validation that the employees received the safety equipment. Also, Termomecanica has already been considering the possibility of mapping ESG risks, with a view to improving even more the practices adopted by the organization.

Partnerships

The mechanisms and principles that aid Termomecanica in its decision-making process to manage its relations with society are also reflected in its relationships with institutions, with which the company has partnerships not only intended for the company's own evolution, but also for promoting collective objectives.

In the line of copper businesses, Termomecanica is member of the Brazilian Copper Association (ABCOBRE) and the Union of the Electrical Conductors, Drawing, and Rolling of Non-Ferrous Metals Industry of the State of São Paulo (SINDICEL), the entities responsible for discussing and taking actions for the benefit of the entire chain of semi-finished and finished copper and their alloys. In the line of aluminum, it is member of the Brazilian Aluminum Association (ABAL), which is responsible for organizing events, technical work groups, and publications in the industry, among other actions.

In parallel, Termomecanica attends important events abroad, which are promoted by the ABRAVA Exporta Program created by the Brazilian Association of Refrigeration, Air Conditioning, Ventilation and Heating in partnership with APEX Brazil. With aims at obtaining important data and information regarding the zinc product chain, it also has a partnership with the International Zinc Association (IZA).

With a view to promoting new manufacturing processes, the company has as a partner the Federal Institute of São Paulo (IFSP). In the Research and Development area, the partnership is with the Federal University of São Paulo (UNIFESP), for developing processes in the scope of antimicrobial copper nanoparticles.

Awards and Acknowledgements

Termomecanica is continuously pursuing development. Operating in the market for over 80 years now, it has become a reference to several kinds of organizations, especially for its ethical work and the quality of its products and services, being focused on providing comfort and the best service to its clients, suppliers, and employees. For that reason, the company is frequently awarded, which somehow confirms that it is progressing in the right direction. In 2023, it is worth highlighting:



VALOR 1000 RANKING:

A ranking organized by Valor Econômico newspaper, in which Termomecanica is ranked 335th among the 1,000 largest companies in Brazil.



AS MELHORES DA DINHEIRO

Another important business ranking created by "Isto É Dinheiro" magazine ranks Termomecanica in the 365th position among the Largest and Best Companies of Dinheiro magazine ranking.



TOP SBC TROPHY

Promoted by the Municipal Chamber of Councilmen and the Superintendence of São Bernardo do Campo, by means of the Secretariat for Economic Development, Science, Technology, Labor, and Tourism, the "Top SBC 2023" award was granted to Termomecanica in recognition for the work carried out in the city.



CERTIFICATE OF RECOGNITION:

The certificate was delivered by GE Power Conversions Campinas (GEVISA) and recognizes Termomecanica as an outstanding supplier in the OTD (On Time Delivery) category.

5 - Environmental Management



Commitments and Practices

One of Termomecanica's major commitments is the focus on preventing potential environmental impacts resulting from its activities. In order to progress even further in the search for solutions for environmental issues, last year, the Environment team started discussing with greater emphasis on the possible strategies to subsidize an ESG action plan that could impact the entire productive process. In view of that, the investments in the area were even more expressive, increasing from R\$820.3 thousand in 2022 to R\$1.3 million in 2023.

In the process of engagement with the ESG theme and adoption of more sustainable practices, Termomecanica has been seeking initiatives that reduce waste and cut down the use of natural resources. For that reason, a considerable portion of the investments was directed to analysis of processes, measurements, and proper destination of the residues generated. The nonconformities continued to be treated internally with the sectors and the impact evaluations are shared with the competent environmental agencies.

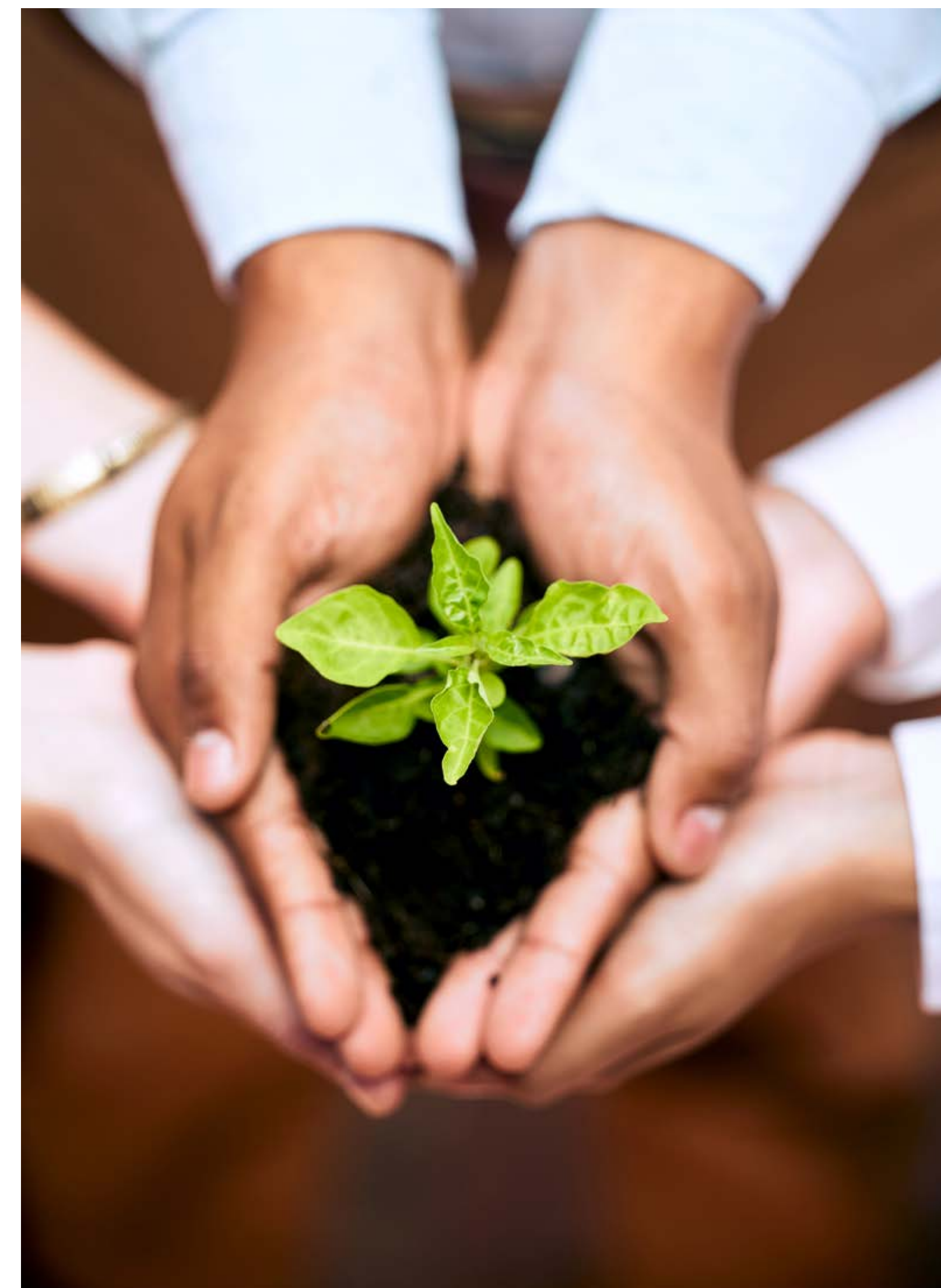
One of the highlights of 2023 was the survey of the inventory of GEE (Greenhouse Gas Emissions). Such initiative shows very well how concerned Termomecanica is with measuring and

