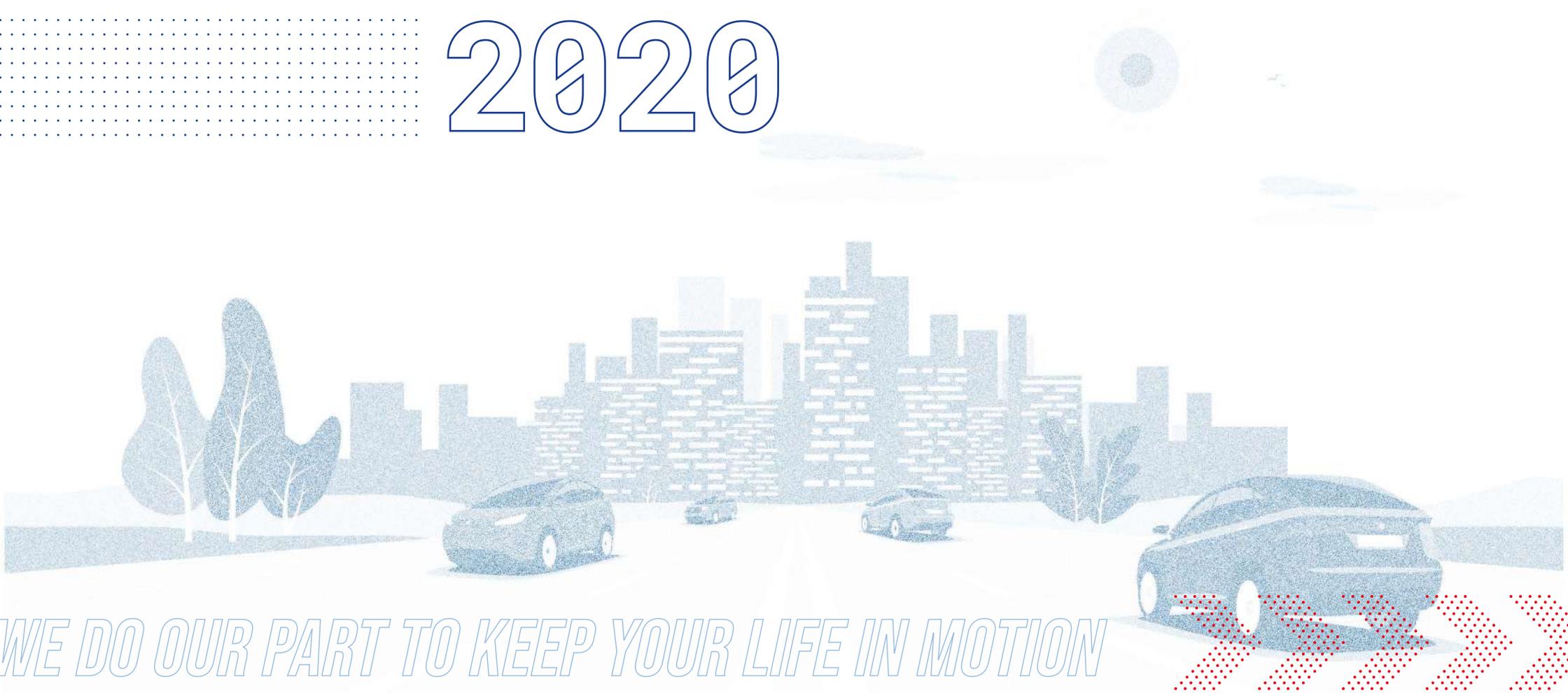




Sustainability Report

2020



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

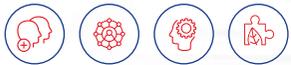
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Chapter 1

Introduction

Related capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

About the Report

GRI 102-46, 102-53

Welcome to another edition of the **Fras-le Sustainability Report**.

In this document, we will present the main environmental, social and financial aspects relevant to our sustainability and how our strategy, operation and results generated value for our employees, investors, customers, suppliers, and other stakeholders in 2020.

This report was structured based on an in-depth study on the topics that most positively or negatively impact our stakeholders, both internal and external. The full description of the survey result, the relevance and the limits of each theme can be found on page 39.



For the 2nd consecutive year, our report follows the guidelines of the **Global Reporting Initiative (GRI)**, a voluntary standard adopted by companies in the most diverse sectors and countries for reporting sustainability. At the beginning of each subchapter you will find the indicators that are reported, using the acronym GRI-. You can see the complete list of indicators on page 85.



