



2019



**SUSTAINABILITY REPORT**





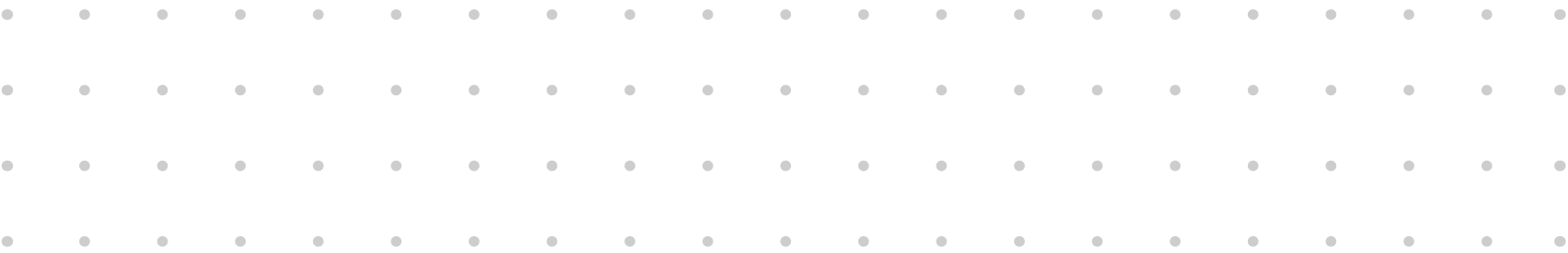
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# ABOUT THE REPORT



The Fras-le 2019 Sustainability Report is a synthesis of our results, indicators and projects during 2019, addressing financial and non-financial aspects of relevance for our stakeholders – employees, customers, suppliers, investors, communities and society in general. **GRI 102-45, 102-52**

From this edition, we have started using the Core option of the Global Reporting Initiative (GRI) Standards guidelines in order align our report with international references in the field of communicating results. The qualitative and quantitative data correspond to the company’s operations from January

1 to December 31, 2019 and are related to the Fras-le priority topics, identified in the materiality process conducted during the year. Any restatements or changes are indicated throughout the text. **GRI 102-46, 102-48, 102-49, 102-51, 102-54, 102-56**

Any suggestions, comments and/or doubts about the 2019 Sustainability Report may be addressed to the email [ri@fras-le.com](mailto:ri@fras-le.com). **GRI 102-53**

MATERIALITY

GRI 103-1 | 102-40, 102-42, 102-43, 102-44

In order to identify, prioritize and understand the most important social, environmental and economic topics for our business, in 2019 we conducted a materiality process based on Global Reporting Initiative (GRI) methodology.

The construction of the materiality process involved extensive analysis of internal documents and sector studies – GRI Sustainability Topics for Sector, RobeccoSAM Yearbook and Sustainability Accounting Standards Board (SASB).

The survey of material topics was also based on the findings of the online consultation undertaken with employees, customers, investors, the press, industry and community associations and suppliers, in addition to interviews with Fras-le senior managers.

This work led to the determination of seven material topics: Occupational health and safety and the environment; Research, development and innovation; Ethics and compliance in all relations; Operational efficiency; Product quality and safety; Managing and developing human capital; and Managing customer relations (see chart).

The materiality construction and analysis process is fully aligned with company management and business strategy. Fras-le has incorporated the material topics resulting from this process into management and the results are presented in the content of this publication.

We present a summary of our key topics, their connection with the Sustainable Development Goals (SDGs) and our approach to each one, in addition to the relationship with the GRI topics addressed in the report.



Stakeholder consultations and sector studies enabled us to identify critical socio-environmental topics for the business

MATERIAL TOPICS AND CORRELATION WITH GRI STANDARDS AND THE SDGS GRI 103-1| 102-44, 102-46, 102-47

TOPICS	APPROACH*	GRI TOPIC	RELATED DISCLOSURES	IMPACT		SDG**
				INSIDE	OUTSIDE	
1. Occupational health and safety and the environment	Internal audience	Operational health and safety	403-1 to 403-10	x		3, 8, 16
	Environmental management	Energy	302-1, 302-3	x	x	7, 8, 12, 13
		Effluents and waste	306-2			3, 6, 12, 14
2. Research, development and innovation	Innovation and technology	<div><div></div><div>• Product and process innovation initiatives</div><div>• New patents</div><div>• Use of machine learning and big data in processes</div><div>• Investment in technology</div><div>• Support for start-ups</div><div>• New production and working methods</div><div>• Development of new competencies in function of new mental models</div></div>	–	x	x	9
3. Ethics and compliance in all relations	Integrity program	Anti-corruption	205-1, 205-2, 205-3	x	x	16
4. Operational efficiency	Operational efficiency	<div><div></div><div>• Initiatives and investments in operational efficiency</div><div>• Competitive advantages</div><div>• Efficiency and effectiveness in operations</div><div>• Management, productivity and production indicators</div><div>• Ideas programs enabling employees to contribute to operational efficiency initiatives</div><div>• Product quality tests</div></div>	–	x		12
5. Product quality and safety	Customers	<div><div></div><div>• Post-sale</div><div>• Quality standards in processes and products</div><div>• Field testing</div><div>• Product rejection rate through lack of quality</div><div>• Investment in quality</div></div>	–	x	x	9

MATERIAL TOPICS AND CORRELATION WITH GRI STANDARDS AND THE SDGS GRI 103-1| 102-44, 102-46, 102-47

TOPICS	APPROACH*	GRI TOPIC	RELATED DISCLOSURES	IMPACT		SDG**
				INSIDE	OUTSIDE	
6. Managing and developing human capital	Internal audience	Organizational profile	102-8	x		8, 10
		General disclosures	102-41			8
		Employment	401-1			5, 8, 10
		Occupational health and safety	403-1 to 403-10			3, 8, 16
7. Managing customer relations	Customers	Customer privacy	418-1	x	x	16
	GRI Content Index					

\*The undertakings are referred to in the respective chapters.    \*\* Sustainable Development Goals.

SUSTAINABLE DEVELOPMENT GOALS		
1. Eradication of poverty	7. Affordable and clean energy	13. Combating climate change
2. Zero hunger	8. Decent work and economic growth	14. Life below water
3. Good health and well-being	9. Industry, innovation and infrastructure	15. Life on earth
4. Quality education	10. Reduction in inequalities	16. Peace, justice and strong institutions
5. Gender equality	11. Sustainable cities and communities	17. Partnerships for the goals
6. Clean water and sanitation	12. Responsible consumption and production	



Message from the CEO

# A challenging year

Creativity and innovation to drive the company’s expansion and product diversification strategy

2019 was a year of major challenges for Fras-le, obliging us to be even more innovative and creative to ensure the continuity of the company’s ambitious expansion strategy.

We continued to expand our product portfolio and to further diversify our business model, both in the markets in which we operate and in our product lines.

The operations in Argentina were particularly challenging, mainly due to the prolonged recession and the hyperinflation generated by the country’s political and economic situation. We paid special attention to this conjuncture because Argentina continues to be the second largest market in South America in revenue for Fras-le. In operational terms, the businesses of our local operations ended the year with extremely profitable results.

Globally, our sales revenues felt the impact of the complexity of the business environment in 2019, highly contaminated both by the commercial war between the United States and China and the economic, political and social disturbances affecting a number of countries in which we operate.

Moreover, the extinction of tax incentives jeopardized our operational performance. This forced us to make adjustments in our structure to adapt the operations to the current economic reality.

Even so, we ended 2019 with a gross revenue of R\$ 1,681.9 billion, growing 33.8% over the previous year. Net revenue increased from R\$ 1,141.1 billion (2018) to R\$ 1,365.5 billion (2019), growing 18.7% in the annual comparison. However, Ebitda fell by 4.7% to R\$ 175.2 million, while net income dropped by 63%.

In spite of all these challenges, we did not lose focus and advanced in the acquisition of Nakata Automotiva, maintaining our expansion plans. Approved by the Fras-le Extraordinary General Shareholders' Meeting on July 23, 2020, and by the Brazilian competition authority Cade (Conselho Administrativo de Defesa Econômica) on July 3, 2020, as well as by the competent antitrust watchdogs in other jurisdictions, this acquisition complemented the company's existing braking system portfolio with suspension, steering and powertrain components, with the potential to significantly increase our penetration in the Brazilian aftermarket.

Our expansion cycle advanced at an accelerated rate when compared with the recent past. We are proud to say that this advance was driven by many people who value work and accomplishments, people who, with dedication and commitment, make Fras-le a successful company, a result only made possible by the partnerships we have developed over time.

Moreover, we boosted our contact with the market, ensuring our communication is always up-to-date and aligned with the conjuncture in which we work. During the year we also undertook major reflections on safety, quality, the environment and sustainability, which are reported throughout this document.

Fras-le wishes to thank all the customers, suppliers, distributors, shareholders, financial institutions, government authorities, employees, community members in general and the others who contributed to the company's success.

*The expansion cycle reflects the effort and team work put in by our human capital*



Sérgio Lisbão Moreira de Carvalho  
**CEO, Fras-le**  
GRI 102-14

# 2019 highlights

FRAS-LE IN NUMBERS GRI 102-7



R\$ 2 billion

total gross revenue  
(without intercompany eliminations)



R\$ 1.3 billion

consolidated net revenue



US\$ 174.9 million

in overseas revenues  
(exports + overseas operations)



R\$ 175 million

EBITDA



R\$ 83.2 million

invested



# 2019 highlights

## GLOBAL PRESENCE



9 industrial plants



5 distribution centers



5 commercial offices

We serve customers in **more than 120 countries, on the five continents**, offering more than 16,000 leading edge auto part solutions

## EXPANSION IN THE DOMESTIC MARKET



In continuity of its expansion strategy, in December 2019 Fras-le acquired Nakata Automotiva S.A., based in Osasco (São Paulo), with the deal being finalized on September 1, 2020. The objective is to reinforce our activities in the auto part reposition segment through an expanded product portfolio, which represents a competitive differential in this market **GRI 102-10**



# 2019 highlights

## SOCIAL INDICATORS



More than  
**3,000**  
employees



**13.03**  
average hours  
training  
per year



**R\$ 3.7  
million**

invested in the Instituto  
Elisabetha Randon (IER)

*\* R\$ 2.1 million in Randon company donations*



## ENVIRONMENTAL INDICATORS



**R\$ 6  
million**

invested in environmental  
conservation



**6.07%  
reduction**

in total electrical energy  
consumption



**85%**

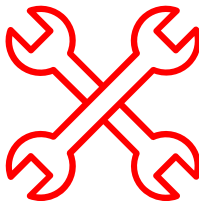
exhaust dust reuse rate  
in the production process

2

FRAS-LE



120  
countries served



more than  
16,000  
leading edge  
auto part  
solutions



Fras-le

# Global presence

We serve customers in more than 120 countries, on the five continents, offering more than 16,000 leading edge auto part solutions

Throughout its history, Fras-le has dared to think and act ahead, always prioritizing technological evolution. We offer products that are in constant evolution to meet the needs of the global market. **GRI 102-1**

Founded on February 22, 1954 and based in Caxias do Sul, Rio Grande do Sul, Brazil, we are one of the largest global manufacturers of brake linings for commercial vehicles, and an important supplier of auto parts for the automotive OEM and the aftermarket segments. Our main activities are the development, production and commercialization of friction and non-friction materials for application in braking systems, as well as a vast portfolio of other components for braking, transmission, suspension systems and engines, among others. Therefore, we produce pads and linings for heavy vehicle brakes, pads, linings and shoes for light vehicles, as well as clutch fac-

ings, pads and shoes for motorcycles, pads for aircraft and pads and shoes for trains and subway trains. Another line comprises molded and braided linings, universal plates, discs and drums for brakes, products for the hydraulic brake segment, such as master cylinders, clutch facings, repair kits, brake and radiator fluids, filters, among others. **GRI 102-2, 102-3**

Our global presence, with nine industrial plants, five distribution centers, five commercial offices and a team of employees exclusively dedicated to logistics and sales in Brazil and in diverse locations worldwide, enables the company to service customers in more than 120 countries on the five continents, offering more than 16,000 leading edge auto part solutions. In Brazil, we provide original friction materials for 95% of the heavy and semi-heavy vehicle manufacturers, and we are also the leaders in the aftermarket. In recent

years, as the result of a strong expansion strategy based on mergers and acquisitions, we expanded the company's product portfolio. **GRI 102-4, 102-6**

Since 1996, Fras-le has been part of the Randon companies, which provide product and service solutions for the automotive segment.

## RECOGNITIONS



**Biggest & Best** granted by *Exame* magazine, which recognized Fras-le as the Best in Performance in the Auto Industry



**47<sup>th</sup> RS Export Award** promoted by 17 organizations in the export area in Rio Grande do Sul, awarded to Fras-le in the Market Diversification category



**2019 Industry of the Year** Fras-le North America received this recognition in the United States

## MORE INFORMATION

SEE THE MAIN HIGHLIGHTS OF OUR HISTORY, ACCESSING THE LINK  
[HTTPS://RI.FRAS-LE.COM/EN/SO-BRE-A-FRAS-LE/OVERVIEW/HISTORY-AND-COMPANY-PROFILE/](https://ri.fras-le.com/en/so-bre-a-fras-le/overview/history-and-company-profile/)

Our beliefs  
GRI 102-16



# Business

Safety in movement control



# Purpose

To connect people and wealth,  
generating prosperity



# Mission

To create value for  
shareholders, customers,  
employees, suppliers and  
society, focused on safety  
movement control



# Principles

- **People** valued and respected
- **Customer** satisfied
- **Safety** and **quality**
- Preservation of the company's **image** and **legacy**
- **Ethics**
- **Profit** with **sustainability**
- **Innovation** and **technology**
- We are all **Randon**



# Vision

To be a global company,  
the leader in friction  
materials, with revenues of  
R\$ 2 billion by 2020,  
with sustainability

Brands and products

GRI 102-2, 102-16



The company has a  
global  
presence

CONTROIL BRAKES

Provides brake cylinders and other materials for braking systems and engines, as well as automotive polymers. The company is active in the automotive OEM and aftermarket segments, mainly in Latin America, in particular Brazil, Argentina, Uruguay, Chile, Paraguay, as well as North America.

ARMETAL

This company is responsible mainly for the commercialization and distribution of the products manufactured in the company's Farloc and Fanacif factories in the Argentinean market. It also distributes and commercializes a broad portfolio of varied products, ranging from components for braking and suspension systems and engines to fluids and diverse other products for automobiles produced by other manufacturers.

FARLOC

Produces and packs brake fluids, coolants, anti-freeze and anti-corrosive products. It is the leader in this market in Argentina.

FANACIF

This company is responsible for the production, commercialization and export of friction materials, mainly brake linings and pads.

FRAS-LE ARGENTINA

Undertakes the distribution and commercialization of the products manufactured in the company's factories in the Argentinean market. The unit also distributes and commercializes products manufactured by the Random Group companies, such as Suspensys, Jost and Master in Argentina, in addition to products from other brands such as Hyva.

Brands and products

GRI 102-2, 102-16



The company's international reach ensures a wide variety of products for customers

**FRAS-LE NORTH AMERICA**  
The industrial unit in Alabama is responsible for manufacturing and commercializing brake pads for light commercial vehicles in the North American OEM and reposition markets. The sales office in Michigan commercializes brake pads and linings for commercial and passenger vehicles, most of which are produced in the company's manufacturing plant, serving the North American OEM and reposition markets.

**FRAS-LE ANDINA**  
Commercializes products manufactured in the company's industrial units in the Chilean market. The operation also commercializes products manufactured by the Random Group companies, such as Suspensys, Jost and Master, in addition to other brands such as Tomé.

**FRAS-LE MEXICO**  
Commercializes products manufactured in the company's industrial units in the Mexican market.

**FRAS-LE AFRICA**  
Commercializes products manufactured in the company's industrial units in the African market.

**FRAS-LE PINGHU**  
The company's plant in China produces and commercializes brake linings and pads for commercial vehicles in the Asian and European markets, in addition to exporting its products to other countries.

**FRAS-LE EUROPE**  
The commercial operation in Germany, which includes a commercial office and a distribution center, is responsible for commercializing and distributing products manufactured in the company's factories in the European market.

Brands and products

GRI 102-2, 102-16



Our brands provide over **16,000** leading edge auto part solutions

FRAS-LE MIDDLE EAST

The company’s commercial operation in Dubai is responsible for the commercialization of the products manufactured in the company’s factories in the Middle East.

FRAS-LE PANAMERICANA

The operation in Colombia, comprising a commercial office and a distribution center distributes and commercializes products manufactured in the company’s factories in Colombia, Peru, Ecuador, Central America and the Caribbean. It also commercializes products manufactured by the Random group companies, such as Suspensys, Jost and Master.

JURID DO BRASIL

Established in Sorocaba, São Paulo, the company manufactures and distributes brake pads and shoes for light vehicles, as well as brake fluids and lubricants. These products are also commercialized to automotive OEM and aftermarket customers in Brazil and South America.