reducing its emissions to fight the effects of climate change. Nowadays, 100% of atmospheric emissions from productive processes are controlled by using the best practices available for environmental control.

Another strategy that has been used very successfully is the Environment Week, which, in 2023, featured the theme of "Sustainable Cinema". The broadcasting of the national documentary "Lixo Extraordinário" [Waste Land], which was granted awards in several cinema festivals, spurred a series of discussions and actions that led to greater awareness among employees, especially in relation to water and electricity saving and sorting residues for selective collection.

With notable figures achieved in 2023, namely: 100% of reuse of copper in productive processes, 4.6% of water reused in those very processes, and 2,750.54 tons of residues from Factories I, II, and III being given the proper destination, the Environment Area set an important challenge for 2024: to calculate the carbon footprint of processes and quantify the emission of carbon per product throughout its chain; initiatives that are critical to establishing new sustainable goals in the context of the ESG strategy.

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Power Management

In 2023, ISO 50001 underwent an external audit, and the certification upholding proved Termomecanica’s commitment to the Power Management System. Another important progress was the improvement of results related to energetic efficiency through equipment modernization which reduced the power consumption. The installation of continuous energy meters, for instance, generated an indispensable database for conduction of energetic efficiency studies.

One of the tools used by the Environment team to guide its works is the risk matrix related to power sources, which allows an accurate mapping of such risks and their mitigation actions. In this context, the sectors that are called Significant Power Use (USE) sectors, such as Casting, Rolling, and Presses, appear as the main focus for the Power and Utilities Sector and the Environment Team, as well as all the processes that show potential for energetic efficiency work.

With the strengthening of the ESG culture in 2023, Termomecanica conducted feasibility studies not only to increase the use of renewable power sources, but also to implement initiatives with aims at reducing consumption by the machinery and equipment serving the production area directly and indirectly. One of the actions taken last year was the migration of Factory III to the free market, through the purchase of incentivized power, which has helped to reduce atmospheric emissions.

The support for the continuous evolution of Termomecanica’s Power Management System also comes from specialized companies with which the environment area is constantly in contact, in order to align information and talk about the market, focusing on future projects. Internally, the contribution from employees comes through Inovar Program [Innovate Program]. The initiative has been awarding actions regarding environment and social, especially those actions related to energetic efficiency. In the near future, it may be used to foster employees’ engagement in compliance with the ESG goals.

		2021	2022	2023
Natural Gas Consumption	Factory I	1.845.850 m³	1.620.572 m³	1.341.869 m³
	Factory II	1.183.890 m³	1.176.911 m³	1.228.496 m³
	Factory III		1.506.011 m³	1.695.207 m³
	Total	3.029.740 m³	4.303.494 m³	4.265.572 m³
Electric Power Consumption	Factory I	97.424.681 kWh	95.462.478 kWh	97.768.141 kWh
	Factory II	39.624.088 kWh	36.896.364 kWh	39.333.226 kWh
	Factory III		5.033.384 kWh	5.076.472 kWh
	Total	137.048.769 kWh	137.392.226 kWh	142.177.839 kWh
Water Consumption	Factory I	48.329 m³	54.594 m³	46.439 m³
	Factory II	46.878 m³	44.897 m³	46.565 m³
	Factory III		6.850 m³	8.606 m³
	Total	95.207 m³	106.341 m³	101.610 m³

Residue Management

The management of solid residues has also been an important challenge to maintaining the business sustainability. Therefore, Termomecanica carefully analyzes the residues generated at every stage of its production process, identifying and classifying them in order to determine the best treatment and the right destination for each of them, always in compliance with the environmental legislation.

Reducing residue generation and proceeding with its proper destination were still the main challenges faced by the Environment Area in 2023. The results were satisfactory. The volume of residues in the factories remained low, considering the residues per ton of metal produced, as shown in the table in this page. Copper remained at 100% of reuse as raw material, and the residues that could not be reused internally were sent to specialized companies to be given the proper treatment and destination.

Selective collection continued to be encouraged and has become a successful practice in all factories, where there are collecting stations for metals, glass, batteries, in addition to paper, plastic, and common waste collectors. The employees' awareness level is high, especially regarding sorting of residues for selective collection.

TON OF RESIDUES PER TON PRODUCED			
	2021	2022	2023
Factory I	0,0361	0,0314	0,0319
Factory II	0,0216	0,0182	0,0156

Circular Economy

The concept of circular economy has been adopted by Termomecanica throughout its history, even before the terminology became well-known. In addition to fostering the efficient use of natural resources and sustainable practices, the company reuses 100% of metallic residues generated in its manufacturing process of new products.

Besides fully reusing the copper and its alloys inside production, Termomecanica also uses secondary raw materials supplied by clients that purchase semi-finished products and, after processing them, allocate the resulting materials to a new productive process. That reduces the need for purchasing primary raw materials, contributing to the reduction of costs and minimizing the environmental impacts on mines, in addition to significantly influencing the extension of life cycle for its own products. In 2023, for instance, over 60% of all the raw material used in the factories involved materials for recycling.

Aiming the success of its processes, Termomecanica relies on specific guidelines for suppliers of materials for recycling and strictly abides by the requirements necessary for compliance with the applicable legislation. In other words, no secondary raw material is used without carrying out an analysis of its composition and monitoring its use in production.

In order to improve such a process even more, Termomecanica relies on professionals, who are experts in assessment of materials for recycling, to classify all kinds of secondary material in accordance with their use, providing the right guidance for productive processes, so as to avoid any risks that could compromise the product quality. Another innovation was the organization of a new group for Development and Application of Raw Materials in the area of Research and Development, which was created to exploit the endless possibilities for continuous reuse of copper.