ASK FRAS-LE FRICTION

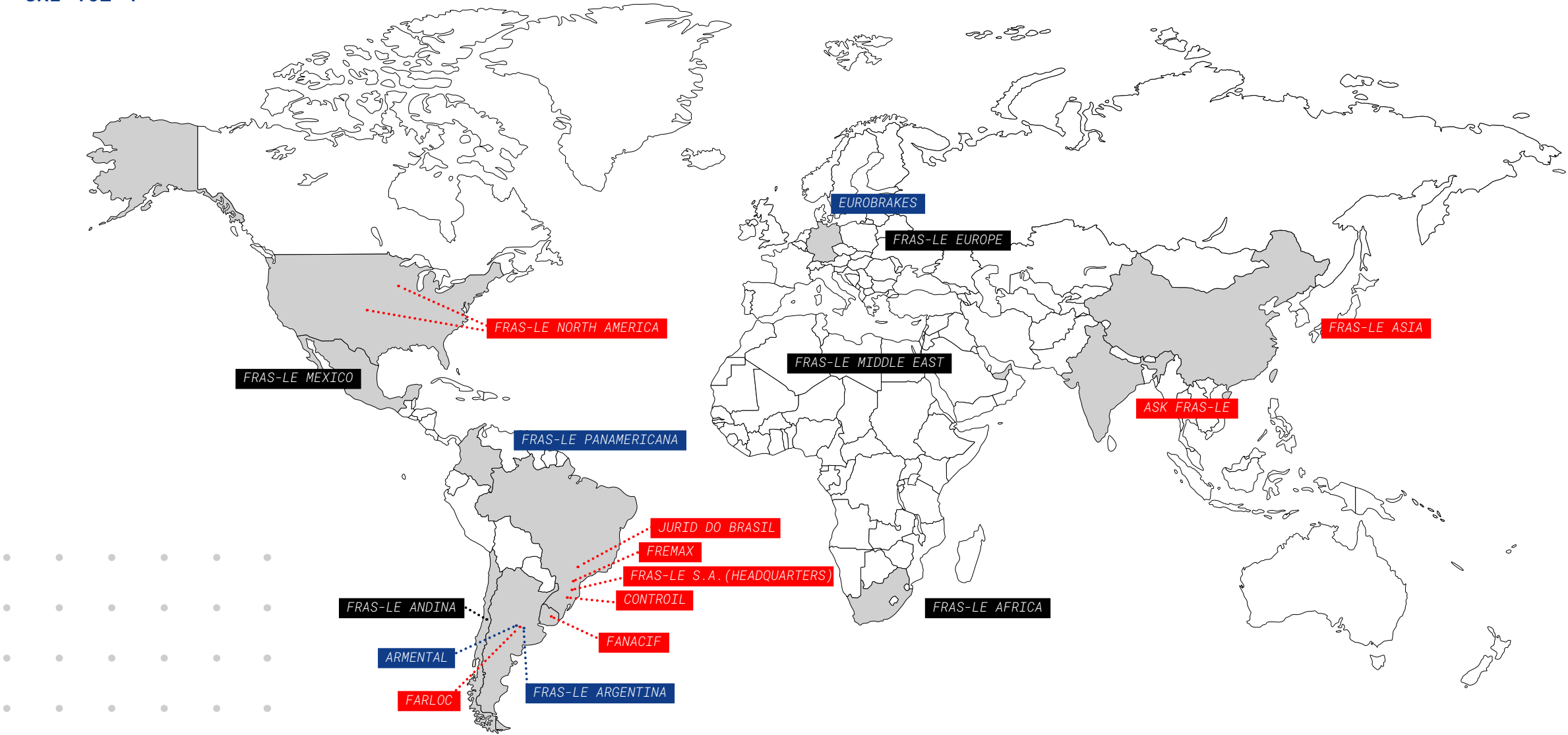
This is an operation installed in Manesar in the Indian state of Haryana, with the objective of manufacturing and supplying brake linings and pads for commercial vehicles in the OEM and aftermarket segments. The operation supplies the Indian market and neighboring countries (Nepal, Sri Lanka and Bangladesh), as well as meeting the global demand for friction materials by means of exports.

FREMAX

This is an operation installed in Joinville, in the state of Santa Catarina. Active in the auto part market as one of the main manufacturers of brake discs and drums for light vehicles, the company has distribution centers in Argentina and Holland. The acquisition enabled Fras-le to add a range of new products to its portfolio. The investment is aligned with the company’s strategic plan to boost its share in the reposition and export segments.

Fras-le worldwide

GRI 102-4



INDUSTRIAL PARK

Brazil (4), Argentina (1), Uruguay (1), United States (1), India (1) and China (1)

DISTRIBUTION CENTERS

Germany (1), Argentina (2), Colombia (1) and Holland (1)

COMMERCIAL OPERATIONS

United States (1), Chile (1), Mexico (1), South Africa (1) Arab Emirates (1)

Membership of associationsGRI 102-12, 102-13

Fras-le is a member of a number of sector associations. These include: The national automotive parts industry association (Sindipeças); Brazilian Technical Standards Association (ABNT); Automotive Quality Institute (IQA); National Auto Parts Distributors' Association (Andap); Capital Market Analyst and Professionals' Association (Apimec); and the Steel Industry Association (Simecs).

Through Randon, we are signatories to the Global Compact. Our reporting is based on GRI methodology. Furthermore, in 2019, we participated in a number of events. The main ones were in the United States: HDAW, in Las Vegas; Railway, in Minneapolis; and the NAVC Show, in Atlanta.



RECOGNITIONS

The Council Chamber of Prattville, in Alabama (USA), granted Fras-le North America the **2019 Industry of the Year Award**

3

# CORPORATE GOVERNANCE



## Ethics

policies shape the way we work and do business



## Management

the leadership structure ensures transparency in corporate decisions



Corporate governance

# Ethics and Integrity

We adopt best management practices with transparency and responsibility

Fras-le is controlled by Randon S.A. – Implementos e Participações. Although all the company’s shares are ordinary and each one represents one vote, the ordinary shares held by the controller represent the majority of the voting capital. This means that independently of the consent of the other shareholders Randon can: nominate the majority of the company’s Board of Directors and remove members; control the management of the company and its subsidiaries, including the distribution of dividends; determine the result of the majority of corporate operations or other questions submitted to shareholder approval, including incorporations, mergers, the sale of all - or substantially all – of the assets of the company or its subsidiaries; and act in a manner that does not necessarily coincide with the interests of the other company shareholders. **GRI 102-5**

In addition to Level 1 Corporate Governance listing on Brazil’s B3 S.A. Index, Fras-le is also on the B3’s Special Corporate Governance Stock Index (IGCX), characterized by best governance practices that include expanded rights for minority shareholders and transparency and fairness in the disclosure of information. **GRI 102-5**

The administrative structure comprises the Board of Directors, consisting of five members, three of whom nominated by the controlling shareholder and two by minority shareholders. The Executive Board comprises five members, four of whom are statutory. This structure also includes the Fiscal Council. **GRI 102-18**

BOARD OF DIRECTORS GRI 102-18

Members of the board of directors have a two-year term of office, with re-election permitted. This body is responsible for oversight of the business and for deciding on strategic direction for Fras-le and its subsidiaries; overseeing the interests of the shareholders, while not neglecting those of other stakeholders; formulating guidelines for management; preventing and managing conflicts of interest or divergences in opinion, ensuring the best interests of the company prevail; as well as providing for the perpetuation of the company in the long-term with a focus on sustainability that incorporates economic, social, environmental and good corporate governance aspects into running the businesses and operations.

FISCAL COUNCIL GRI 102-18

This body is responsible for general oversight of the company, with its attributions provided for in legislation and in the company bylaws. Even though the Fiscal Council does not sit permanently, it has participated in all the Ordinary General Meetings since 2000. Currently the Fiscal Council comprises three members, two of whom appointed by the controlling shareholder and one by the minority shareholders. The members, who are elected for a one-year term at the General Meeting, have an equal number of alternates.

The attributions of the Board of Directors include oversight of business sustainability

COMPOSITION OF THE BOARD OF DIRECTORS GRI 102-18

MEMBERS*	POSITION
David Abramo Randon	Chairman
Astor Milton Schmitt	Vice chairman
Daniel Raul Randon	Member
Carlos Alberto Araujo Netto	Member
Bruno Chamas Alves	Member

\*Elected on April 26, 2018.

COMPOSITION OF THE FISCAL COUNCIL

MEMBERS*	POSITION
Rogério Luiz Ragazzon	Member
Carlos Osvaldo Pereira Hoff	Member
João Pinto Rabelo Júnior	Member

\*Elected on April 29, 2019.

RELATED PARTIES COMMITTEE

A non-statutory body that advises the Board of Directors with the objective of ensuring that transactions with related parties are in the company’s interest and of mutual benefit, based on transparency, ethics and compliance with the law. It comprises three members from the Board of Directors, two of whom appointed by the controlling shareholder and one by the minority shareholders, as provided for in the Shareholder Agreement.

EXECUTIVE BOARD GRI 102-18

The Executive Board’s attributions include full responsibility for administering the company, coordinating and controlling its general activities and undertaking all the acts necessary for its effective functioning in accordance with the law, the company’s bylaws and the directives set forth by the Board of Directors. It prepares and proposes annual budgets and investment plans, implements the plans approved by the Board of Directors, maintaining this body fully appraised of its activities and acts. The term of office of the Executive Board is one year, with re-election permitted.



COMPOSITION OF THE EXECUTIVE BOARD

MEMBERS*	POSITION
Sergio Lisboa Moreira de Carvalho	Chief Executive Officer
Hemerson Fernando de Souza	Director and Investor Relations Officer
Paulo Ivan Barbosa Gomes	Director
Anderson Pontalti	Director

\*Elected on July 5, 2019.

*The Fras-le Executive Board is responsible for executing company strategy and overseeing investment*

# Integrity Program

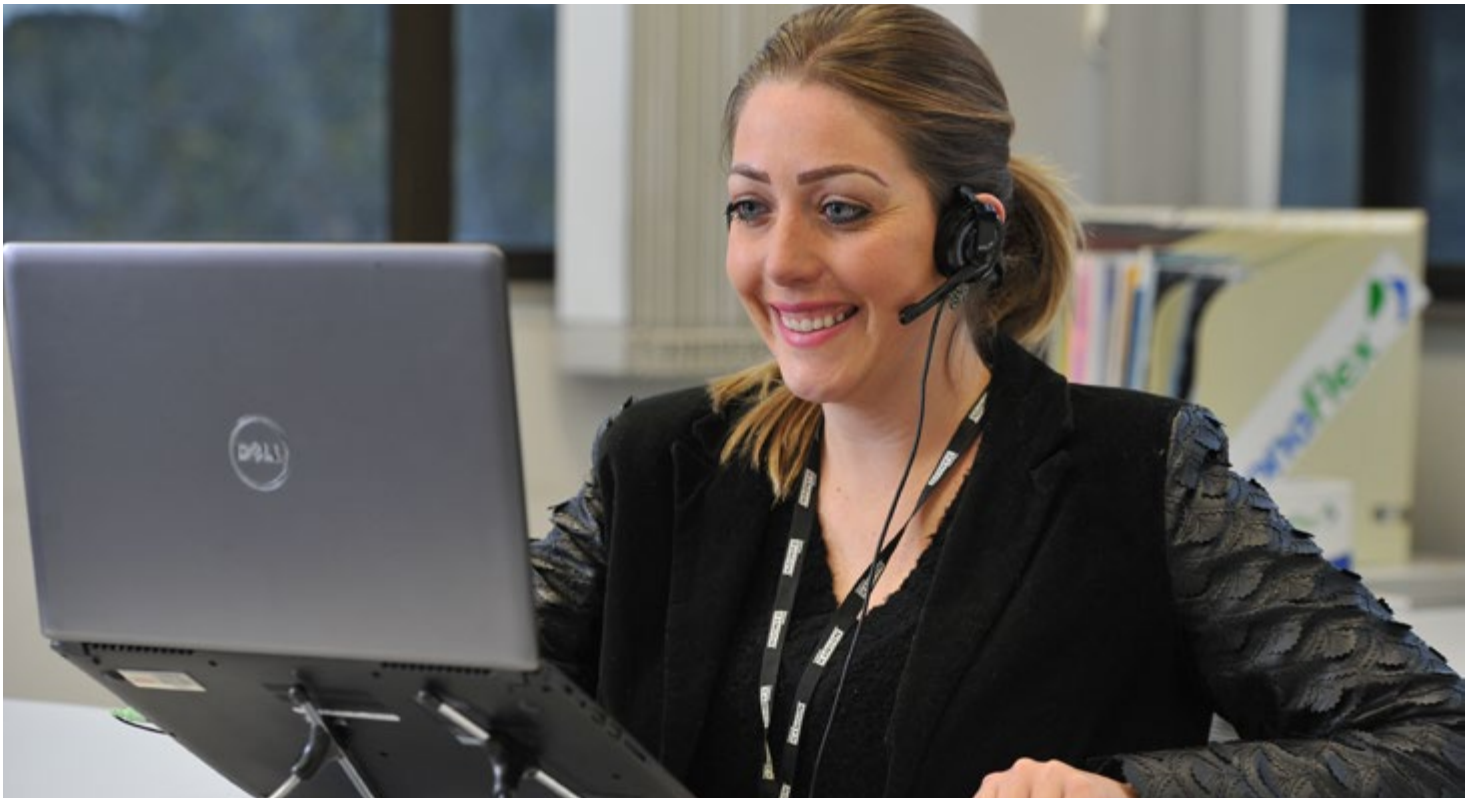
GRI 102-11, 102-16|103-2|103-3|205

Known as ID Randon, our Integrity Program was developed at corporate level by the Randon companies to orientate relations and sustain actions in a work environment organized to drive continuous improvement and produce results. This program represents the company’s commitment to building an ethical organizational environment in which everyone may exercise their activities based on the principles of honesty, transparency, integrity and seriousness. It is based on our Principles, which express our way of being, of working as a group, of relating to all our stakeholder groups and of being recognized (*further information in Our beliefs, on page 14*).

The program directives establish standards to ensure that the Randon companies and those working on behalf of them understand and act in compliance with the law. To guide the company’s actions, the program framework was based on the Randon Companies Code of Ethical Conduct and encompasses: regulations (laws, standards and policies); organizational culture (communication, training and awareness); access channels (leadership and Ethics Channel); monitoring (continuous mon-

itoring system); and consequence management (guidance and disciplinary measures), aspects that cut across the three pillars of activity – Prevention, Detection and Tolerance.

The Integrity Program is managed by the Risk Management and Compliance area and is orientated by the Code of Ethical Conduct, which sets forth the principles and guidance for moral and ethical behavior, and by corporate policies, which establish guidelines to ensure integrity in business conduct.



*The Integrity Program is aimed at preventing, detecting and dealing with incidents and risks*

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# Courses

on an online platform  
address ethics,  
anti-corruption and  
preventing harassment  
in the work place

Worthy of note among the tools used in the program are:

- **Training** – by means of online courses, with contents that address the Code of Ethical Conduct, Brazil’s anti-corruption law, harassment in the work place, as well as videos that present ethical and moral principles and related practices. The company also conducts periodic face to face training related to these aspects.
- **Ethics Channel** – a communication channel open to all stakeholders for reporting conduct considered to be anti-ethical or in violation of company principles and/or legislation. This channel is also open for any questions about the Code of Ethical Conduct, with an email for internal contact ([compliance@empresasrandon.com.br](mailto:compliance@empresasrandon.com.br)) (*read more in Ethics Channel, on page 25*).
- **Due Diligence** – this channel analyzes the integrity of third parties with a view to identifying undesirable conduct or indications of unethical practices or ones that violate the company’s values, with a focus on anti-corruption. The Due Diligence portal is managed and operated by a specialized independent third-party.

- **Ethics Committee** – comprising senior managers, the committee is responsible for oversight of the Integrity Program and for investigating and deciding on breaches of internal and external rules. This executive body meets every two months.

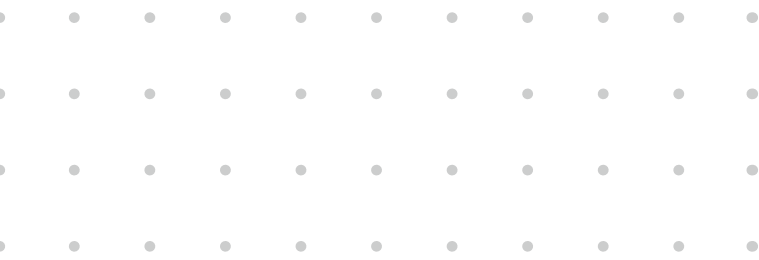
In 2019, Randon became a signatory to the Business Pact on Integrity and Anti-Corruption promoted by the Instituto Ethos in Brazil, assuming a public commitment to integrity in the business environment. This pact is related to the tenth principle (Anti-corruption) of the Global Compact, derived from the United Nations Convention Against Corruption.