Partnership with Suppliers

In order to support the mechanisms of a circular-economy-based company, Termomecanica keeps an Integrated Supplier Management System that values the same ethical, social, and environmental standards as adopted by the company, in an attempt to engage its suppliers so as to strengthen relations with its entire supply chain.

This alignment of purposes makes feasible the establishment of strong partnerships that directly impact the attainment of positive results. For that reason, the Company's relationship policy goes beyond the conventional criteria, such as price, quality, and punctuality of delivery. With aims at maintaining the homologation of its suppliers, aspects like safety and environment are also valued in the assessment, qualification and monitoring process.

Being focused on taking actions in line with the ESG agenda, the company prioritizes the purchase of equipment from suppliers with energetic efficiency in compliance with recommendations from the technical areas. In 2023, it started considering the possibility of implementing the ISO 20400 standard (Sustainable Purchases) guidelines, which includes specifications, requirements, and criteria compatible with environment protection and society protection as a whole.

Termomecanica has already been implementing specific measures in relation to certain suppliers, which include on-site inspection of working conditions, among other aspects. That happens for companies operating in more sensitive segments, in which reporting frequently comes out regarding child labor or use of harmful chemicals that may affect people or the environment.

Furthermore, a technical visit to the supplier is an indispensable requirement for approval of suppliers of materials for recycling. Upon conducting such visits to check the material offered, Termomecanica also requires the production of a proof of the origin of the materials purchased for recycling. That process adds greater safety and transparency to the operations carried out, as well as it professionalizes the business partner to equally adopt fair business practices. Preference is given to purchasing materials for recycling, provided that all technical, legal, tax, and fiscal requirements, among others, are met.

Another topic deserving highlight regards the Supply Quality Index (IQF) used by Termomecanica which identifies faults and points for improvement, with aims at constantly improving the quality of deliveries and allowing the development of sustainable partnerships. In 2023, the IQF obtained for raw materials was at 99.85%, and for indirect materials 99.40%, in both cases exceeding the goals set (99.00%). The failure to attain the forecast results for such indicators may cause the supplier to be disqualified.

The area has already been considering the possibility of including aspects related to the ESG practices in the evaluation process, even though it is a topic that has received little attention in small and medium-sized companies and is still unknown by some, especially suppliers of recycled materials. Spreading knowledge and engaging them in sharing that same purpose will be one of its big challenges for the future.

6 - Social Management



Human Capital

Investments in social impact initiatives are one of the main attributes that have been contributing to Termomecanica's excellent reputation. Compliance with labor rights, promotion of diversity, fostering professional development, promoting health and safety are relevant themes that are part of the day-to-day of the factories.

Termomecanica is proud of its human capital, as the exceptional quality of products and services is the result of its employees' professionalism and dedication. For that reason, the company endeavors to maintain a working environment that favors the pursuit of new knowledge, by offering competitive compensation and a differentiated benefit policy.

Throughout 2023, the Human Resources area introduced strategic changes in line with the organizational objectives, led by a holistic and proactive approach, aiming at a long-lasting impact on Termomecanica's management processes. The starting point was the conduction of a comprehensive study of career structure in the organization, in addition to a detailed market analysis and redefinition of organizational structures, in order to align the objectives of the area with the demands for the future.

To serve as a supporting column for the succession project, the HR area established a robust career axis to guarantee the continuance and excellence in leadership. In parallel, it implemented a new Human Resources strategy consolidating an expertise center intended for developing projects and optimizing the Development and Compensation processes.

Additionally, the HR Business Partner (BPRH) function was redesigned, strengthening its capacity to tackle challenges faced by managers regarding people management and promoting a closer integration between HR and all of the organizational areas. However, the project with the most significant impact was the engagement of leadership in the processes for evaluation of performance and potential, and in Termomecanica's Future Leader profile.

For 2024, the area is already provided with a route of strategic programs to be prioritized, in addition to addressing themes aimed at preparing the team for the challenges and opportunities for the future, including ESG. Last year, that topic stirred up the area, promoting reflections that encouraged the team to join groups and associations devoted to strategically discussing the topic. The idea is to put together an arsenal of information so that, in the near future, it is capable of drafting an action plan that keeps up increasing the pride of belonging among its 1,749 employees.



	2021	2022	2023
Total Quantity of Employees	1760	1784	1749
Quantity of women in LEADERSHIP positions	11	13	11
% of Women in relation to the total of employees	6,25%	7,06%	7,72%
% of Women in relation to the total of employees - LEADERSHIP	20%	10,08%	19,64%
% of women in the administrative area	23,17%	23,45%	28,34%
% of women in the factory area	2,56%	3,28%	3,21%
People with disabilities	90	89	88

Talent Management

Termomecanica relies on a specific strategy for talent management, with aims at ensuring that every single individual is correctly positioned in the organization, at the right time. In an attempt to improve such a process, in 2023 Termomecanica started using a data collection software that provides accurate analysis of each employee's performance and potential, grounding the decisions made by the Human Resources in all processes in the area.

Valuing and retaining the best professionals, especially those in strategic positions, has been a permanent challenge to the company, so that it can ensure the continuance of the business success. Thus, the Human Resources area redrafted the Performance, Potential, and Succession Program which is now grounded on essential values such as: prioritization of people, continuous communication and feedback, in addition to building strong relationships, relentless pursuit of learning, long-term vision and search for excellence and innovation.

Seeking new talents, in 2023, Termomecanica hired 35 apprentices and 38 temporary employees. As they have worked at the company and were given the opportunity to learn about some operating or administrative process, those people tend to be more committed to the organizational purposes. Also, the new generations are a priority for the organization.

In this regard, the company resumed the Internship Program, with a view to promoting the professional growth and opening up a wide range of opportunities that improve the technical skills

(through a digital platform with contents focused on the intern's area of expertise) and behavioral skills (lectures, meetings, and mentorships), in order to prepare the new talents for the next steps in their careers, while the company establishes a connection between its values and such new young people.

While the Apprentice Program, carried out in partnership with Salvador Arena Foundation and Senai (The National Service for Industrial Training) benefited 93 young people aged between 16 and 23 years old, who came from families with a household income per capita of up to one and a half minimum wage. In this case, the focus is on the guidance and development of young people who are entering the workforce, in addition to recruiting talents for entry-level positions. Therefore, they have access to workshops provided by Salvador Arena Corporate University, where they receive qualification in fundamental competencies for the workforce, such as communication, continuous learning, and innovation, while are encouraged to be proactive and protagonists in their jobs.