In addition to continuous monitoring of the Integrity Program by the Risk Management and Compliance area, the Internal Audit area also monitors and assesses anti-corruption measures in accordance with the annual plan approved by the Board of Directors. Furthermore, the Internal Audit area is responsible for investigating reports of fraud or process errors identified in the Ethics Channel. The company maintains an independent audit to assess its financial statements and to conduct prior analysis of its internal controls.

CODE OF CONDUCT

The Randon companies are concerned about building an ethical organizational environment in which everyone may exercise their activities with honesty, transparency, integrity and seriousness and, in so doing, reaffirm their commitment to society as a whole.

In this respect, the Code of Conduct provides guidance on how to deal with conflicts of interest. The details on dealing with such conflicts are set forth in company policies and procedures.



MORE INFORMATION

ACCESS THE COMPLETE VERSION OF THE RANDON COMPANIES CODE OF ETHICAL CONDUCT ON THE [IR](#)

Ethics Channel GRI 103-2 | 205

Introduced in 2016, any person may access this channel to anonymously report any deviations or breaches in conduct that may jeopardize the business, its employees or its stakeholders.

All reports are received and monitored by a specialized, independent third party, which ensures complete confidentiality and the proper handling of each situation by the senior management of the Randon companies, avoiding any conflicts of interest.

Once the report has been made to the Ethics Channel, either via the website or by the toll-free 0800 telephone number, the specialized independent company conducts a preliminary analysis. It then refers the case for assessment and internal investigation by the Ethics and Compliance Committee. The reports received include: psychological and sexual harassment; physical aggression; discrimination; partial behavior or conflicts of interest; robbery, theft or misappropriation of materials, among others.

There was a significant increase in the number of reports from 2018 to 2019 (see *chart*), due to more frequent training on the Code of Ethical Conduct and to the acquisition of new companies, resulting in a significant increase in the size of the organization compared with 2018.

The Ethics Channel may be accessed via:

Web: <https://ri.randon.com.br/en/corporate-governance/bylaws-codes-and-policies/>

Telephone: 0800-777-0768, available 24 hours a day via messaging service, or from Monday to Saturday from 8 a.m. to 8 p.m., with specialized personal service, on Portuguese, only.

COMPLAINT MECHANISMS

REPORTS	2019	2018	2017
Number of reports identified by means of the mechanism	107	90	81
Number of reports addressed	107	90	81
Number of reports resolved	107	90	81
Number of reports received prior to the period covered by the report and resolved during this period	0	0	0



ANTI-CORRUPTION

GRI 103-2 | 103-3 | 205-1, 205-2

The company's **Anti-corruption policy has been in place since 2016. To reinforce the commitment to combating corruption, the company introduced**

its Compliance and Risk Management policies in 2017. We conduct corruption risk assessments in all of our 16 operations.

Senior management established the need to map 100% of corporate risks. The assessment of significant corruption-related risks, identified the following key areas:

*Risk assessments are applied to 100% of Fras-le operations*

**Regulatory compliance** – institutional insufficiency or loss of capacity to manage complex regulatory questions, difficulty in identifying activities such as fraud, money laundering, violations of sanctions, abusive market practices, bribery, corruption and tax evasion.

**Environment** – violation of local and international environmental regulations, difficulty in identifying activities such as bribery and corruption.

**Ethical conduct** – possibility of employee conduct in violation of the ethical standards established and accepted by the company.

**Managing third-parties and partners** – failures in relations with suppliers/service providers/franchisees, with the potential for legal risks arising from sanctions imposed by regulators and indemnities for damages resulting from the violation of legislation.

All nine members of the governance bodies

(located in the Southern region) received communications on the anti-corruption policies and procedures adopted by the company. The members of the governance bodies did not receive training, but they are responsible for anti-corruption policies.

All company employees received communication on the company's anti-corruption policy during their induction period. During 2019, training was conducted via the Via de Mão dupla (Two-Way Street or VDM process – monthly sessions), reaching the entire work force (100%). Therefore, in 2019 100% of the 126 employees in the Southeast region and 100% of the 3,034 employees in the Southern region received communications and training in anti-corruption policies and procedures. In 2017 and 2018, there was no online training methodology.

The total number of business partners (suppliers, service providers) who received communications on anti-corruption policies and procedures was not discriminated by region, because these relations are conducted at corporate level.

CORPORATE POLICIES

Our policies guide our decision making, in accordance with definitions provided by senior management and establish guidelines for the decisions taken in the company. They ensure that operational tasks meet the relevant legal requirements for the company and guarantee consistency with our values and our framework for assessing audit processes.

In 2019, we developed the Manual for Policies on the Use and Disclosure of Material Information and Trading, in order to provide employees with guidance on the rules and procedures to be observed in the disclosure and use of material information and the trading of securities issued by the company.

Worthy of note during the year was the creation of a manual of policies on information use and trading

The policies are:

- **Policy on the Disclosure and Use of Material Information** – aimed at the balanced dissemination of information, ensuring investors receive the information they need for their investment decisions in a timely, efficient and reasonable manner. This prevents insider trading, that is the improper use of material information in the securities market by individuals for their own or for other parties’ benefit.
- **Trading Policy** – this establishes the rules and procedures to be followed by the company and by the people involved in trading securities issued by the company or its publicly traded subsidiaries, as well as any associated derivatives, to ensure transparent trading.
- **Anti-corruption Policy** – this policy reinforces the company’s commitment to maintaining the highest standards of integrity, ethics and governance in business, establishing anti-corruption guidelines.
- **Asset Security Policy** – the basis for all security measures to reduce risks, guarantee the physical integrity of people and to protect the assets of the Randon companies.
- **Risk Management Policy** – the policy sets forth the directives, strategies and responsibilities for conceptualizing, identifying, analyzing and managing risks that may affect the company.
- **Compliance Policy** – guidelines to ensure compliance in alignment with the company’s Integrity Program, demonstrating the importance of knowing and executing legal and regulatory determinations.
- **Information Security Policy** – this policy establishes guidelines for protecting the information and the intellectual property of the Randon companies with a view to preserving the company’s businesses, competitiveness and image.
- **Control Policy** – the Control policy sets forth the guidelines to ensure compliance of the company’s accounting and tax records with the legislation in force and with Brazilian and international accounting standards.

- **Finance Policy** – this provides guidance on obtaining the best market conditions when contracting finance and financial instruments and when making investments, employing a centralized and coordinated approach to the banking and capital market with a view to ensuring the company honors its financial commitments and responsibilities.
- **Human Resources Policy** – this sets forth guidelines aimed at developing and consolidating professionals based on Randon company values and principles.
- **Health, Safety and Environmental Policy** – establishes corporate directives related to Health, Safety and the Environment, focused on preserving the integrity of people and protecting the environment.
- **Consequences Policy** – this policy establishes the application of disciplinary measures in the event of deviations from our values or policies or of legal and/or contractual infractions .
- **Corporate Procurement Policy** – this sets forth the premises and strategies related to all Randon company purchases.
- **Investment Management Policy** – this establishes guidelines, limits, levels of authority and relevant guidance for managing Randon company investments.
- **Exchange Risk Management Policy** – this policy establishes the rules and guidelines for managing exchange rate-related risks, defining the company’s risk appetite and the main protection instruments employed.



# Risk management

GRI 103-2 | 103-3 | 205



Risk management at Fras-le is based on the Risk Management Policy, applicable to all the Randon companies since 2017. The purpose of the policy is to establish guidelines, strategies and responsibilities for managing risks in the Randon companies, as well as conceptualizing, identifying and analyzing risks that may affect the companies, establishing controls, monitoring procedures and the correct treatment. This policy led to the approval of the project to map corporate risks. The corporate Risk Management and Compliance area, which reports to the Board of Directors, consolidated these results in 2018 and defined the operational model and the approach to be adopted by Internal Audit. Based on this, the company adopted its corporate risk management methodology, identifying and assessing impact and probability. In 2019, the company elaborated its corporate risk map identifying a total of 42 risks, consolidating the main ones and enhancing corporate governance practices. Related directly to the question of compliance, the corporate risks were classified in the Regulatory category (total of nine).

In continuation of corporate risk management, in 2019, a strategy was formulated to respond to the risks identified, principally those considered critical and significant. The treatment for the risks was developed based on analysis of controls and mitigation measures. The identification of the treatment for risks led to the establishment of key risk indicators (KRIs). In parallel, the Risk Management and Compliance area established a periodic risk monitoring model, assessing the effectiveness of the goals established and identifying any failures in the action plan elaborated for implementing controls, when necessary.

Fras-le and its subsidiaries seek protection from risks related to inflation, exchange policies, reduced liquidity in the internal capital and credit markets, monetary policies, interest rates, social or political instabilities, controls on exports and imports, fiscal policies and tax legislation and other political, social and economic developments in Brazil.

Regarding socio-environmental questions, the company is subject to extensive environmental

regulation (federal, state and municipal) related to the treatment and elimination of waste, discharge of pollutants in the air, water and soil, and cleaning contaminations, among others.

The Risk Management and Compliance area monitors the main risks to which the Randon companies are subject. The Business Unit Strategic Planning cycle identifies, assesses and measures the main risks that may impact the company's businesses.

Decisions on avoiding, accepting, retaining, mitigating, transferring or sharing risks are based on assessment of their impact upon the performance indicators chosen compared with the cost of establishing internal controls and any residual risk, should it exist.

The Office of the CEO of the Randon companies is responsible for the review and approval of general definitions of risk management strategies. The Executive Committee is responsible for conducting the ongoing evaluation of the suitability and effectiveness of the company's risk management model.

4

STRATEGY



3

fronts drive  
our future:  
grow by means of  
acquisitions, new  
technologies and  
growth in overseas  
markets



79.2

million  
parts/year:  
production  
capacity



Strategy

# Diversification and technology

Our differentials are quality, an extensive portfolio and our global presence

Supported by a strategically distributed commercial structure, we believe that our geographical presence, allied with the quality of our products and senior management expertise, classify us as a preferential auto part supplier. In the long-term, these factors differentiate us as a reliable partner, not only for the main automotive manufacturers, but also for systems providers, distributors and retailers in the auto part aftermarket.

We are preparing for the future. We have decentralized our production worldwide and have made acquisitions to drive revenue growth and synergies among these different businesses. We want to reconfigure our assets, boost productivity and automation in order to perpetuate our business and remain in the forefront of the industry. Territorial expansion is also part of our target: 70% in Brazil and the rest in other countries.

In this respect, at the end of 2019 we acquired a full stake in Nakata Automotiva S.A., based in the city of Osasco (São Paulo). The company's main goal with this transaction is to reinforce its position in the auto part reposition segment through an expanded product portfolio, which represents a competitive differential in this market.

The transaction was finalized on September 1, 2020, upon completion of the required conditions, including approval by the Brazilian competition authority Cade (Conselho Administrativo de Defesa Econômica) and other anti-monopoly authorities in other jurisdictions, as well as the shareholders in the company's Extraordinary General Meeting. This transaction will increase the company's revenues by approximately R\$ 500 million/year, transforming Fras-le into one of the major auto part powerhouses in Brazil, with a unique market

positioning and innovation and product sourcing capabilities that will drive a strategic movement towards an asset light structure with heightened combined ROIC.

We are a very resilient company. Our challenge is to maintain our leadership in the competitive environment, keeping pace with new vehicle models. We have sought to understand and stay abreast of all the changes in our sector, maintaining our vanguard position. This involves innovation and ethics, reaffirming the company's purpose of always innovating.

## Strategic activity fronts

### Acquisitions

- After market powerhouse
- Diversify the product portfolio
- Seek new geographies
- Ensure safety, stability with a strong potential for synergies

### New technologies

- Advance in electrification
- Seek new materials

### Asia/overseas markets

- Pursue market growth in new frontiers
- Pursue new markets and forms of relationship

PURPOSE TO CONNECT PEOPLE AND WEALTH, GENERATING PROSPERITY



MANUFACTURED CAPITAL

- .10 industrial parks
- .4 distribution centers
- .3 commercial offices
- .Company-owned technology center structural laboratory.
- .Advanced high capacity equipment



INTELLECTUAL CAPITAL

- .19 patents
- .23 innovation projects finalized – IHR Ex



FINANCIAL CAPITAL

- .R\$ 1.6 billion in assets
- .R\$ 175.8 million in net debt



HUMAN CAPITAL

- .4,770 employees in Brazil and overseas



NATURAL CAPITAL

- .432,561.1 GJ of electrical energy



SOCIAL AND RELATIONSHIP CAPITAL

- .Instituto Elisabetha Randon and Associations
- .Relations with business partners

PRINCIPLES

- .VALUING AND RESPECTING PEOPLE
- .ETHICS
- .SAFETY AND QUALITY
- .CUSTOMER SATISFIED
- .INNOVATION AND TECHNOLOGY
- .PROFIT WITH SUSTAINABILITY
- .“WE ARE ALL RANDON”
- .PRESERVATION OF COMPANY’S IMAGE AND LEGACY

R&D

DESIGN AND ENGINEERING  
(DIVERSIFICATION,  
TECHNOLOGY & INNOVATION)

MANUFACTURE OF  
AUTOMOTIVE COMPONENTS

COMMERCIALIZATION AND  
POST-SALE



VALUE DISTRIBUTED

- .R\$ 844.5 million in value distributed to the business, to government and to employees
- .R\$ 48.6 million in compensation for shareholders



INTELLECTUAL CAPITAL

- .Greater product availability and larger portfolio, complete reposition solution
- .Latest generation parts and systems, quality and safety
- .Innovative, high performanceproducts



ENVIRONMENT AND SOCIETY

- .14,600 children assisted by the Instituto Elisabetha Randon
- .9,500 t/year of waste generated and recycled
- .45 million liters of water reused
- .78,400 hours of training

STAKEHOLDERS

CUSTOMERS/SUPPLIERS/SHAREHOLDERS/  
EMPLOYEES/SOCIETY/ GOVERNMENT/PARTNERS

# Operational efficiency

The mission of the Operational Excellence area is to boost the efficiency of the resources made available to the company. We currently produce approximately 79.25 million parts per year, with a production capacity of around 111.8 million parts/year. The area works directly on various projects that include cost reduction, 6 Sigma, lead time reduction, increases in efficiency and alterations in layout. This involves the acquisition of new equipment, automation and process improvement. These projects are conducted using simulation tools, avoiding possible rework and losses in efficiency.

## PRODUCTION CAPACITY<sup>1</sup>

	2019	2018	2017
Parts produced	99,070,687.00	113,721,299.00	110,355,332.00
Comparison unit (per day)	250.00	244.00	249.00
Production capacity (parts per day)	396,282.75	466,070.90	443,194.10

1 unit chosen (description): working days.

## PRODUCTION X SALES<sup>1</sup>

	2019			2018			2017		
PARTS	PRODUCED	SOLD	RATIO	PRODUCED	SOLD	RATIO	PRODUCED	SOLD	RATIO
Brake pads P -60	138,000	125,502	0.91	141,000	138,840	0.98	138,000	137,027	0.99
Brake linings CA/32	102,134	95,114	0.93	123,892	118,412	0.95	141,306	146,567	1.04
Brake linings CA/33	95,030	94,916	0.99	100,052	99,865	0.99	809,008	850,296	1.05
TOTAL	335,16	315,532	0.94	364,944	357,117	0.98	1,088,314	1,133,890	1.04

1 The three main Fras-le products. The company also produces train shoes, rear brake shoes for light vehicles, clutch facings, brake pads for trucks, brake pads for aircraft, and parts for agricultural and industrial machinery.



# Economic performance

The prolonged aftermath of the economic crisis in Brazil, with instability in other important markets for Fras-le and significant changes in tax incentive practices impacted our results in 2019. Even though a key issue during the year was the commercial war between the North American and the Chinese governments, the performance of the company's business in the United States was good. The same was not the case with the businesses in China, where there were signs of a slowdown, aggravated by the barriers imposed by the United States on exports from that country. The economy in Argentina remained lethargic, a situation aggravated by the elections held during the year. Difficulties persisted in the rest of Latin America due to the unstable political environment. In Europe, low growth and competition, accelerated by the focus of the Chinese, offset the decreases in sales in the United States.

In Brazil, while there was growth in the commercial vehicle segment, the environment in the light vehicle aftermarket was highly competitive. The company had difficulty in passing on price increases. In parallel, the loss of tax benefits and price increases from raw material suppliers resulted in strong cost pressure.

There are other internal questions that should be born in mind. The company is on track with its recent joint venture in India and with the integration of its recent acquisitions. Worthy of note was the first year of the consolidation of Fremax, with margins and synergies far above those expected when the acquisition was announced. The subsidiary Jurid, a joint venture with Federal Mogul, is still being turned around, with a stable outlook for the coming year.