	2021	2022	2023
Interns	14	15	8
Apprentices	95	92	93

Plurality, Diversity, and Inclusion

Termomecanica has always been attentive to aspects such as plurality and diversity, which are factors that favor inclusion and make the working environment more dynamic, encouraging creative interactions, exchange of experiences, and joint learning. Thus, those aspects are taken into account at the hiring processes and description of positions, which also follow strict technical criteria.

This means that the company offers the same opportunities for evolution and professional development of all candidates and employees, with no distinction based on gender, race, ethnicity, and religion, or any other form of discrimination, and promotes initiatives for the development of every employee's potential, while respecting their singularity.

A good example of such a policy is the fact that in 2023, women accounted for 19.64% of leadership positions, performing several roles in the administrative areas and factories, in addition to the Chairmanship of the Board of Directors. People with disabilities are also hired to work in various sectors. They are selected after the drafting of a risk mapping report which makes it possible to value each person's potential.

Education and Development

Termomecanica spares no effort to promote the development of new skills. Such a purpose is reflected in the educational profile of its employees: 70.5% of them have completed high school or technical education and 28.8% of them hold a university degree, postgraduate degree or a master's/ PhD degree.

A good portion of initiatives are carried out in partnership with Salvador Arena Corporate University, such as the new Program for Development, Potential, and Succession, created back in 2023, which played a critical role in supporting all processes in the company's Human Resources area, including the Training and Development Programs.

Aiming to promote the employees' personal and professional evolution, while aligning them with the company's strategic objectives, the initiatives for development have used an investment of around R\$398 thousand, both through in-person and remote actions. Carried out internally and with external suppliers, these initiatives resulted in an average of 10.34 training hours per employee.

In parallel, Termomecanica maintained traditional alternatives for professional improvement, with emphasis on the study incentive program through the granting of scholarships. Focused on the development of professionals for their current activities or a step ahead in their careers, the program was redesigned last year.

Language Courses

They benefit the employees who use the language in their activities with a forecast of reimbursement ranging from 80% to 100% depending on the level of complexity of the position and the cost of the course, for up to two years.

Higher Education, Postgraduation, MBA and Master's Degree

A reimbursement ranging from 40% to 100% of the tuition costs of university, postgraduation, MBA, or master's Program is granted as of the first year of university education to employees who have been working for the company for at least one year and meet the following requirements: alignment of the course with the company's strategies and professional development for the employee's current position or interested party's career.

Knowledge Paths

They are sessions held remotely and directed to employees in the Production areas, covering procedures, work instructions, and operational and safety documents. The hands-on portion is approved by the manager himself, with automatic updating of the polyvalency matrix.

Development Courses

These courses are intended to qualify and improve the professionals and are fully subsidized by UCSA - Salvador Arena Corporate University. They are taught by internal or external instructors and are aligned with the Individual Development Plan (PDI) and the Annual Training Plan directed by the company, with aims at strengthening the behavioral competences and improving the performance in activities. In collaboration with Salvador Arena Foundation, these initiatives are subdivided into four schools, offering in-person and online courses in accordance with the company's strategic guidelines.



SALVADOR ARENA CORPORATE UNIVERSITY		
SCHOOL	PURPOSES	2023 RESULTS
CULTURE SCHOOL	It promotes the valuation of culture and its influence on day-to-day practices, with aims at strengthening a posture grounded in Salvador Arena Foundation’s philosophy, principles, and values and those of its controlled companies.	572 hours of training 134 attending participants
MANAGEMENT SCHOOL	It develops competencies of process and people management (practices, tools, and innovation) to consolidate Salvador Arena Foundation’s management model in accordance with the target activities of each institution.	2,276 hours of training 798 attending participants
OPERATIONS SCHOOL	It expands the knowledge of Salvage Arena Foundation’s professionals and of those from its controlled companies, so that they can effectively perform the institutions’ target activities, in the context of their area of operation, generating the expected value.	18,363 hours of training 5,956 attending participants

Cultural Space

Strategic to the corporate education processes, TM’s Cultural Space is located in factories I and II in São Bernardo do Campo and was designed to provide integration among employees, foster the pursuit of knowledge, and promote access to culture. Additionally, the place contributes to the multidisciplinary development of employees through a rich collection and periodical cultural exhibitions.

Relying on an appropriate infrastructure to hold online courses offered by UCSA online, ECTM has lounge areas, study rooms, and projection rooms, in addition to physical libraries holding 3,843 titles (95 out of which are new acquisitions), 596 media and a movie library. The project aimed to facilitate access to the collection, which was started during the pandemic, is still in operation, such as the Drive Thru for employees working the third shift, who can make book reservations by WhatsApp or e-mail. Termomecanica also makes available entertainment games, newspapers, and magazines, on a daily basis, in addition to TV sets that can be used during the breaks of working hours. In 2023, ECTM recorded 4,070 attendances, i.e., an average of 16 attendances per day.

In 2023, the ECTM continued with the “Author of the Month” project - which every month tells the story about a writer, highlighting their main works, mandatory readings for the main university admission tests. It also developed new projects, such as the Partnership Program with Cultural Institutions - hosting an itinerant exhibition from the Immigration Museum; ECTM Cinema - broadcasting movies on a biweekly basis in audiovisual rooms; “ECTM Além Muros” (ECTM Beyond Walls) - which took

the “Brazilian Indigenous Cultures” exhibition to Inspetor Reinaldo José Santana Basic Education Municipal School, located in Jardim Inamar neighborhood in Diadema/SP, and held educational actions for all students; “ECTM Indica” (ECTM Recommendations) - weekly recommendations of books from its collection; ECTM Culture Week - in celebration of the National Culture Day (November 5th), a week providing activities of tables featuring famous works of art, a Soiree, and a Cultural Heritage Photo Contest; a Book Donation Fair - to gather children books for Inamar Community library and Safety Dialogues (DDS) in the factory area for all employees, presenting ECTM’s services and structure.

Last year, the bimonthly exhibitions addressed the following themes: Theatre, Brazilian Indigenous Cultures, Environment, Women’s Soccer World Cup, Immigration in Brazil - São Paulo - the city of World’s Citizens (in Partnership with the Immigration Museum), and the Chinese New Year. A draw for tickets to the Soccer Museum was performed: 7 employees were awarded 3 tickets each (335 registrations). Additionally, the ECM took part in the “Yellow September”, “Pink October”, and “Blue November” campaigns held in partnership with the Benefits and Communication sectors.

In addition to continuing with the cultural exhibitions and the projects developed in 2023, for 2024 it will restart the “TM’s Memories” project (with aims at documenting the memories of Termomecanica’s senior employees) and “How much is your life worth?” (to aid in the prevention of accidents).