Even given the challenging year, the company did not lose focus in its administrative decisions, concentrating on the target of correcting its course to drive sustainable growth, with the delivery of good results during the course of 2019, in particular towards the end of the year.

Lastly, the announcement of the acquisition of Nakata in December demonstrates that the company has not flagged in its entrepreneurial spirit. The positive results from recent acquisitions give credence to this new transaction, which promises excellent opportunities for 2020, once the precedent conditions are approved by the shareholders’ meeting and the competition authority Cade (Conselho Administrativo de Defesa Econômica).

We ended 2019 with gross revenue of R\$ 1,681.9 billion, growing 33.8% compared with the previous year. Net revenue increased from R\$ 1,141.1 billion (2018) to R\$ 1,365.5 billion (2019), growing 19.7% in the annual comparison.

Exports from Brazil totaled US\$ 89.3 million in 2019, an increase of 5.9% over 2018. Total overseas revenue, which corresponds to the exports from Brazil plus sales by the overseas operations, were US\$ 174.9 million in 2019, representing growth of 7.3% over the previous year. In comparison with the historical average for the last five years, the average annual growth rate was 6.7%, including overseas sales plus acquisitions.



19.7%  
increase in net  
revenue in 2019

MAIN INDICATORS GRI 102-7  
(R\$ MILLION, EXCEPT WHEN OTHERWISE INDICATED)

	2019	2018	VARIATION
Net Revenue	1,365.5	1,141.1	19.7%
Domestic market	675.3	548.6	23.1%
Overseas market	690.2	592.6	16.5%
Overseas market (US\$ MM)	174.9	163	7.3%
Brazil exports (US\$ MM)	89.3	84.3	5.9%
Gross profit	349.7	303.6	15.2%
Gross Margin	25.6%	26.6%	-1.0 %
EBITDA	175.2	183.9	-4.7%
EBITDA margin	12.8%	16.1%	-3.3 %
Net income	32.8	88.6	-63.0%
Net margin	2.4%	7.8%	-5.4 %



*INNOVATION AND TECHNOLOGY*



R\$ 19  
million  
invested in R&D

# Innovation and technology

## Our essence

Our technological differential enables us to develop innovative, high performance products

Innovation is part of the essence of Fras-le. In its more than six decades of existence, the company has become a global benchmark in high performance friction materials, thanks to constant investment in technology and in engineering development, a combination that results in innovative products. In recent years, the company has invested an average of 2% of net revenue in the development of more competitive, modern and sustainable technologies. These enable it to dispute specific new markets and business niches, supported by the company's policy of driving the constant technical development of its engineering staff, one of the pillars that sustains our capacity to respond to new challenges.

Our Research, Development and Innovation Center is dedicated to the mission of helping Fras-le and its subsidiaries to remain in the forefront of the businesses in which they operate.

RD&I activities are based on four pillars.

1. A team with over 80 professionals dedicated exclusively to the area, including a highly qualified engineering team, most of whom have Masters' or doctoral degrees.
2. Infrastructure comprising three fully equipped laboratories that leverage the company's RD&I projects;
3. Dedicated budget (R\$ 19.3 million in 2019) to finance projects aimed at supporting competitiveness, innovation and applied research.
4. Partnerships with science and technology institutes for the development of applied research and the professional qualification of the team. We maintain relationships with laboratories and science and technology institutes such as the Pontifícia Universidade Católica (PUC), the University of Caxias do Sul (UCS), the Federal University of Rio Grande do Sul (UFRGS) and the IMC, as well as with the global relationship networks of these institutions, consolidating an important channel of access to the scientific knowledge that supports our RD&I process, in addition to ensuring access to the most modern equipment and techniques available globally, complementing our own testing capacity installed in the RD&I center in Caxias do Sul (Rio Grande do Sul).





more than R\$  
**19**  
**million**  
invested in RD&I  
in 2019

This structure reinforces the work done in the RD&I center, which supports company strategy on diverse fronts, such as: maintaining the competitiveness of the existing businesses with an extensive productivity and cost reduction program; in the development of new products that fulfill the requirements of customers in the automotive industry and niches in the maintenance market, fostering business growth; and in the transformation of applied research into product and process innovations that can generate great impact on the business, adding value for customers and boosting profitability for Fras-le.

Furthermore, the last two years have seen growth in partnerships with start-ups, particularly in the software area related to artificial intelligence, to facilitate the cross flow of information between engineers, boosting productivity and customer service quality. In 2019, we invested R\$ 128,400 in two partnerships to develop new products.

We dedicated RD&I funds to the development of increasingly efficient and innovative friction materials, including joint projects with automotive manufacturers. This enables us to establish relations with the most reputable commercial vehicle manufacturers in Brazil

and overseas, reinforcing the credibility of the products we offer in the aftermarket.

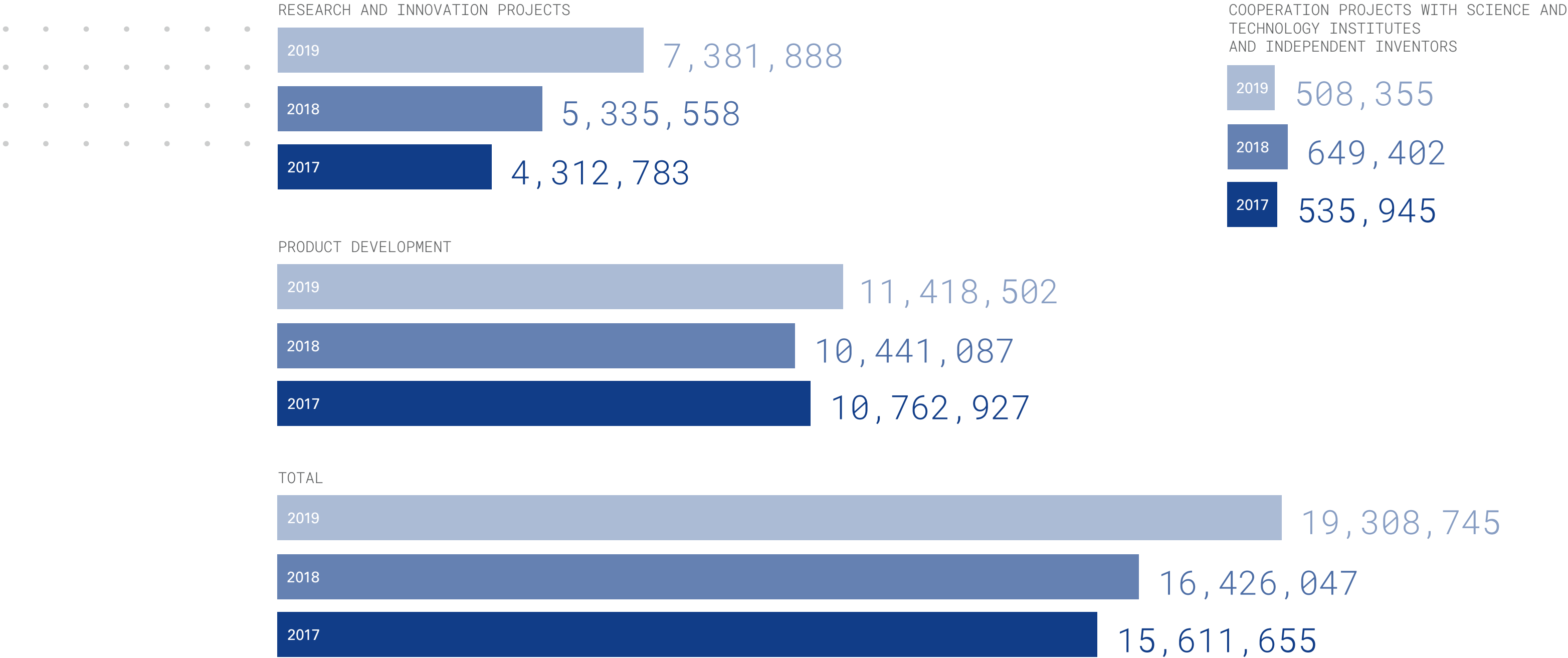
Worthy of note is the fact that we are investing in the development of more innovative and competitive products for the railroad segment, based on the prospect of a major expansion in this area in Brazil. This growth will have a knock on effect in the railroad maintenance market. In parallel, we are seeking to consolidate our international presence in this segment. We also launched our first commercial high performance copper free brake pad, which was approved by Original Equipment Manufacturer (OEM) customers in the United States, complying with environmental legislation restrictions in the North American market while preserving the value the product offers our customers and its competitiveness in the market.

The company also created an Innovation area, focused on disruption, to stay abreast of megatrends in the automotive industry related to new concepts of mobility, autonomous vehicles, electric vehicles, connectivity and intelligent materials. On a horizon from 15 to 30 years, as the electric vehicle segment gains traction, the impact on the reduction in the consumption of friction materials for

brakes will grow. We are preparing Fras-le for this moment, as well considering how autonomous vehicles will lead to a decrease in fleet size. All of these factors are being studied in-depth, in pursuit of new materials, other material use concepts, investing heavily in research and in concrete measures that will enable us to diversify and expand our businesses.

This is the reason we have built the Randon Technological Center (CTR), an advanced research and development unit that has an extensive engineering infrastructure, test laboratories and a modern testing ground shared with the other Randon companies. This comprises 18 test tracks and represents a technological differential for the development of innovative high performance products. It has enabled the development of disruptive projects which, in the short term, will result in new products for the market.

INVESTMENTS IN RESEARCH<sup>1</sup> (R\$)



1 Expenses with the RD&I center.

Patent

In 2019, we registered a patent in the materials area, in which we developed a new materials technology that may significantly boost our competitiveness and the performance of our products.

Check our our performance in the number of new products, research projects and initiatives over the last three years, in the charts at the side.

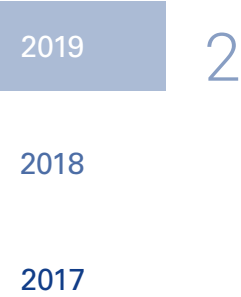


EVOLUTION (NUMBER)

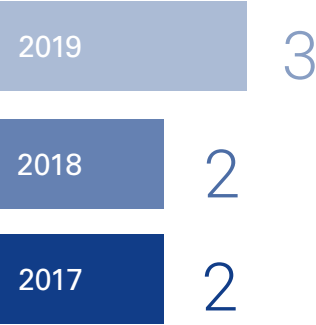
RESEARCH AND INNOVATION PROJECTS



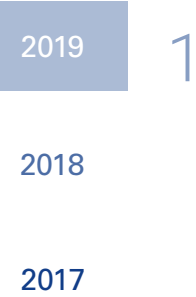
INITIATIVES



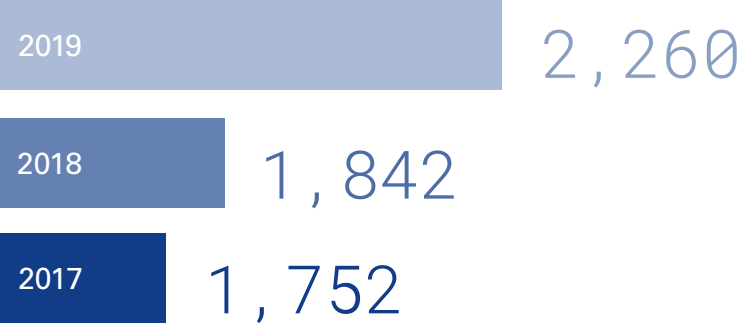
RESEARCH PROJECTS



PATENTS



PROTOTYPING



Robust structure

The company has a robust technological development infrastructure which includes:

- **Randon Technological Center (CTR)**, an advanced research center with extensive capacity for testing and validating products in vehicles, in addition to supporting the field evaluations the company carries out with partnering fleets. The center has 15 km of tracks for different tests, shared with the Randon company, a 300 meter granite track to assess ABS systems, a 2,000 square meter facility for the fourth structural analysis laboratory.
- **Three laboratories** for physical, chemical and prototype testing.
- **Advanced high capacity equipment.**
- **Highly qualified staff**, comprising around 80 people – 92% with Master’s degrees and 30% with doctorates –, ranging from engineers to laboratory technicians dedicated to R&D and all specialized in Fras-le’s core business.



Participation in events and recognition

In 2019, the Technology and Innovation area participated in important Brazilian and international events. Worthy of note were:

- **37<sup>th</sup> Annual SAE Brake Colloquium & Exhibition** in the United States, when the company presented its copper free formulation;
- **Autonor 2019** in Brazil, when Fras-le, Fremax and Controil presented their innovations and technologies;
- **Railway 2019 Interchange** in the United States, when Fras-le North America presented its new products (railway shoes);
- **North American Commercial Vehicle Show** in the United States, when Fras-le North America launched its GRN Tech brake pads; and
- **Fenatran 2019** in Brazil, when Fras-le and Suspensys WE/Castertech presented an innovative product (Duotech System – Innovation).

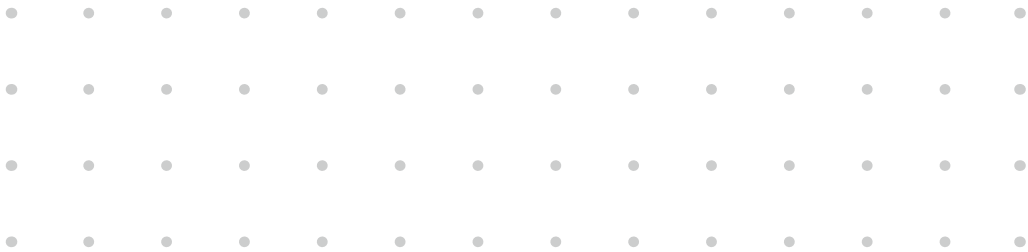


RECOGNITION

The **2019 Inova Award**, promoted by the publisher Editora Novo Meio, was granted to Fras-le and Fremax. The winner of the Best Brake Pad award in previous years, Fras-le repeated its performance, winning in the Gold category. Fremax was elected the best Disc Brake manufacturer

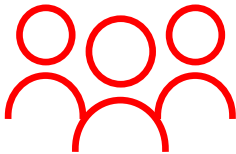
6

INTERNAL  
AUDIENCE



68

Fras-le and  
Controil leaders  
took part in the  
Leadership Meeting



A11

company employees  
are covered by  
health and  
safety management  
systems





*We work on the principle that respecting and valuing people entails measures to promote well-being, education and quality of life*

Internal audience

# Valuing and respecting people

The company undertakes diverse measures to ensure well-being, health, education, training, safety and quality of life for employees GRI 103-2 | 103-3 | 401

Our success depends on the professional capacity of our employees. Activities oriented to well being are planned and developed in the form of programs and practices and are based on the principle of Valuing and Respecting People. The programs developed are aimed at providing a healthy organizational climate, encouraging good practices and productive mindsets, in addition to providing opportunities for professional qualification and technical and behavioral development. A number of measures are undertaken during the course of the year aimed at promoting well-being, health, education, training, safety and quality of life.

We have a Human Resources policy that establishes criteria for valuing and encouraging our employees, supporting the implementation of the company's strategy and ensuring the alignment and engagement of staff with business targets via a merit-based system. All the HR programs, procedures, forms of monitoring and work instructions are developed based on eight guidelines: Organizational Architecture; Remuneration; Performance Management; Career Transition; Organizational Education; Internal Communication; Organizational Culture and Climate and Personnel Administration.

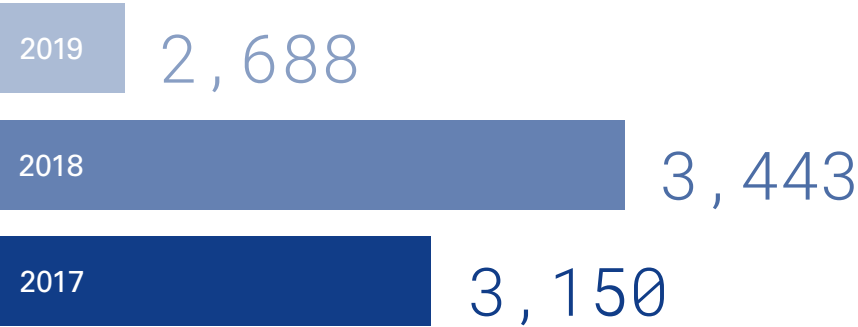
To address these guidelines, we adopt diverse procedures that shape Randon company practices, such as Remuneration and Recruitment and Selection procedures. Our recruitment process is conducted by means of a digital platform that employs artificial intelligence to ensure effectiveness in hiring, while incorporating high performance HR processes. Part of employee remuneration is granted in the form of a series of benefits (*further information in this chapter, in Benefits*).

In our overseas units, we have been developing the Global Human Resources project since 2018. This integrates the organizational strategy of consolidating a global culture, with the objective of supporting the local businesses and the long-term ambitions of the Randon companies. The main objective is to guarantee the company achieves results through its people, with a sustainable culture and policies, involving collaboration between the headquarters and the local unit.

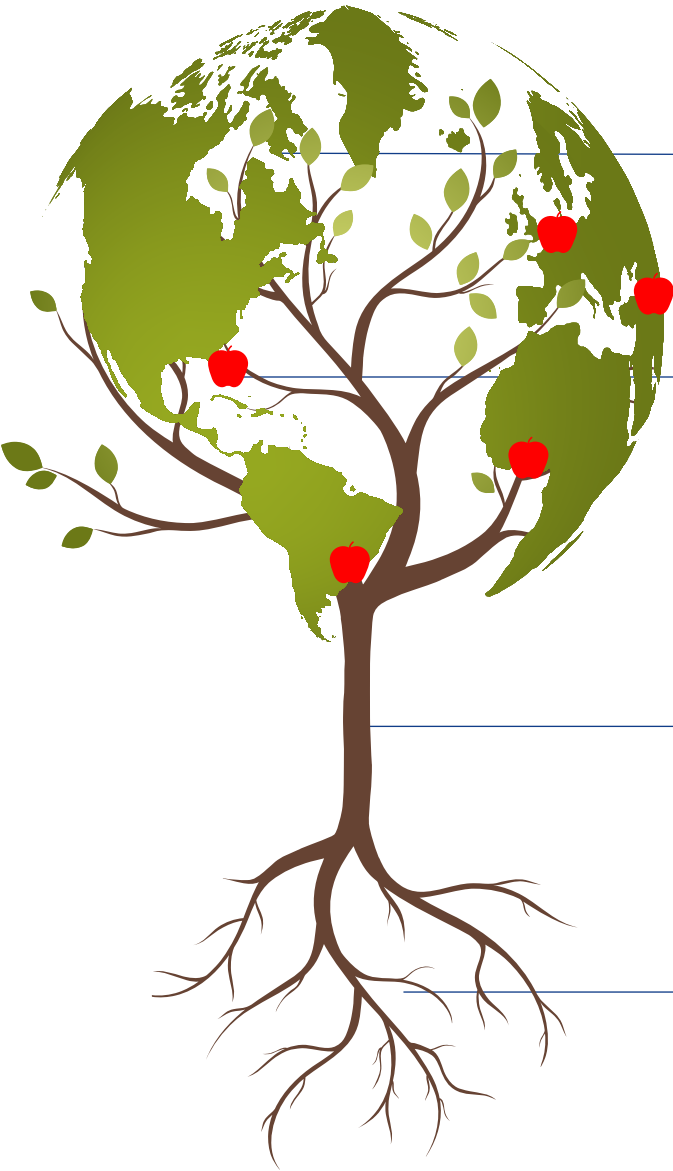
By means of our online platform, called Power BI, we monitor and promote the constant improvement of our practices and processes, in which all HR indicators are available for consultation and analysis

In 2015, Fras-le identified the need to have a mechanism to ensure the continuous communication of the guidelines set forth in strategic planning to employees. This led to the Sustain Cycle, a program that promotes actions aimed at driving cultural and behavioral change among employees, contributing to the achievement of the company's vision in a sustainable manner. These actions are developed and focused on three pillars: Safety, Quality and Productivity, and are applied throughout the year.

TOTAL EMPLOYEES GRI 102-8, 401-1



1 In our work force, we have a manpower division called RAP, which serves all the Randon auto part companies, including Fras-le, Fremax, Jurid, Controil and CTR. The totals of RAP employees were: 83 (2017); 91 (2018); and 53 (2019).



SUSTAIN PROGRAM

CANOPY

Represents the **goals**: Strategic map

FRUIT

Represents the **result**: Stakeholder satisfaction (shareholders, customers, employees, suppliers and society)

TRUNK

Represents the **initiatives**: Strategic projects and the Sustain Cycle

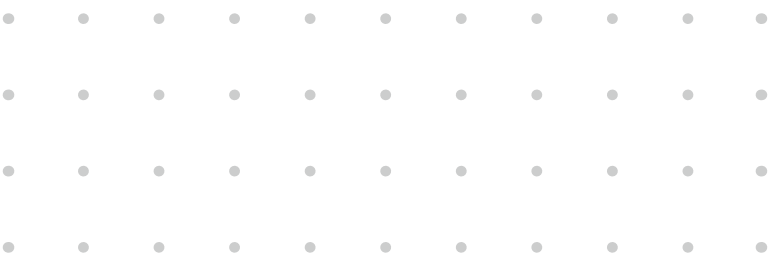
ROOTS

Represents the **strategic guidelines**: Vision, mission and integrated management system

EARTH

Represents **our principles**: Randon ID

EMPLOYEES, BY TYPE OF WORK CONTRACT, REGION AND GENDER<sup>1</sup> GRI 102-8



REGION	2019 <sup>2</sup>			2018 <sup>2</sup>			2017 <sup>3</sup>		
	PERMANENT								
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
South	2,568	469	3,037	2,816	513	3,329	2,180	488	2,668
Caxias do Sul	1,770	337	2,107	1,976	362	2,338	1,884	380	2,264
São Leopoldo	268	93	361	318	115	433	296	108	404
Joinville	530	39	569	522	36	558	0	0	0
Southeast	47	66	113	102	12	114	0	0	0
Sorocaba	47	66	113	102	12	114	0	0	0
TOTAL	2,440	710	3,150	2,918	525	3,443	2,180	488	2,668

1 During the reporting period there were no employees on fixed term contracts. All employees are full-time. Does not include apprentices and interns.

2 Includes Fras-le + Controil + Jurid + Fremax + CTR.

3 Includes Fras-le + Controil + CTR.

NEW EMPLOYEE HIRES AND TURNOVER RATE GRI 401-1

BY GENDER	2019			2018			2017		
	HIRED	TERMINATED	TURNOVER	HIRED	TERMINATED	TURNOVER	HIRED	TERMINATED	TURNOVER
Men	412	638	0.17	497	488	0.14	419	334	0.14
Women	99	137	0.04	84	147	0.03	89	101	0.04
TOTAL	511	775	0.2	581	635	0.18	508	435	0.18
BY AGE GROUP									
< 30 years	326	314	0.1	342	297	0.09	296	209	0.09
From 30 to 50 years	179	370	0.09	234	264	0.07	206	189	0.07
> 50 years	6	91	0.02	5	74	0.01	6	37	0.008
TOTAL	511	775	0.2	581	635	0.18	508	435	0.18
BY REGION									
Southeast – Sorocaba	18	22	0.01	29	30	0.01	0	0	0
South	493	753	0.2	552	605	0.17	508	435	0.18
Caxias do Sul	329	559	0.14	366	423	0.11	457	379	0.16
São Leopoldo	51	128	0.03	111	111	0.03	51	56	0.02
Joinville	113	66	0.03	75	71	0.02	0	0	0
TOTAL	511	775	0.2	581	635	0.18	508	435	0.18

EMPLOYEES, BY TYPE OF WORK CONTRACT, REGION AND GENDER<sup>1</sup> GRI 102-8

REGION	2019 <sup>2</sup>			2018 <sup>2</sup>			2017 <sup>3</sup>		
	PERMANENT								
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
South	2.568	469	3,037	2,816	513	3,329	2,180	488	2,668
Caxias do Sul	1,770	337	2,107	1,976	362	2,338	1,884	380	2,264
São Leopoldo	268	93	361	318	115	433	296	108	404
Joinville	530	39	569	522	36	558	0	0	0
Southeast	47	66	113	102	12	114	0	0	0
Sorocaba	47	66	113	102	12	114	0	0	0
TOTAL	2,440	710	3,150	2,918	525	3,443	2,180	488	2,668

1 During the reporting period there were no employees on fixed term contracts. All employees are full-time. Does not include apprentices and interns.

2 Includes Fras-le + Controil + Jurid + Fremax + CTR.

3 Includes Fras-le + Controil + CTR.

EMPLOYEES, BY AGE GROUP<sup>1</sup> GRI 102-8

	2019 <sup>2</sup>	2018 <sup>2</sup>	2017 <sup>3</sup>
< 30 years	751	848	622
From 30 to 50 years	2,007	2,193	1,694
> 50 years	392	402	352
TOTAL	3,150	3,443	2,668

1 Does not include apprentices and interns. 2 Includes Fras-le + Controil + Jurid + Fremax + CTR. 3 Includes Fras-le + Controil + CTR.

EMPLOYEES, BY FUNCTIONAL CATEGORY AND GENDER GRI 102-8

	2019			2018			2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Director level	6	0	6	4	0	4	2	0	2
Management	45	6	51	50	7	57	22	4	26
Administrative/ technical	941	160	1,101	840	145	985	628	121	749
Operational	1,623	369	1,992	2,022	375	2,397	1,528	363	1,891
Apprentice	51	11	62	51	10	61	46	15	61
Intern	11	14	25	16	11	27	22	9	31
TOTAL	2,677	560	3,237	2,983	548	3,531	2,248	512	2,760

EMPLOYEES OVERSEAS GRI 102-8

	2019		2018		2017	
	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
Argentina	108	19	98	17	32	3
Chile	1	0	0	0	0	0
Colombia	3	4	0	0	0	0
Uruguay	197	7	114	3	0	0
USA	50	29	41	27	45	25
Mexico	2	1	0	0	0	0
Europe	8	1	10	1	7	1
Asia	127		154		0	0
India	366		484		0	0
TOTAL	1,620		949		113	

THIRD-PARTIES GRI 102-8

	2019 <sup>2</sup>	2018 <sup>2</sup>	2017
Food and meals	0	37	39
Cleaning	31	26	26
Security	48	43	39

CAREER MANAGEMENT

Given the competitive market environment, we encourage our employees to pursue self-development and to assume responsibility for building their own career. By identifying competencies and skills and expressing interest in development, we reconcile individual wishes with company planning, generating a favorable environment.

As a result, each individual has the opportunity to plan their career, establish targets and goals, and pursue development, regardless of their hierarchical level.

Company managers observe the areas that require greater development and decide on the support the company will offer. Results are monitored and fed back to employees, driving the company’s growth.

The responsibility for the training plan is shared between the manager, the HR area and the corporate areas, promoting alignment between company needs and organizational strategy.

PERFORMANCE ASSESSMENT  
GRI 103-2 | 103-3 | 401

All of our employees (100%) are eligible for performance reviews based on a merit-based system. By means of Performance Management, we combine formal and informal processes and practices used to shape results, priorities and behaviors that will produce positive effects in the short, medium and long terms, both for the employee and for the organization.

The performance management process employs a computerized system. Directors undergo 360° assessment, with the appraiser’s peers participating in the competencies analysis.

For management and coordination levels, the company employs 270° assessment, entailing self-assessment, assessment by the manager and by subordinates. We recently initiated this process for administrative workers and leaders, involving self-assessment and assessment by the manager. From 2021, the process will be extended to the rest of the work force.

Our Way of Doing Things GRI 103-2 | 103-3 | 401

The competencies expected of Randon company leaders and employees represent Our Way of Doing Things. These competencies were reviewed in 2019, covering:

- Self-knowledge and continuous learning;
- Positive influence;
- Inspires with Trust;
- Results with strategic vision.



TRAINING GRI 103-2|103-3|404

Our training policies and work procedures guide the organizational education processes and programs that drive our competency and awareness development processes and employee and third-party training.

The training program is submitted to internal and external audit to verify quality and compliance with legislation.

Training needs are identified by: audit processes; customer requirements; need for legal compliance; job profile requirements; and performance assessment. The following are components of our training and development program: Quality training; Operational Excellence; Occupational Safety Training; Management Development; Performance Training; and English Program.

We have an online platform that encourages a proactive approach to personal and professional development, called Pra.VC. This offers employees programs that promote cultural change, digital education, autonomy, flexibility, performance management and updating. The tool provides more than 150 courses for employee development and sev-

en personal and professional learning trails.

Our organizational education and talent management model also identifies and develops professionals with the potential to meet the requirements of management positions in the Randon companies, such as positions at director, management and coordination level, as part of the company's succession management process.

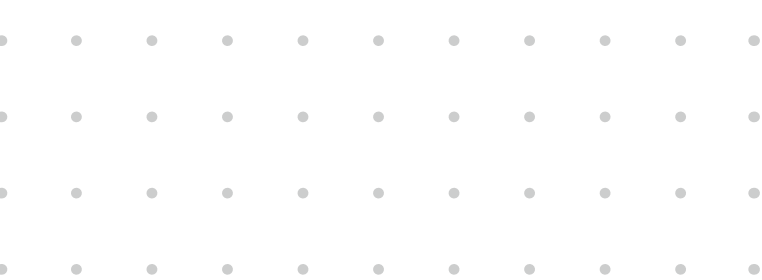
In 2019, the following courses were offered: Lean Thinking; Time Matrix – task management methodology; 5W2H action plan; How to create relevant KPIs; and Time planning and management. We also promoted the event Randon Companies Summit, a week of workshops, talks and experiential activities on Digital Transformation.

Moreover, in partnership with the industry training service Senai (Serviço Nacional de Aprendizagem Industrial), we offered a technical qualification program for apprentices in Caxias do Sul (Rio Grande do Sul), providing infrastructure occupying more than 1.5 km², with classrooms, library, computer room, and a large workshop at the compa-

ny's headquarters. The young candidates participate in selection processes in the Randon companies and other companies in the sector. We promoted the following courses: Operator in auto part, vehicle, highway and railway implement manufacturing processes; Automotive component and implement assembly operator; and Industrial machinery maintenance mechanic.

Leaders GRI 103-2| 103-3| 404

Held for more than 68 Fras-le and Controil leaders in 2019, the Leadership Meeting reinforced our organizational culture for directors, managers and coordinators, with a focus on our people management, culture and on Our Way of Being and Doing Things, creating an environment for discussion and reflection on the future of the organization's businesses.



More than  
68

Fras-le and Controil  
leaders took part  
in the Leadership  
Meeting

AVERAGE HOURS OF TRAINING, PER YEAR, PER EMPLOYEE GRI 404-1

BY GENDER			
	2019	2018	2017
Men	13.94	19.44	13.57
Women	9.08	13.98	13.42
TOTAL	23.02	33.42	26.99
BY FUNCTIONAL CATEGORY			
	2019	2018	2017
Director level	0	3.50	3.00
Management	5.79	19.12	52.52
Administrative/technical	18.10	27.82	20.25
Operational	5.88	9.64	10.15
Apprentice	0.77	0.03	2.07
Intern	13.56	12.24	17.80
TOTAL	9.99	14.71	13.19

BENEFITS

We offer a robust benefits package for our employees, extensive to family members, which includes medical, laboratory and hospital coverage. Our benefits policy includes: dental and drugstore assistance; maternity allowance; legal assistance and advice, private pension plan; length of service award; Christmas party; bank agency; credit cooperative; and insurance brokerage in the head office. Our restaurant offers a balanced diet; we provide exclusive bus transportation for employees; there is sponsorship of the employees’ association, which offers a library, a country club, function rooms, a gymnasium, the organization of sporting activities and a tradition group (GTCN Velha Carreta), as well as diverse commercial agreements for employees.

The company has a private pension plan, the RandonPrev – Pension Fund, which enables employees to save for their retirement.

UNION RELATIONSGRI 102-41

In Brazil, 100% of company employees are covered by collective bargaining agreements. The company maintains transparent relations with the Metalworkers’ Union of Caxias do Sul , where the headquarters and the greater part of the work force are located. The company also maintains close relations with the Metalworkers’ Union in Joinville.

Union contacts are made in situations of interest to employees, such as the approval of profit share agreements, voting and specific negotiations.

In the United States, the government does require employees to belong to a union, and the state of Alabama permits free relations between employees and company. The National Labor Relations Board (NLRB) is an independent federal agency that protects employees’ rights but does not require employees to belong to a union. Consequently, our employees are not formally attached to a union.

In China, the government does not permit the creation of unions or similar organizations. For this reason, employees in this country do not have union affiliation.

# Health and safety

GRI 103-2 | 103-3 | 403 | 403-1

Supported by the company’s Safety, Health and Environment Policy, we promote a culture of excellence based on preventing and addressing risks. We identify and address hazards and risks related to health, safety and ergonomics by means of a series of programs. Moreover, we comply rigorously with the health and safety clauses in the category’s collective labor convention. The various measures implemented include anticipation and recognition of risks in the work place in order to establish priorities and targets and implant preventive measures and controls. Each employee’s health is checked periodically in accordance with the function exercised.

Fras-le has a fully implemented occupational health and safety management system which is compliant with legal requirements and other pertinent requirements applicable to the organization. This is currently certified in accordance with the OHSAS 18001 standard and is in transition to the ISO 45001 standard. All workers and all company areas are covered by the Occupational Health and Safety Management System. Employee health and safety is a company value. This is supported by the Fras-le Management System policy, controls,

campaigns and projects during the course of the year, addressing:

- the Sustain Cycle;
- Preventive healthcare for women and for men (Pink October/Blue November);
- S Day (stoppage of all the company’s activities during all work shifts to talk about occupational health and safety);
- Project to comply with the NR12 standard;
- SHE inspections carried out by company management;
- Preventive activities conducted by the internal accident prevention committees, Cipa;
- Health and safety dialogs conducted with company employees;
- Internal and external audits of the OHS management system;
- Monthly SHE performance meetings organized by management;
- Provision of investments in OHS; and
- Implementation of model for managing PPE using Apollus software.