Benefits

In line with the employee attraction, retention, and engagement strategy, Termomecanica’s benefit policy is a reference for organizations that value their human capital. The company is not limited to offering what is required by the legislation; the majority of benefits are freely granted without any financial consideration. In 2023, Termomecanica endeavored to improve its package of benefits, making available a new partnership for access to gyms at differentiated prices. Still in the health area, it maintained a wide range of benefits critical to ensuring the life quality of its workforce.

BENEFITS PROVIDED BY TERMOMECANICA		2023
DENTAL AND MEDICAL HEALTHCARE	It is provided to all employees and their legal dependents, with the monthly fees 100% subsidized by the company, with national accredited health care chains and refund systems for healthcare services used outside the accredited healthcare chains. In order to make easier and expedite the use of such benefits, Termomecanica, in partnership with the broker and the healthcare operator, offers a medical and dental service post with a broker’s employee and a healthcare operator’s employee who are available to support all beneficiaries in scheduling appointments and health tests, filing for reimbursement for health expenses, in addition to getting approval from insurance companies or healthcare providers for surgeries, health tests, and therapies.	4,823 lives covered
MEDICATION BENEFIT PROGRAM (PBM)	It allows the employees and their respective departments to purchase medications in the “Donation List”, 100% subsidized by the company or for up to 60% off their regular prices.	900 medications donated
SESI’s LIFE QUALITY CENTERS	This is the result of a collaboration that allows employees and their family members to enjoy moments of leisure, fun, and sharing in more than 55 life quality centers spread throughout the State of São Paulo; all that for at least 20% off the regular price.	167 employees
DAYCARE ALLOWANCE / REIMBURSEMENT	Provided for in the collective convention for the category, the benefits are made available to female employees until their children turn 24 months old.	90 allowances/reimbursement claims
SUPPLEMENTARY PRIVATE PENSION PLAN	With aims at supplementing the Social Security benefit and preserving the life standard during retirement, Termomecanica offers an open entity pension fund with differentiated technical and financial conditions in the market and contributes with 50 to 80% of the values intended to supplement the income and 100% of the insurance for cases of accidents before retirement. It also offers specialized consulting in order to instruct employees and former employees on the benefits of the supplementary private pension plan.	93% adhesion

BENEFITS PROVIDED BY TERMOMECANICA		2023
MEAL ALLOWANCE	It offers buffet-style restaurants operating 24 hours a day, with a permanent follow-up by nutritionists. For those who need special diets, such as diabetics, hypertensive, and obese employees, there is a special menu. In addition to strictly fighting waste, Termomecanica monitors the quality of services and periodically conducts tests for microbiological control of the food served, with an independent laboratory.	1,166,251 meals served
TRANSPORTATION	Several fleet bus routes are 100% subsidized by the company, and those employees who live farther than 1 km away from the fleet bus routes are granted transportation vouchers at a reduced discount fee. The company also provides several parking lots, at no charge, in the surroundings of the factories.	86% of employees served
“CONTE COMIGO” PROGRAM (Rely On Me Program)	It offers all employees and their legal dependents, at no charge, a guidance and support program performed by professionals specializing in psychological, legal, financial, and nutritional topics, as well as guidance for physical activities and physical therapy.	12 people assisted
GROUP LIFE INSURANCE	It negotiates with insurance companies in order to offer the employees the best cost/benefit.	100% of employees covered
CONSIGNMENT LOAN	It negotiates with financial institutions to offer the employees the best conditions practiced in the market.	100% of employees covered
PROFIT AND RESULT SHARING – PLR	It has a differentiated profit-sharing policy in the market.	100% of employees benefited
WARD FOR SENIORITY AT WORK	It awards employees for seniority at the company: 25 years, awarded with a plaque and a watch; 35 years, awarded with a plaque and an award card; and 40 years, awarded with a plaque and an award card at an event and/or special luncheon at the end of each year.	13 honored employees

PROGRAMS OFFERED IN PARTNERSHIP WITH THE HEALTHCARE OPERATOR		2023
PGS - SAFE PREGNANCY PROGRAM	A program that watches pregnant women's health with follow-up care throughout the pregnancy and in the postpartum period and relies on a specialized team for high-risk cases.	An average of 31 pregnant women are followed up on a monthly basis
PAC - CHRONIC PATIENT SUPPORT PROGRAM	The program manages the health of patients suffering from chronic diseases and aids them in treatments in general and in eventual complications. It provides guidance, clarification, and support by phone.	An average of 481 patients suffering from severe chronic disease are followed up on a monthly basis
CASE - MULTIDISCIPLINARY FOLLOW-UP OF HIGH COMPLEXITY CASES	A program providing support to patients suffering from severe chronic diseases, with aims at reducing their limitations and improving their life quality.	An average of 35 patients suffering from severe chronic disease are followed up on a monthly basis

Health and Well-Being

To Termomecanica, the concept of Health means much more than absence of disease; it is rather a complete state of physical, mental, and social well-being. Thus, in addition to the benefits listed above, the company adopts a worker's health policy contemplating the collective character, without losing sight of the specificities of each one. Examples evidencing such a philosophy are plenty.

Technically, 2023 was considered by the World Health Organization (WHO) as the end of the Public Health Emergency of International Significance in relation to COVID-19. Following recommendations from official agencies, Termomecanica removed all restrictive actions recommended by Sanitary Surveillance.

Even though, the company has maintained the incentive actions to vaccination against COVID-19,

such as control through a proof of vaccination for employees. Also, the protocol of removing from the workplace any cases of COVID was maintained, according to the recommendation from the Ministry of Health. In parallel, Occupational Medicine referred the eligible employees for vaccination against the flu.

Employees' mental health was another growing concern in 2023. The companies started worrying about the theme not only for humanitarian reasons, but also for acknowledging the benefits that a healthy working environment can bring to the organizational success in the long term. In addition to impacting the productivity and performance, it may cause problems such as stress, anxiety, depression, and burnout, impairing negatively the people's capacity to perform their tasks effectively.