We also promote a series of training activities in this area, such as: safety induction for new employees; regulatory standards, ergonomics, auditory and respiratory protection; internal oc-

cupational health and safety standards; urgent and emergency care for health professionals, among others. **GRI 403-5**

By means of diverse forums, the company maintains a process for employee consultation and participation in the development, planning, implementation, performance assessment and improvement of the OHS Management System. All members of the Internal Accident Prevention Commission (Cipa), for example, responsible for preventing workplace accidents

and occupational ill health, have the autonomy to represent employees and influence decisions, as necessary. Meetings between the forums and the commission take place on a monthly basis. **GRI 403-4**

We also invest continually in training and in financial literacy, because we identified a potential link between financial problems and workplace accidents. As a result, our accident rate has dropped significantly over recent years.

*SHE policies are based on international standards and cover risk management, behavioral training and quality of life measures*

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WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM<sup>1</sup> GRI 403-8

EMPLOYEES		2019		2018		2017	
		NON-EMPLOYEES²	EMPLOYEES	NON-EMPLOYEES²	EMPLOYEES	NON-EMPLOYEES²	EMPLOYEES
Total individuals	Nº	3,150	79	3,443	106	2,668	104
Individuals covered by an occupational health and safety system, based on legal requirements and/or recognized standards/guidelines	Nº	3,150	79	3,443	106	2,668	104
	%	100	100	100	100	100	100
Individuals covered by an occupational health and safety system, based on legal requirements and/or recognized standards/guidelines audited internally	Nº	3,150	79	3,443	106	2,668	104
	%	100	100	100	100	100	100
Individuals covered by an occupational health and safety system, based on legal requirements and/or recognized standards/guidelines audited or certified by an external party	Nº	3,150	79	3,443	106	2,668	104
	%	100	100	100	100	100	100



100%  
of the employees  
are covered by  
health and safety  
management systems

1 Information from the annual report prepared for the Ministry of Labor and Employment in accordance with NR04 standard requirements.

2 Workers who are not employees, but whose work and/or work place is controlled by the organization.



IDENTIFICATION AND ASSESSMENT  
OF RISKS GRI 403-2

Hazards and risks are identified in accordance with the type of activity. The study is undertaken by a member of the Safety and Occupational Medicine SESMT (Serviços Especializados em Engenharia de Segurança e Medicina do Trabalho) area in conjunction with a multifunctional team (operators, analysts, leader, service providers). All of the participants master the activity, product or service under analysis and are familiar with the assessment methodology. The hazard/risk management software is supervised by the occupational safety technician responsible for each system and overseen by the area management. Hazards and risks originating outside the company capable of affecting the occupational health and safety of employees are also identified and analyzed.

Risk reduction in the definition of operational controls is organized in accordance with the following hierarchy: elimination; substitution; engineering controls; administrative measures; and personal protective equipment.

The continuous improvement of the OHS system is driven by feedback from hazard/risk assessments, be it in change management processes, the result of incidents or accidents or routine improvements.

*Reports on risks, the analysis of ergonomic risks and accident investigations are instruments for driving improved management*

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The Fras-le leadership and SHE area encourage all employees to report any dangerous situations encountered immediately . In addition to direct communications, some years ago we formulated the Incident Hunter channel with employees, through which they describe any activities that may put their health and safety at risk. Risks are also reported in the periodic Internal Accident Prevention Commission (Cipa) meetings, which involve employees and service providers.

At Fras-le all workers are entitled to refuse to undertake any activity that poses imminent serious risk to their health and safety. This commitment is constantly underscored in training sessions, team meetings, safety di-

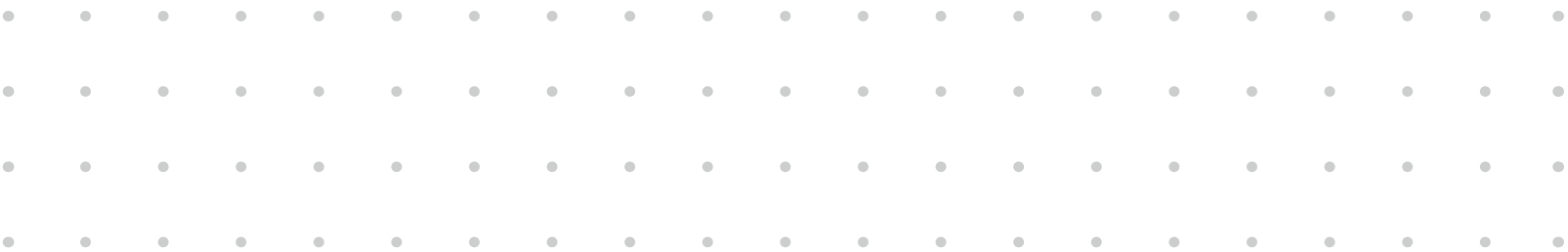
alogs, safety inspections and management communications Furthermore, the incident report form reinforces this practice.

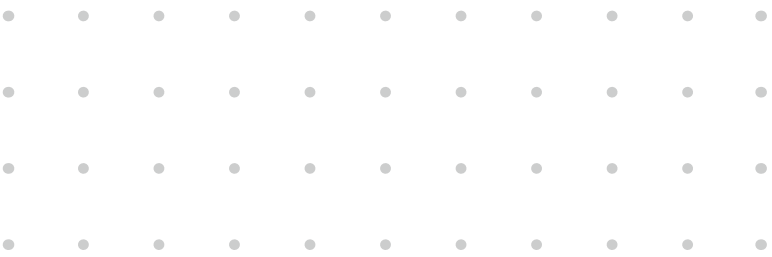
When an incident does occur, the area coordinator must arrange a meeting to analyze and investigate the incident with a multidisciplinary team (leader, labor court, worker representatives – Cipa – maintenance and other professionals considered necessary) in up to 48 hours (2 working days). Whenever possible, the employee involved should participate in the investigation to ensure the accurate presentation of the facts, the identification of the failures, the causes and the definition of corrective measures, ensuring that these are implemented.

The investigation includes filling out the Incident Analysis Form and applying quality tools in seeking the causes. The effectiveness of the actions is concluded with the inclusion of a score in the system, the finalization of the measures and the entry of the evidence in the Accident spreadsheet.

In 2002, Fras-le eliminated the main health risk associated with the type of product it produces by excluding asbestos from brake component formulations. This initiative demonstrates the company’s commitment to the health and safety of its employees and customers. **GRI 403-7**

Measures are underway to implement an ergonomics program to address posture-related risks and problems in the company. In 2017, 2018 and 2019 there were no fatalities from work-related ill health in the company. However, in 2018 there was one case of work-related ill health, followed by two cases in 2019. In relation to workers who are not employees but whose work and/or workplace is controlled by the organization, there were no cases of occupational ill health or fatalities. **GRI 403-10**





11.13  
the employee  
injury rate in  
the workplace

WORK-RELATED INJURIES<sup>1,2</sup> GRI 403-9

	2019		2018		2017	
	EMPLOYEES	NON-EMPLOYEES <sup>3</sup>	EMPLOYEES	NON-EMPLOYEES <sup>3</sup>	EMPLOYEES	NON-EMPLOYEES <sup>3</sup>
Nº of hours worked	4,491,820	13,200	4,848,729	13,200	4,635,422	13,200
Nº of fatalities from work-related injuries	0	0	0	0	0	0
Rate of fatalities from work-related injuries	0.00	0.00	0.00	0.00	0.00	0.00
Nº of serious work-related injuries (excluding fatalities)	0	0	0	0	0	0
Rate of serious work-related injuries (excluding fatalities)	0.00	0.00	0.00	0.00	0.00	0.00
Nº of work-related injuries recorded (including fatalities)	50	0	70	0	87	0
Rate of work-related injuries recorded (including fatalities)	11.13	0.00	14.44	0.00	18.77	0.00

1 Base of number of hours worked = 1,000,000.  
2 Data only from Fras-le. Takes into account apprentices. Does not take into account interns.  
3 Workers who are not employees, but whose work and/or work place is controlled by the organization.



HEALTH CENTER GRI 403-3, 403-6

We have a Health Center that provides workers with diverse services and benefits. It offers integrated care with labor medicine and assistance services.

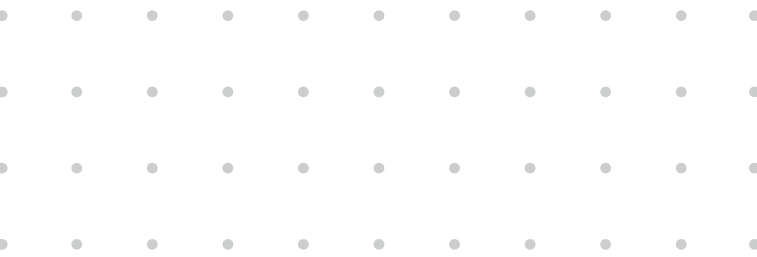
All the services are provided during employees' working hours, so that they do not need to leave the premises, except for specific complementary evaluations. Medical appointments are made by telephone. The services provided encompass clinical, orthopedic, social, orthodontic, psychological care, as well as medical examinations. The center has its own nursing staff and a mobile unit for emergencies.

The healthcare professionals are fully qualified and experienced, ensuring a welcoming environment that fulfills all users' expectations and needs. Whenever necessary, health center professionals visit the plants and interface with the Occupational Safety area.

The computerized Apollus system ensures the confidentiality of the healthcare informa-

tion of company employees, as well as medical confidentiality. In accordance with Randon ID guidelines, Fras-le guarantees that workers' healthcare information and data on participation in services and programs are not used incorrectly.

The company also provides healthcare programs designed to promote employee health and quality of life through educational and other measures to prevent diseases and their development by means of diverse activities and campaigns.





7

STAKEHOLDER  
RELATIONS



+120  
countries with  
Fras-le customers



Audit  
the units undergo  
continuous quality  
and safety assessment



Stakeholder relations GRI 102-43, 102-44

# Ethical and transparent relations

We always strive to maintain ethical and transparent relations with our diverse stakeholder groups, such as customers, suppliers, investors, press and the community. In this chapter, we demonstrate what relations are like with each group

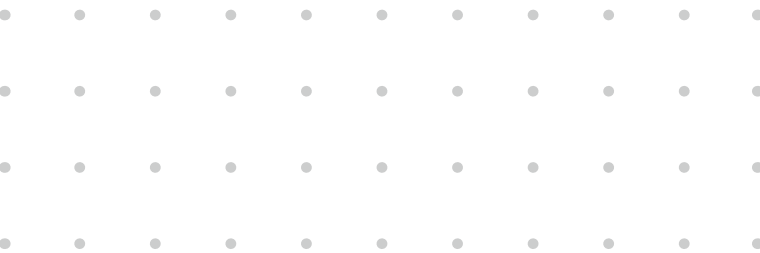
## CUSTOMERS

We work on the principle of winning over, satisfying and maintaining our customers – automotive manufacturers, systems providers and reposition market distributors –, anticipating and fulfilling their expectations. To do this, we involve both our automotive and railroad product manufacturer customers in the company’s R&D projects, which are developed synergically.

We have a series of communication channels, such as website, blog, , application, electronic catalog, print materials, information sheets and social media. We also conduct surveys to measure customer satisfaction and to develop actions to improve relations.

We participate in sector fairs, place advertisements in websites and in specialized magazines. We also promote sales campaigns, undertake technical and commercial calls, offer training programs and talks. In fact, we do everything possible to ensure close relations and to understand what our customers want and need.

This is how we incorporate the challenging pace of change into our routines and prepare to anticipate new realities so that we can deliver what our customers ask for. To ensure the highest service levels in more than 120 countries on the five continents, we segment the markets into OEM and aftermarket, taking into account geographical presence in each one.



## Training

To provide orientation on the correct use of our products, we conduct training courses for automakers, distributors, transportation operators, machine workshops and authorized dealerships and for their interfaces, such as sales and technical teams, owners, mechanics and engineers.

Contact with customers represents an important moment in which to meet their need for information and to capture their demands and requests.

PRODUCT QUALITY

GRI 103-2|103-3|418

We employ project management methodologies to ensure the delivery of quality products. The methods applied include Advanced Quality Product Planning (APQP), which ranges from the stages of product conception, through processes to manufacture and performance monitoring. For the end consumer we provide relevant information such as application catalogs, as well as safety data sheets offering information on the safe handling and application of the products.

To ensure the delivery of safe, high quality products for customers, our processes have environmental quality management and safety and health certifications, as well as automotive industry supply technical certifications (IATF 16949: 2016, ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007 ISO 17025: 2017). We also have other certifications testifying compliance with the legal requirements linked with Brazil's Inmetro (Instituto Nacional de Metrologia, Qualidade e Tecnologia) regulatory standards and instructions.

In our overseas operations we evaluate the need for any certifications applicable in markets that require specific tests and analyses.

All the relevant product and process monitoring stages are documented in the Quality Management System. The main ones are:

- Results of product quality control/performance analysis;
- Product monitoring records;
- Production quality control plans; and
- Warranty technical analysis reports.

Our business units are submitted to internal and external audits to ensure product quality and safety. Additionally, the units are verified to ensure compliance with customer requirements. The company conducts audits at suppliers to check conformance with specified requirements and occupational health, safety and environmental regulations.

The organization employs technical quality management tools such as Advanced Quality

Product Planning (APQP) and Failure Mode and Effect Analysis (FMEA), as well as continuous improvement programs to drive problem resolution, such as 8D, Problem Analysis and Solution Methodology, and Lean tools, such as 6 Sigma.

The company's Information Security Policy affirms the company's commitment to ensuring the confidentiality of customer data in documents, tools and training. This commitment to data confidentiality includes employees and is

extended to suppliers and service providers. New employees sign a term of commitment to this policy during their induction period. Furthermore, we use anti-virus software, firewalls and other tools to protect company data bases. The company has its Secure Connections program, which promotes information security awareness campaigns throughout the work force. We intend to update our processes in 2020 in line with the requirements of Brazil's general data protection law (LGPD).

STRATEGIC FSA PRODUCT QUALITY INDICATORS\*

	2019	2018	2017
PPM OEM (nº)	3	5	5
Cost of low quality (R\$)	12,234,994.00	12,454,817.00	11,189,597.00
Productivity (nº)	36.32	33.42	32.6
General scrap (%)	2.27	2.24	2.44
Guarantee cost (R\$)	358,689.41	555,953.58	411,420.92

\*FSA: Fras-le S.A. – Head unit.

OTHER QUALITY PROGRAMS

To ensure improved quality management, Fras-le has two main programs.

- **Quality Control Circle (CQC)** – this consists of groups of volunteers who identify improvement opportunities by analyzing problems and suggesting changes aimed at preventing accidents, improving product quality and raising productivity. The CQC began at Fras-le in June 1989 with a pilot project consisting of five groups. From 1991, the methodology was adopted in all areas of the company. The CQC dynamic is based on weekly meetings of groups consisting of five to eight people who discuss the opportunities existing in the work place and apply the appropriate tools to take advantage of them. Since 2018, CQC has been aligned with Lean methodology with all circle members qualified as Yellow Belts (more than 200 people trained and qualified), giving rise to another successful venture. The problem solving method adopted was the 6 Sigma-based DMAIC. The company organizes an Internal Show of CQC Works, in which the six most outstanding groups present their

projects in the form of theater sketches, in a format that drives the development of other people. This practice completed 29 years in 2020, based on the following goals: developing people; disseminating the CQC program to other employees and leaders; promoting integration between the circle members and those implementing the improvements; valuing the work done by the circles; and selecting projects/groups to represent the company at external events. In 2019, there were 31 CQC groups in the different areas of the company, representing a significant competitive advantage. In addition to the relentless pursuit of continuous improvement in processes and products, the CQC creates critical mass, promotes a sense of initiative, creativity and innovation and, most importantly, drives the professional and personal development of our people. During the 30 years of the program, more than 11,000 projects have been implanted, the result of the joint efforts of a series of people from diverse company areas who, over the course of these years, have been providing support for the work force and promoting the cooperative nature of the project.



TECHNICAL ASSISTANCE

Diverse technical assistance channels are open to our customers:

- Technical service calls by staff manning the main locations in the country and overseas;
- Via the telephone 0800 512 169;
- Via the Fras-le website, in “Contact”;
- Face to face meetings with auto manufacturers and distributors; and

- Customer service via telephone, email, among others.

We use global methodologies to address problems and improvements, such as 8D, D&PF-MEA, 6 Sigma, project management, among others.

SUPPLIERS

Our relations with suppliers are based on transparency and mutual trust. To systematize our actions, we adopt a series of guidelines established in the Corporate Procurement Policy, the Code of Ethical Conduct, in the Supplier Requirements Manual and the Anti-corruption Policy.

To join our supplier network, companies need to comply with a series of requirements, informing their economic financial indicators, their commercial terms, the quality of the products and services offered, as well as committing to ethical and socially responsible behavior. The Supplier Requirements Manual establishes the rules for selection, assessment and monitoring related to quality, logistics, post-sale and commercial conditions.

Our suppliers are required to manage and control the generation of liquid, solid and gaseous waste, with registered procedures that attest to conformance with applicable legal requirements. They are also expected to: have a valid state or municipal environmental license; manage noise/vibrations; monitor and reduce the use of natural resources; identify the existence of environmental liabil-

ities; keep the list of restricted (gray list) or prohibited (black list) products or inputs used in production up to date; establish and maintain procedures that ensure their employees are aware of their responsibilities in terms of compliance with environmental policy, significant environmental impacts; in relation to ISO 14001, have a system to identify legislation/specific customer requirements; and establish and maintain procedures to define responsibilities and levels of authority regarding non-conformances.

In relation to occupational health and safety, we observe whether our suppliers have hazard and risk assessment systems for their activities and processes, as well as control, accident and health risk control measures in place. The company also verifies compliance with pertinent occupational health and safety legislation (PCMSO/PPRA), whether the supplier establishes occupational health and safety targets and whether it has procedures in place to implement and monitor corrective and preventive measures.

MAIN INPUTS – RESIN | STEEL SHEETING | GLASS FIBER GRI 102-9

TYPE OF SUPPLIER		ASSESSMENT CRITERIA	CONTROL CRITERIA
Direct	Supply materials	According to the Suppliers Manual (financial analysis + process audit)	IDGF (Supplier Global Development Index) Handbook (quarterly classification and supplier lists)
	and services used in our products	Due diligence	
Indirect	Supply materials and services not used in our products	Due diligence	Financial assessments and supplier lists
New suppliers	-	According to the Suppliers Manual (financial assessment + self-assessment + process audit)	-
		Due diligence	

In 2019, the company made purchases from a total of

1,475 SUPPLIERS

RECOGNITION



**SINDIREPA AWARD**

Fras-le and Fremax were placed in the top three in the Best of the Year award for suppliers granted by the vehicle repair industry association Sindicato da Indústria de Reparação de Veículos e Acessórios do Estado de São Paulo

Supplier Portal

Our main relationship channel with suppliers is the Supplier Portal. This is used for selection, evaluation, monitoring and communication with our supply chain.

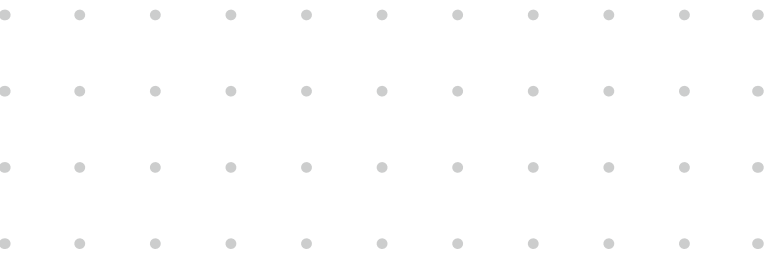
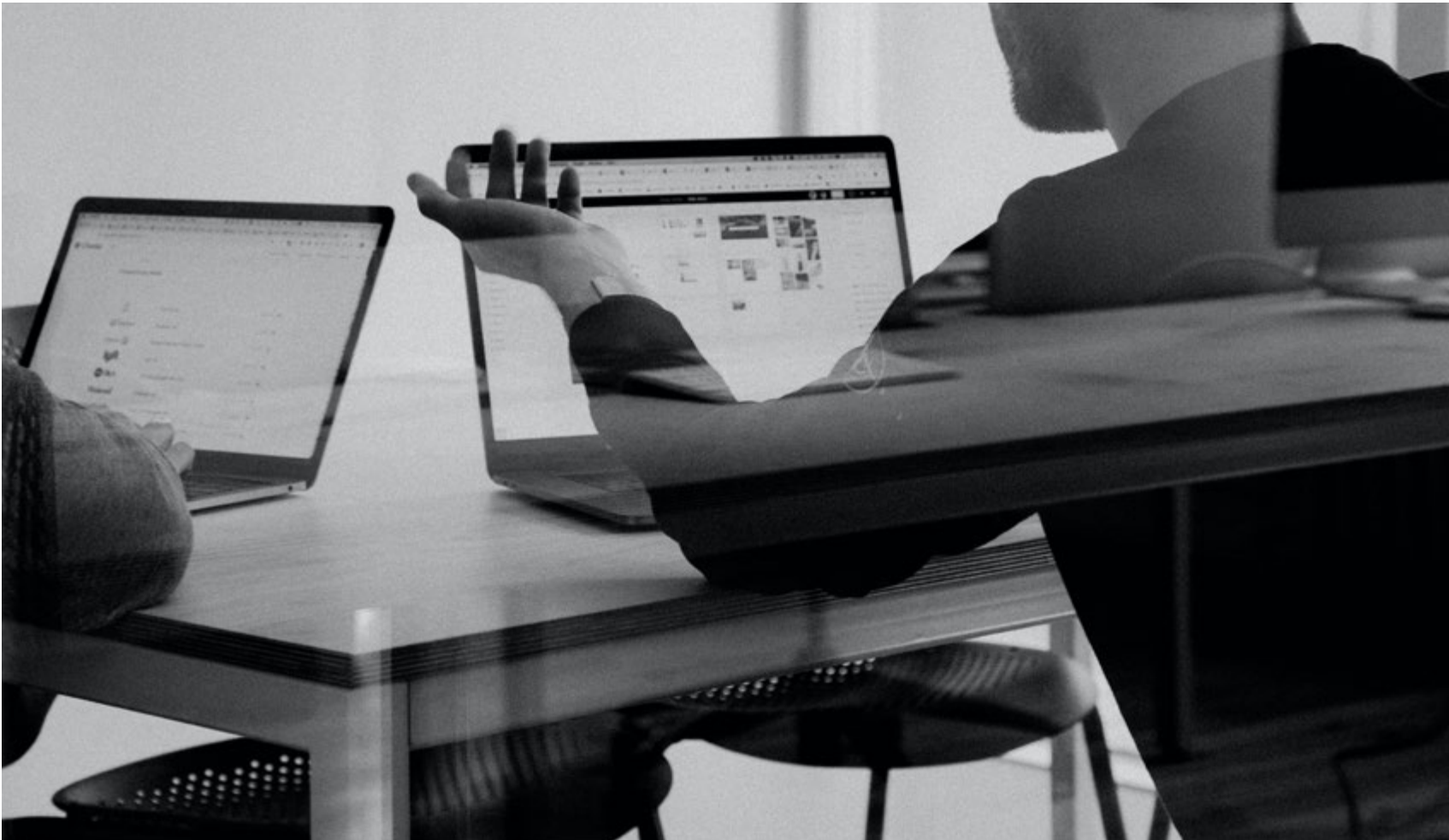
Through the portal we address non-conformance (RNC/8D) issues, requests for diversion/waiver/notification of product or process changes, the production part approval process, process audits, completion of self-assessment questionnaires, and management of action plans. Moreover, suppliers can check their monthly performance indicators from the seventh working day after the month in which they supplied product to Fras-le, as well as their overall performance record.

INVESTORS

The Investor Relations area is responsible for contacts with investors, whether they are shareholders or not. In partnership with the capital market association Apimec (Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais) we hold meetings with both sellside and buy-side professionals, which include presentations of quarterly results, participation in conferences, non-deal road shows and meetings on company premises (Investor Day).

We also use virtual platforms such as the company’s website, LinkedIn and a mailing list to disclose information. When an investor or analyst takes the initiative, contact is made through the company’s specific IR website, a dedicated IR email, via telephone or face to face meeting.

Information is disclosed systematically in accordance with legislation, such as the publication of the quarterly results or the disclosure of revenue, which takes place monthly between January and November each year.



MORE INFORMATION  
ACCESS OUR [INVESTOR RELATIONS WEBSITE](#)



PRESS

The company maintains good relations with the press, to whom we transmit information about our participation in fairs, events, awards, products, as well as our financial and performance data.

In 2019, a total of 73 releases were issued to the Brazilian and international press. Contents were also published in specialized vehicles in economic and business areas on topics such as results and performance. Articles were also published on products and technology in magazines, newspaper supplements and portals, among others.



R\$ 3.7  
million

invested in the IER in 2019

*\*R\$ 2.1 million in donations from the Randon companies*

COMMUNITIES

We participate in, implement and support civic awareness and social development programs in the community at a corporate level, with a focus on education, culture and the environment. Our activities are channeled through the Instituto Elisabetha Randon (IER), a non-profit private institution.

Founded in 2003, the institute is a civil society public interest organization (OSCIP in the Portuguese acronym) aimed at promoting civic participation and social development with measures in the areas of education, culture, social assistance and the promotion of volunteer work.

The institute organizes the **Florescer (Flourish) Programs** – awakening children to the future, **Florescer Iniciação Profissional (Flourish Professional Initiation)** – preparing them for the world of work, **Vida Sempre (For Life)** – road safety and **Ser Voluntário (Volunteer)** – participating in civic development (see *chart*).

IER PROGRAMS

OBJECTIVE		Nº OF BENEFICIARIES IN 2019
Flourish – awakening children to the future	Created in 2002, the program prepares socially vulnerable children and adolescents for civic awareness and participation with a view to improving quality of life. Classified as a social assistance program that promotes co-existence and strengthens ties, it provides children and young people from 6 to 15 years with educational, cultural and sports activities free of charge. The program includes an annual cycle of talks on education and quality of life.	360
Flourish Professional Initiation – preparation for the world of work	Created in 2005, the program’s mission is to prepare 15 to 16 year old youngsters to enter the labor market, adopting a technical and humanistic approach. In partnership with Senai, the program provides professional initiation courses in the areas of mechanics and administration aimed at preparing the youngsters to deal with the challenges of the labor market, contributing to Brazil’s social and economic development.	78
For Life – road safety	Created in 2010 to promote education in road safety, the course offers drivers and pedestrians information and tips on how to behave in traffic by means of talks, games, theater and advice, using communication media and print material. In 2011, the program introduced its traveling theater play, “The For Life Show – The Wheel on the Road Culture”, now in its 7 <sup>th</sup> edition, with performances in the Southern region. In 2017, the IER formed a partnership with the Brazilian National Road Safety Observatory (ONSV), acquiring the Yellow Ribbon seal, with monthly campaigns aimed at raising awareness of the importance of road safety. In 2018, the program started offering truck drivers the course Safe and Economical Driving.	36,335
Volunteer – participating in building civic awareness	Launched in 2005 in partnership with the NGO Parceiros Voluntários, the program is aimed at encouraging Randon company employees to undertake volunteer work in community associations and public schools that are partners of the Flourish Program. The volunteers engage in activities such as remodeling and painting buildings, computer maintenance, mowing lawns, among others.	1,035

MORE INFORMATION  
SEE THE PROJECTS AND ACTIVITIES RUN BY [IER](#)

8

ENVIRONMENTAL  
MANAGEMENT



4.53%

decrease in  
electricity  
consumption in 2019



Environmental management

# Our commitment to eco-efficiency

The measures implemented are cross-cutting to drive best practices throughout the company

Fras-le maintains an environmental care policy, implementing projects and programs to minimize possible impacts on nature and to promote sustainable growth. The policy guidelines reinforce our culture focused on prevention and prioritizing attention to situations of risk with seriousness, defining responsibilities in this area. Commitment to this policy is extended to everyone – employees, interns, apprentices and contract workers who provide services in our operations, in compliance with local requirements.

The company was the first friction material manufacturer in South America to obtain ISO 14001 standard or Environmental ISO certification, which determined the creation of an Environmental Management System as early as the 1990s. In 2017, the company obtained

recertification for the ISO 14001:2015 version, which establishes new requirements and criteria related to the value chain, life cycle, risks and opportunities, among other factors. The new version mandates the identification of the main environmental aspects to be subject to mitigation, control or action plans, with a total focus on potential impacts. The company also has IATF 16949, ISO 9001 and OHSAS 18001 certifications.

Since the 1990s, Fras-le has had its Environmental Management System, with goals and targets aimed at minimizing and preventing environmental impacts from the use of natural resources and the generation of waste. Accordingly, we have systematically developed environmental conservation measures, including:

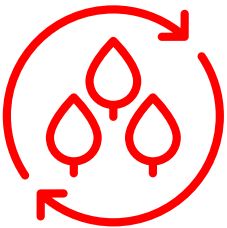


*The environmental management system has been implanted in the operational units since the 1990s*

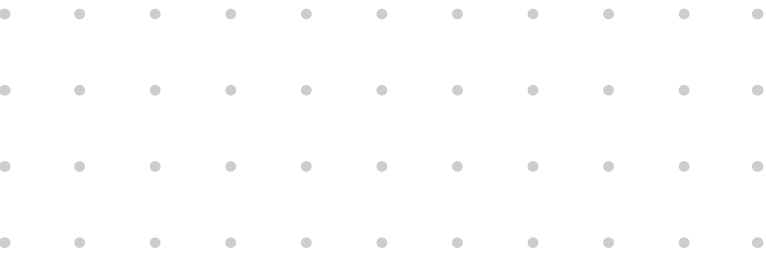


- Pursuit of new technologies to optimize waste treatment;
- Specific indicators to measure environmental performance;
- Waste center;
- Composting process;
- Wastewater treatment plant;
- Internal recirculation system for treated effluent ;
- Monitoring of atmospheric emissions, liquid and solid waste;
- Organization of environmental education activities for internal and external audiences, during World Environment Day week; and
- Reverse Logistics program: Pro-Environment.

Fras-le investments in environmental conservation are oriented to the company's Safety, Health and Environment policy. A total of R\$ 6 mm was invested in 2019 alone.



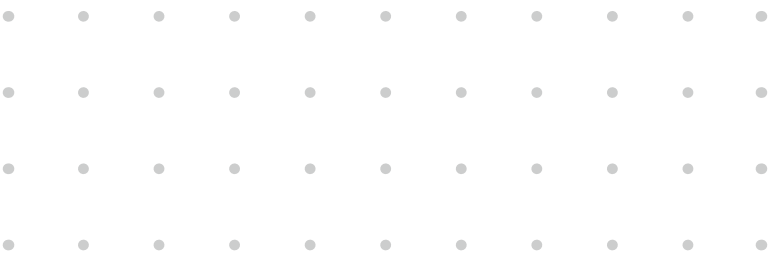
**R\$ 6**  
**million**  
invested in  
environmental conservation



**Preventive culture**

- Talks with employees on SHE-related subjects
- We record, investigate and address non-conformance
- Employees are encouraged to suggest and get involved in improvements
- Inspections are conducted in the workplace, managing all potential risks

ENERGY GRI 103-2 | 103-3 | 302



Our programs oriented to energy consumption are aimed at boosting awareness of the need to preserve sources; this depends on people’s mindset and their endeavors to produce solutions. Accordingly, we implement projects focused on reducing energy consumption in our production processes.

Currently, the company conducts rigorous monitoring on two fronts: consumption intensity (GJ/part) and total consumption (GJ). In this way, we strive to fulfill our commitment to reducing annual consumption per part produced, promoting constant environmental improvements.

*Consumption intensity and total energy use are the main indicators monitored*

- A number of energy consumption reduction measures have been developed and are being finalized at the Caxias do Sul plant. Worthy of note among these are:
- Modernization of equipment, substituting older models with more efficient ones;
  - Adaption of lighting throughout the company with the implementation of LED light bulbs;
  - Maintenance activities aimed at eliminating energy losses and wastage; and
  - Equipment automation, optimizing consumption through process improvement.

Energy consumption monitoring is mostly automated and is accompanied by an engineering team. Moreover, a platform aimed at consolidating these measures and making them available online for any stakeholder is currently being implemented, with a view to further optimizing transparency for the business.

Currently Fras-le does not have its own internal energy generation model and converts natural gas into steam for production processes. Therefore, the company does not

commercialize energy. In 2019, there was a slight 1.15% decrease in natural gas consumption compared with the previous year. Total electrical energy consumption dropped by 4.53% compared with 2018.

Considering the overall results in relation to total production for the year – which increased slightly because of economic factors –, energy intensity diminished by 9.62% in 2019 compared with the previous year.

In 2019, there was a slight 1.15% decrease in natural gas consumption compared with the previous year. Total energy consumption dropped by 6.07% compared with 2018.