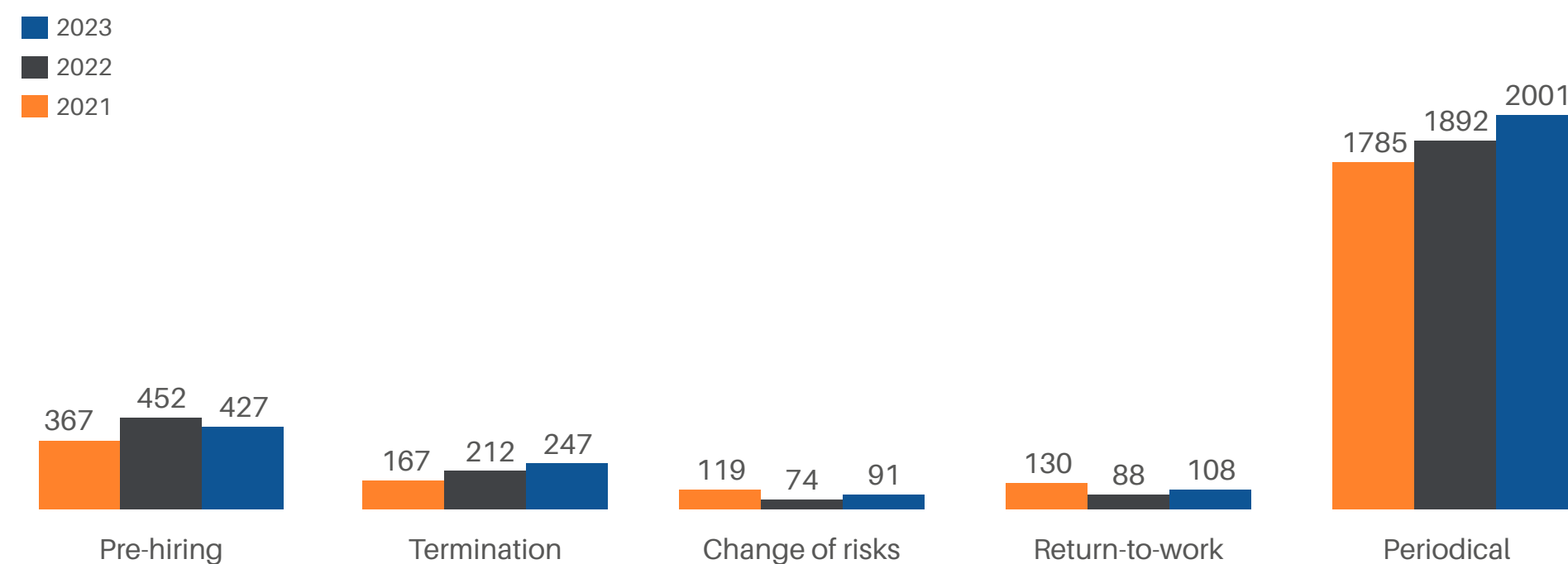
In order to provide a warning about the problem, nine communications were sent out throughout the year, which have also addressed the healthcare program offering 24/7 psychological support to employees and their legal dependents, through a Service Center provided with people specializing in the subject. For 2024, an evaluation tool with aims at measuring the perception about the employees' mental health is being developed.

In general, the health area had a good performance throughout 2023, attaining 99% of the main health indicators. In the last quarter, the renovation of the medical ambulatory at Factory I was restarted, which was designed to provide a better service to employees in a well-designed and welcoming environment. The renovation of the ambulatory at Factory II, which was completed at the end of 2022, met the expectations of the company and all employees.

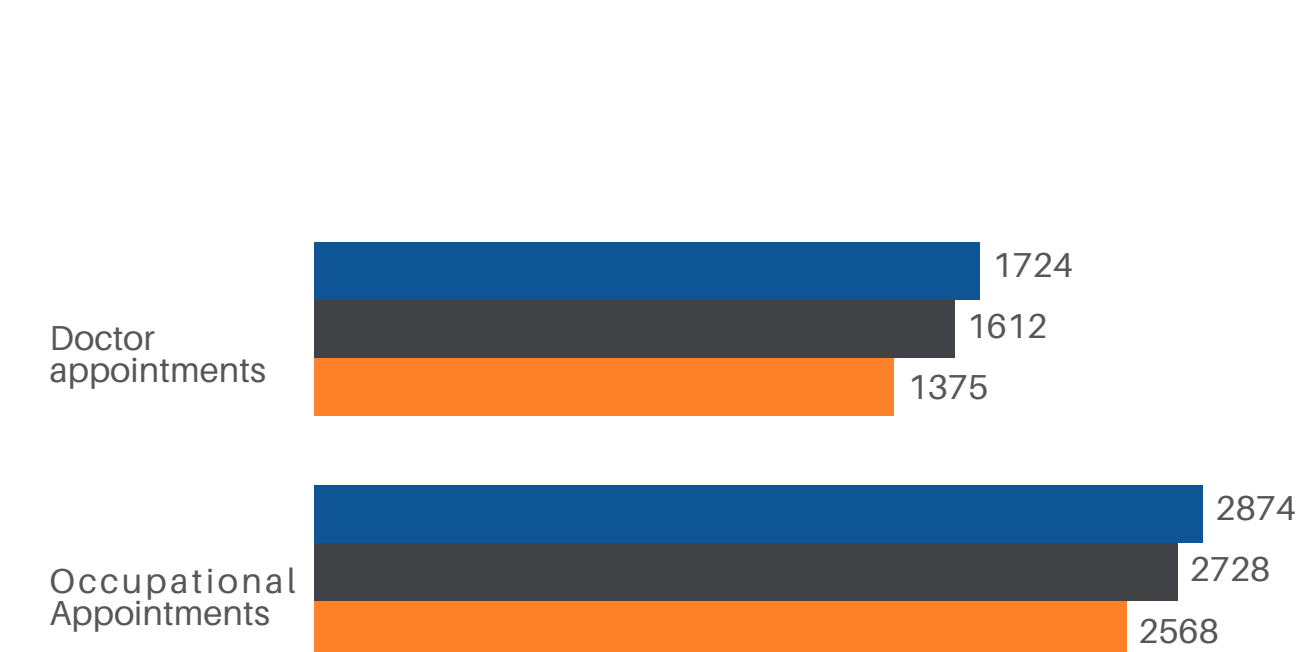
Challenges

Termomecanica has been constantly working towards meeting new guidelines by revising all of its internal procedures and parameterizing the SAP/EHS system in accordance with the annexes to the new standard. The Occupational Medicine area conducted 2,874 occupational health tests throughout the year, in addition to in-company audiometry, spirometry, and chest radiography exams. All service providers were evaluated for compliance with quality criteria.