These results attest to the work done on energy optimization and reaffirm the company’s commitment to sustainability. **GRI 302-1**

For the 2020 cycle, the energy intensity target of 0.0040 GJ/part has been established, a 1.5% reduction compared with 2019. **GRI 302-3**

TOTAL ENERGY CONSUMPTION INSIDE THE ORGANIZATION (GJ) GRI 302-1

	2019	2018	2017
Non-renewable fuels			
Natural gas <sup>1</sup>	250,781.58	253,688.52	233,213.90
LPG <sup>2</sup>	6,430.87	8,000.98	6,768.97
Diesel oil <sup>2</sup>	290.34	296.80	238.73
Gasoline <sup>2</sup>	10.04	12.55	9.20
TOTAL	257,546.17	262,032.92	240,258.21
Renewable fuels			
Biodiesel <sup>3</sup>	33.34	34.08	27.41
Energy consumed – Electricity <sup>4</sup>	174,982.30	186,281.88	175,275.00
Energy commercialized	0.00	0.00	0.00
TOTAL	175,015.64	186,315.96	175,302.41
TOTAL ENERGY CONSUMED	432,561.81	448,348.88	415,560.62

1 The natural gas consumption data were converted into energy consumption in accordance with the factors in Brazil's national energy balance (BEM) 2019.

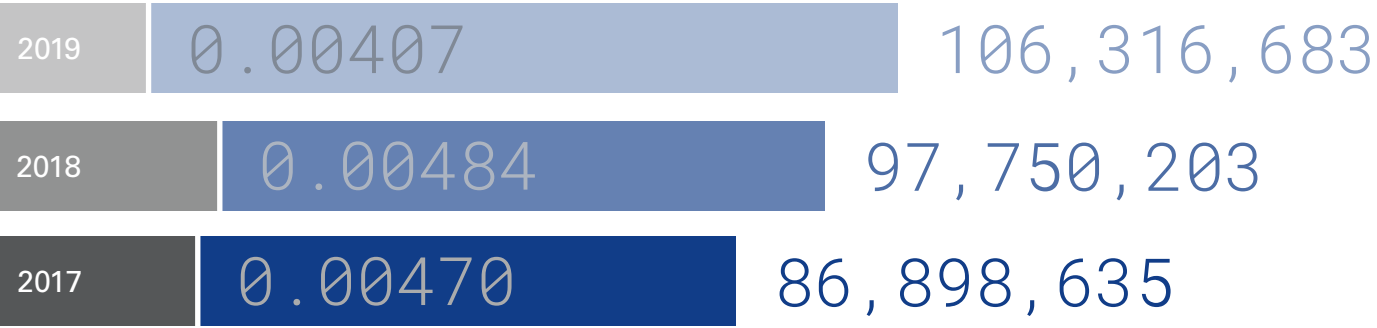
2 Sources used for internal product and component movements by industrial vehicles.

3 This consumption represents 10.3% of the diesel oil consumed.

4 The electricity consumption data are received in kWh and converted to GJ, in accordance with Brazilian Electrical Energy Atlas metrics – published by the national energy agency Aneel (Agência Nacional de Energia Elétrica) 2019.

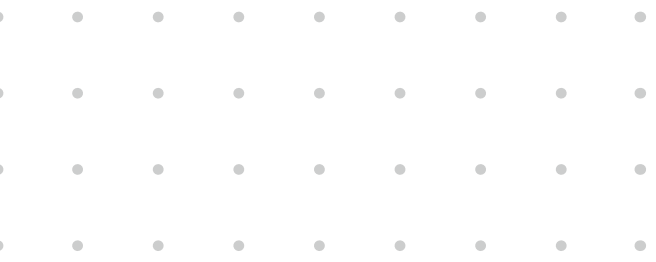
ENERGY INTENSITY<sup>1</sup> GRI 302-3

NUMBER OF PARTS (UNITS)



● energy intensity ● volume of parts produced

1 Energy intensity outside the organization is not managed by Fras-le.



**Climate change**

Our major climate change-related initiatives are reducing the volume of gas burned and economizing electrical energy. Essentially, the company's principal greenhouse gas effect impact is from the use of fossil fuel, and we are seeking to reduce consumption as much as possible. It is our understanding that this represents an important contribution to the environment.

EFFLUENTS AND WASTE  
GRI 103-2 | 103-3 | 306, 306-2

Fras-le maintains constant focus on recycling in the industrial process. Currently, the exhaust dust reuse rate is 85%. This means that we maximize mitigation of waste disposal in this process. Through the Environmental Management System, we establish guidelines that promote continuous improvement in our processes, aimed at reducing environmental impacts and waste generation.

Waste generation is managed via the unit’s Solid Waste Management Plan, which encompasses the description, classification and the manner in which all the waste generated by Fras-le activities is managed. Furthermore, a critical analysis of environmental performance is conducted monthly. This involves verification of the results of environmental indicators and the projects managed by the environmental area, aimed at achieving the targets established, and other Environmental Management System practices. Internal and external audits are conducted annually, in which these practices are verified in order to comply with ISO 14001 requirements.

The following environmental performance indicators are monitored to achieve the targets of the company’s plan:

- **Environmental performance** – this represents the ratio of waste generated to raw material consumed, with a target of 10%; and
- **Exhaust dust consumption** – monitoring of the incorporation of exhaust dust as raw material in part manufacture, with a target of 82%.

Waste disposal is determined in accordance with the classification of the material based on the NBR 10004 standard. Fras-le does not dispose of waste in industrial landfills. Waste which may not be recycled and/or recovered is used in co-processing in cement kilns.

The generation of solid waste is directly related to production volume, as is the incorporation of exhaust dust waste into the production process. The quantities consumed vary in accordance with the production mix (different formulations).

In 2019, the result for the exhaust dust consumption indicator was 85%, the company’s best ever. Diverse studies were conducted by the research and development area. These led to higher utilization, as well as to physical improvements in the locations where the exhaust dust is collected and stored to reduce its humidity. Environmental performance reached 10.2%, which represented a significant 2.8% reduction. The targets for 2020 are environmental performance < 9% and exhaust dust consumption > 84%.

Reuse of exhaust dust reaches 85% in the company

WASTE, DISCRIMINATED BY TYPE AND DISPOSAL METHOD (T) GRI 306-2

HAZARDOUS WASTE <sup>1</sup>	2019	2018	2017
Reuse (washing uniforms) <sup>2</sup>	N/A	N/A	63.42
Recycling (light bulbs, electronic equipment)	16.73	11.50	7.21
Recovery (oil, packaging)	70.34	78.88	66.60
Incineration – mass burn (healthcare service and contaminated waste)	445.82	434.37	579.85
TOTAL	532.89	524.75	717.08
NON-HAZARDOUS WASTE <sup>3</sup>	2019	2018	2017
Reuse (packaging)	1.37	1.70	0.93
Recycling (paper, plastic, metal scrap)	4,384.50	4,478.82	5,389.67
Composting (organic material and wastewater treatment plant sludge)	77.72	85.31	76.00
Co-processing (exhaust dust and brake linings)	4,242.16	4,201.02	3,376.55
Landfill (organic material)	146.80	144.00	144.20
TOTAL	8,852.55	8,910.85	8,987.35

1 No other methods of treating hazardous waste (landfill, local storage or underground injection) were used in the periods reported.

2 With the change in legislation, since 2018 uniforms have been sent for washing. However, no waste transportation manifest is issued, so this process is not counted as waste.

3 There was no waste recovery, local storage or underground injection in the period reported.

*GRI*

# CONTENT INDEX



SUMMARY OF GRI CONTENT 102-55

GENERAL DISCLOSURES					
GRI	STANDARD	DISCLOSURE	PAGE	OMISSION	SDG*
Organizational profile					
GRI 102: Standard disclosures 2016	102-1	Name of organization	13	-	-
	102-2	Activities, brands, products and services	13, 15, 16, 17	-	-
	102-3	Location of head office	13	-	-
	102-4	Location of operations	13, 18	-	-
	102-5	Ownership and legal form	20	-	-
	102-6	Markets served	13	-	-
	102-7	Scale of organization	9, 35	-	-
	102 -8	Information on employees and other workers	44, 45, 47 to 49	-	8, 10
	102-9	Supply chain	63	-	-
	102-10	Significant changes to the organization and its supply chain	10	-	-
	102-11	Precautionary principle or approach	23	-	-
	102-12	External initiatives	18	-	-
	102-13	Membership of associations	18	-	-

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GRI CONTENT INDEX

GENERAL DISCLOSURES				
GRI STANDARD	DISCLOSURE	PAGE	OMISSION	SDG*
Strategy				
GRI 102: Standard disclosures 2016	102-14 Statement from senior decision maker	8	-	-
Ethics and Integrity				
GRI 102: General disclosures 2016	102-16 Values, principles, standards and norms of behavior	14 to 17, 23	-	16
Governance				
GRI 102: General disclosures 2016	102-18 Governance structure	20 to 22	-	-
Stakeholder engagement				
GRI 102: General disclosures 2016	102-40 List of stakeholder groups	4	-	-
	102-41 Collective bargaining agreements	52	-	8
	102-42 Identifying and selecting stakeholders	4	-	-
	102-43 Approach to stakeholder engagement	4, 60	-	-
	102-44 Key topics and concerns raised	4 to 6, 60	-	-

GRI CONTENT INDEX

GENERAL DISCLOSURES					
GRI	STANDARD	DISCLOSURE	PAGE	OMISSION	SDG*
Reporting practice					
GRI 102: Standard disclosures 2016		102-45 Entities included in the consolidated financial statements	3	-	-
		102-46 Defining report content and topic boundaries	3, 5, 6	-	-
		102-47 List of material topics	5, 6	-	-
		102-48 Restatements of information	3	-	-
		102-49 Changes in reporting	3	-	-
		102-50 Reporting period	January 1 2019 to December 31 2019	-	-
		102-51 Date of most recent report	2018	-	-
		102-52 Reporting cycle	annual	-	-
		102 -53 Contact point for questions regarding the report	answered	-	-
		102 -54 Claims of reporting in accordance with the GRI Standards	This report was elaborated in accordance with the Core option of GRI Standards.	-	-
		102-55 GRI Content Index	75	-	-
		102-56 External assurance	3	-	-

GRI CONTENT INDEX

MATERIAL TOPICS				
GRI STANDARD	DISCLOSURE	PAGE	OMISSION	SDGS*
Anti-corruption				
GRI 103: Management ap- proach 2016	103 -1 Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2 Management approach and its components	23, 25, 26, 29	-	-
	103 -3 Evaluation of management approach	23, 26, 29	-	-
GRI 205: Anti-corruption 2016	205 -1 Operations assessed for risks related to corruption	26	-	16
	205 -2 Communication and training about anti-corruption policies and procedures	26	-	16
	205 -3 Confirmed incidents of corruption and actions taken	No incidents of corruption were identified and confirmed between 2017 and 2019.	-	16
Energy				
GRI 103: Management ap- proach 2016	103 -1 Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2 Management approach and its components	25, 70	-	-
	103 -3 Evaluation of management approach	70	-	-
GRI 302: Energy 2016	302 -1 Energy consumption within the organization	70, 71	-	7, 8, 12, 13
	302-3 Energy intensity	70, 71	-	7, 8, 12, 13

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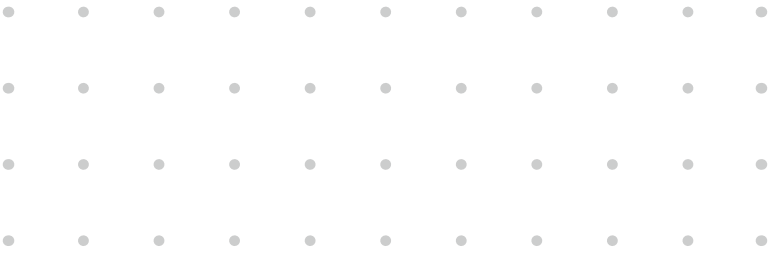
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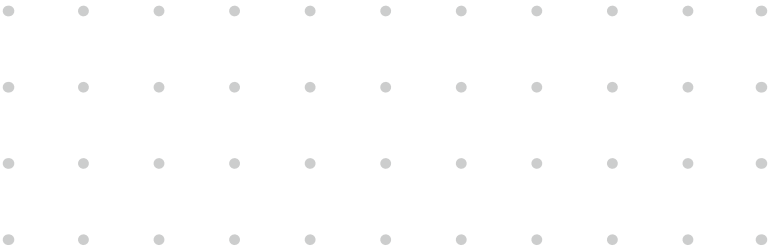
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GRI CONTENT INDEX



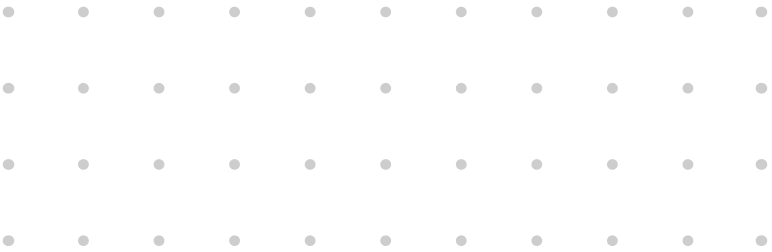
MATERIAL TOPICS				
GRI STANDARD	DISCLOSURE	PAGE	OMISSION	SDGS*
Effluents and waste				
GRI 103: Management ap- proach 2016	103 -1 Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2 Management approach and its components	25, 72	-	-
	103 -3 Evaluation of management approach	72	-	-
	306 -2 Waste by type and disposal method	72, 73	-	3, 6, 12, 14
Employment				
GRI 103: Management ap- proach 2016	103 -1 Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2 Management approach and its components	25, 43, 50	-	
	103 -3 Evaluation of management approach	43, 50	-	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	44, 46	-	5, 8, 10
Occupational health and safety				
GRI 103: Management ap- proach 2016	103 -1 Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2 Management approach and its components	25, 53	-	-
	103 -3 Evaluation of management approach	53	-	-

GRI CONTENT INDEX



MATERIAL TOPICS				
GRI STANDARD	DISCLOSURE	PAGE	OMISSION	SDGS*
Occupational health and safety				
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	53	-	8
	403-2 Identification and assessment of risks and investigation of incidents	55	-	8
	403-3 Occupational health services	58	-	8
	403-4 Worker participation, consultation and communication on occupational health and safety	53	-	8, 16
	403-5 Worker training on occupational health and safety	53	-	8
	403-6 Promotion of worker health	58	-	3
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56	-	8
	403-8 Workers covered by an occupational health and safety management system	54	-	8
	403-9 Work-related injuries	57	-	3, 8, 16
	403-10 Work-related ill health	56	-	-

GRI CONTENT INDEX



MATERIAL TOPICS					
GRI	STANDARD	DISCLOSURE	PAGE	OMISSION	SDGS*
Training and education					
GRI 103: Management ap- proach 2016	103 -1	Explanation of the material topic and its boundary	4 to 6	-	-
	103 -2	Management approach and its components	25, 51	-	-
	103 -3	Evaluation of management approach	51	-	-
GRI 404: Training and educa- tion 2016	404-1	Average hours of training per year per employee	52		4, 5, 8, 10
Customer privacy					
GRI 103: Management ap- proach 2016	103 -1	Explanation of the material topic and its boundary	4 to 6		-
	103 -2	Management approach and its components	25, 61		-
	103 -3	Evaluation of management approach	61		-
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	From 2017 to 2019, the compa- ny received no notifications or sanctions related to breaches of customer privacy and losses of customer data from regulatory agencies. During the same period, no complaints or incidents were identified via the technological controls used by Fras-le.		16

\* Sustainable Development Goals.

# Company information

## ADMINISTRATION, ADDRESSES AND CONTACTS

### Board of Directors

David Abramo Randon – Chairman  
Astor Milton Schmitt – Vice chairman  
Daniel Raul Randon  
Bruno Chamas Alves  
Carlos Alberto Araujo Netto

### Executive Board

Sérgio Carvalho – Chief Executive Officer  
Hemerson Fernando de Souza – Investor Relations Officer  
Anderson Pontalti – Director  
Paulo Ivan Barbosa Gomes – Director

### Fiscal Council

Carlos Osvaldo Pereira Hoff – Member  
João Pinto Rabelo Júnior – Member  
Rogério Luiz Ragazzon – Member

### Investor Relations Officer

Hemerson Fernando de Souza

### IR Team

Jéssica Cristina Cantele  
Victor Gabrielli Gomes

Telephone: (55) 3239.1553 / 3239.3032  
email: ri@fras-le.com

Website: [www.fras-le.com](http://www.fras-le.com)

### Accountant

Dionéia Canal (CRC-RS 61981/0-3)

### Stock Registration System and Shareholder Services

Banco Itaú S.A.  
Rua Boa Vista, 176 – 1º subsolo – Centro – São Paulo – SP

### Independent Auditors

Ernst & Young Global Limited

### Publications for Disclosures

*Diário Oficial do Estado do Rio Grande do Sul*  
– Porto Alegre – RS  
Pioneiro – Caxias do Sul– RS

# Credits

### Overall Coordination

Fras-le IR Team

### Sponsor

Hemerson Fernando de Souza

### Materiality, GRI Consulting, Editorial Coordination and Design

grupo report  
[www.gruporeport.com.br](http://www.gruporeport.com.br)

### Translation to English

Raymond Maddock

### Photography

Fras-le archive and image bank