Number of Health Checks in Occupational Health



Types of Health Check performed by Occupational Health



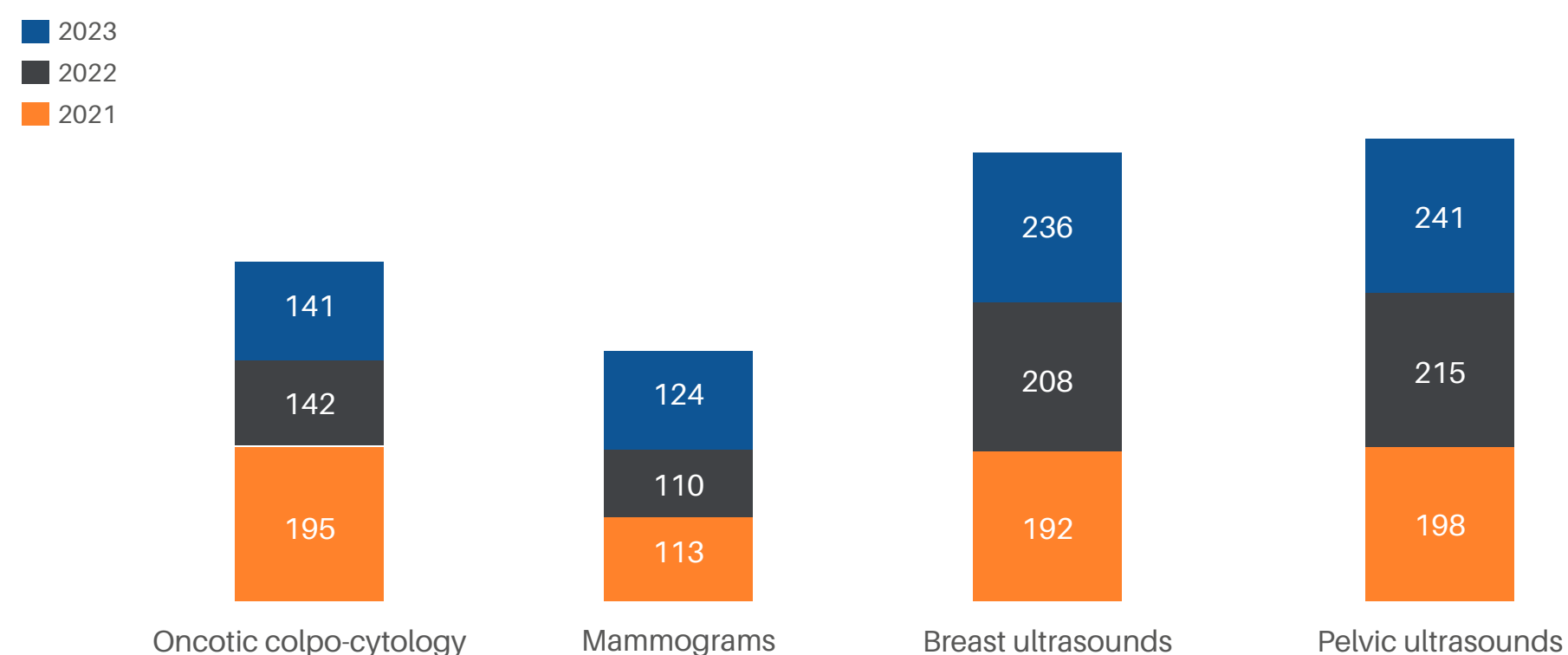


Termomecanica maintained the initiatives provided for in the Occupational Medical Control Program (PCMSO), focusing on chronic diseases and critical prognosis diseases. Employees older than 45 years old or those having family history of prostate neoplasia were referred for testing for prostate tumor marker – PSA (Specific Prostate Antigen). Out of the 568 eligible employees, 31.5% presented the health test at the medical service.

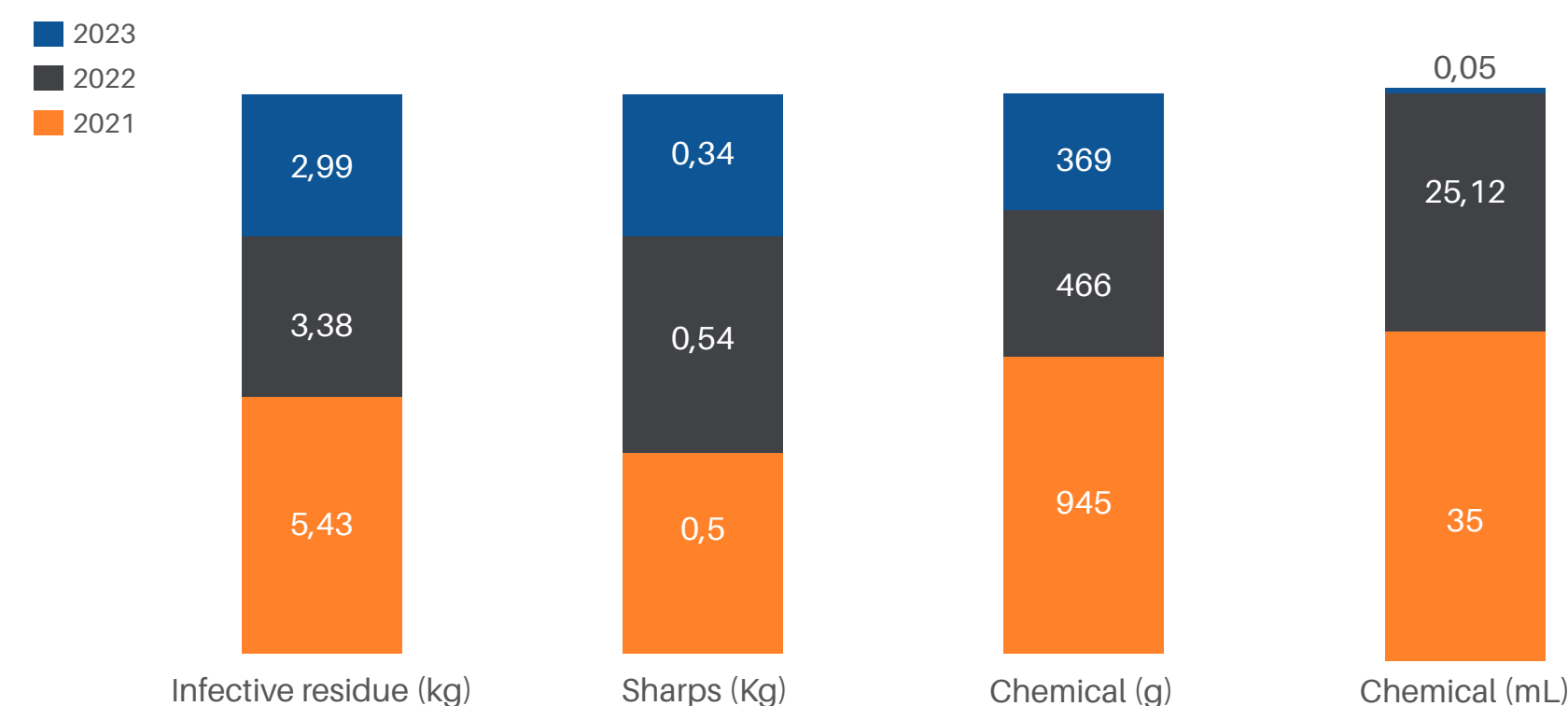
For women, annual preventative health tests were recommended, which resulted in 141 oncotic colpo-cytology (44% of eligible women), 124 mammographs (100% of the eligible women), 236 breast ultrasounds (94% of eligible women) and 241 pelvic ultrasounds (75% of eligible women).

In sync with the ESG Agenda, the Health area enhanced the focus on the ambulatory residue management in order to minimize its generation and give any generated residues a safe and efficient destination. The positive result was attained thanks to the rational use of materials, avoiding waste and reducing acquisition for inventory.

Number of women health tests



Generation of Ambulatory Residues



Campaigns

Communication was a huge ally to foster prevention, with 14 communications sent out containing updated information on health-related subjects. Throughout the year, Termomecanica conducted the following campaigns: “White January, involving online lectures on themes related to Mental Health, and “Yellow September”, a month for suicide prevention. “Pink October” and “Blue November” were also given special attention by the area, which promoted in-person lectures, with exemption of coinsurance payment in health services to employees for taking preventative health tests.

In the Internal Week for Prevention of Occupational Accidents and Environment (SIPATMA), the focus was still on mental health. Under the name of “Healthy Mind, Healthy Environment!” in-person lectures were given by renowned professionals specializing in emotional education, and they had good receptivity and acceptance by employees and service providers. More than 30 groups attended the event in the two weeks it was held.

Occupational Safety

Termomecanica continued using efforts towards promoting actions and programs to identify and control occupational hazards and risks, in an attempt to instill the concept of perception of risks and synergy in the challenge of prevention of occupational accidents. All that was aimed to continuously improve the company’s processes, by sustainably improving the employees’ quality of life. In 2023, the result of these processes and actions caused the company to record the lowest rate of occupational accidents in its history.

The Occupational Safety area held a number of essential activities in the search for a safer and healthier working environment for everyone (table), as well as it achieved the resolution of 90.8% of all risky situations deemed critical, which were identified during inspections and pointed out by the employees themselves. In 2023, around R\$2.3 million were invested in initiatives in such an area.

OCCUPATIONAL SAFETY ACCIDENTS	2021	2022	2023
Occupational accidents per year	20	21	17
Frequency rate of occupational accidents	6,12	6,32	5,1
Percentage of accidents resulting in death of employees and/or permanent disability	0%	0%	0%

Activities Conducted by the Occupational Safety Area

“CORRENTE PELA SEGURANÇA” (JOINT ACTION FOR SAFETY) – Intended to promote the active engagement of employees in the identification of risks, behaviors, and suggestions for corrections at the work posts.

EMERGENCY SYSTEM - It involves tests, training of firefighters, escape routes, emergency kits at strategic places, and periodical conduction of emergency simulations/drills and evacuation from areas.

TRAINING - It addresses mandatory topics for compliance with the legislation, in addition to subjects for continuously improving the system and specific themes related to risky processes and areas.

“SEGURANÇA AO PÉ DA MÁQUINA” (SAFETY IN MACHINE OPERATION) –It focuses on providing awareness and guidance to new employees in relation to the procedures, safety items, standard of behavior and rules that should be complied with in order to guarantee the safety of everyone throughout the process.

ERGONOMIC COMMITTEE - It plays a differentiated role in the pursuit and deployment of improvements pointed out in ergonomic studies in the various activities carried out in the company.

COMMUNICATION - The subjects related to safety are frequently covered in internal communication vehicles and in Safety Dialogues (DDS), which address themes such as hazards and risks, applicable legislations, proper use of individual protection equipment (EPIs) and response to emergencies.

INSPECTIONS - They are carried out systematically by the Occupational Safety Engineering Area and ensure the proper guidance and use of individual protection equipment.

SIPAT (INTERNAL WEEK FOR PREVENTION OF ACCIDENTS AT WORK) - With a varied program and, at times, a ludic program, the Internal Week for Prevention of Accidents at Work has been decisively contributing to the growing engagement and awareness of employees in relation to the subject.

Highlights

Among the main initiatives carried out in 2023, there is the continuance of the machinery and equipment adequacy program, which intends to eliminate any risks of accidents and improve the ergonomic conditions for employees. Only in this project, around R\$2.9 million was invested. An app was developed to validate the individual protection equipment (EPI) and Safety Dialogues using a tablet which, unlike the computer, can be used anywhere in the factory, making it easier to spread guidance and important information to employees anywhere and anytime.

In parallel, Termomecanica invested R\$529 thousand in the continuance of projects for adequacy of work posts, updating the information with the data obtained at the 2022 Ergonomics Census, compiling the history of complaints from employees and analyzing the production methods and working conditions. Among the news, there is the implementation of a device for placing tarpaulin covers on trucks, which before used to be made manually. Also, new options of protective gloves were purchased, which protect against cuts and chemical risks in the factory sectors.

Awareness

The Occupational Safety area conducted inspections and internal audits on its processes to provide guidance to employees and identify any possible deviations, unsafe conditions, and behaviors not in compliance with the standards, so that correction actions could be taken in advance, thus preventing the accident. The Quality Assurance team continued promoting a similar work, but it was rather focused on safety items in the organization.

In addition to several projects to promote the worker's health and safety, monthly training courses were held in the sectors, which were based on the incidents that occurred at the company, so as to reinforce the safety guidance. In parallel, the Safety area conducted simulations and training sessions so that the Fire Brigade was able to act effectively in emergency and prevention situations.

In addition to focusing on reducing accidents, the Safety area has planned for 2024 to take even stronger actions in relation to the ESG Agenda, so that Termomecanica continues evolving towards protecting the physical integrity of its employees. The safety culture already ingrained in the company will be a facilitator for the company to develop a realistic and attainable action plan.

Relationship with the Community

The positive impact of social actions subsidized by Termomecanica is not only restricted to its internal audience. Through its controlling company, Salvador Arena Foundation, the company has been supporting countless initiatives that benefit the whole society. In 2023, for instance, FSA invested R\$67.1 million in its own educational projects and R\$17.7 million in social projects, impacting 58,711 people and 102 social entities located throughout all Brazilian states. In addition to that, it provided 1,271 managers of social entities with qualification in management courses, sustainability and projects, and subsidized with 100% scholarship nothing less than 3,227 students from Salvador Arena Foundation Educational Center.



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Termomecanica



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