For the 1st time, we have also adopted the guidelines of the **Integrated Reporting, of the International Integrated Reporting Council (IIRC)**, as guiding the Report, with the objective of showing the interdependence between the capital of the business and its relevance to the generation of long-term value. In the chapter openings, you will find the marker Capital XXX, indicating which capital was addressed and, at the end of the report (page 91), the capital map points out which chapters talk about each one.



The United Nations' Sustainable Development Goals (SDGs) are the other guidelines that guides the report. At the beginning of each chapter you will find the logos for each SDG, showing how the actions presented contribute to the achievement of one or more SDGs and, at the end of the report (page 92), we published a map that indicates which pages bring relevant content to each impacted SDG.



In case of questions or suggestions on the topics shown here in the Sustainability Report, contact us by e-mail: ri@frasle.com

Message from the Chairman

GRI 102-10, 102-14

The year of 2020 was **an atypical and challenging year** due to the pandemic of the new coronavirus (Covid-19).

Marked by major changes in people's daily lives, especially due to the social distance to combat the spread of the virus, the year demanded more resilience and business adaptation.

At Fras-le, in line with our principle of valued and respected people, we reinforced the care for our employees, through strict health and safety protocols, and we count on the cooperation, partnership and commitment of all, which made it possible to get here even more united and secure.

We also supported the communities where we operate, investing in social initiatives and expanding our actions, in partnership with companies and organizations, to minimize the impacts of the pandemic in our Region.

It was a year full of learning that also enabled us to support our customers by adjusting to the new format with a good level of sales and quality service, through regular meetings with the market online. Thus, we have advanced in our digital transformation process, to maintain proximity to our customers, and launched Auto Expert, a digital catalog that brings together all

the Fras-le, Lona Flex, Controil and Fremax brands.

In terms of business, we were cautious and built alternatives that made it possible to maintain our commitments and goals, such as the conclusion of the largest acquisition in the Company's history to date, the purchase of **Nakata Automotiva**, which expands our recent portfolio of acquisitions and businesses focused on to the Brazilian after-market and export.

With part of our history of innovation, we continue to invest in research and in the development of new technologies to support our growth strategy, with emphasis on the inauguration of a new robotic area at the headquarters, with AGV's, and of the new VBA and ABS tracks of the Randon Technological Center.

Thus, we closed the year recording historical results that demonstrate our commitment towards sustainable growth and our ability to overcome challenges and turn them into opportunities.

With the learning we have obtained so far, we are sure that we have what it takes to face the next challenges

and continue, even stronger, offering the highest quality solutions, in the development of projects with a focus on innovation and technology, in building lasting relationships based on the trust, value and talent of our people.

Fras-le thanks **everyone** and wishes you enjoy your reading!



Sérgio Lisbão Moreira de Carvalho
Chairman and CEO of Fras-le

Our actions against COVID-19

The new coronavirus pandemic **impacted businesses, governments and societies worldwide**, in 2020, in one of the biggest global crises in decades.



We were able to closely monitor the onset of the spread of the virus, even before the pandemic was declared by the World Health Organization (WHO), because we had a unit in China, the country where the first cases were recorded.

In this scenario, in January we had already adopted safety and health protection measures for employees in China, which also gave us greater experience and agility to prepare the protection and care measures, as soon as Covid-19 started to spread in Brazil in March; a country that represents 79% of our workforce.

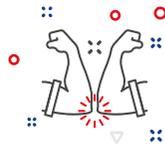
Care has also extended to society and the communities where we operate, with donations of financial resources and articulations to make essential resources available, such as personal protective equipment, food, hygiene products and even hospital equipment.

See below how we faced this difficult moment, with care and commitment to the health and well-being of all.

Healthy and safe employees

The health and well-being of our employees is always the **priority of our management.**

That is why, at the beginning of the pandemic, we intensified the care actions with a preventive campaign, in cases of respiratory infections, and distributed prevention kits at the Fras-le Asia unit, located in Penghu, China.



The unit had its activities halted from January 24 to February 10 and resumed after the extended holiday, as directed by the Chinese government. All employees who returned to work, underwent medical examinations and were instructed on preventive measures to contain the spread of the virus.

In Brazil, with the proliferation of the virus in mid-March, we implemented collective vacations for our staff working in plants of all units and the remote work system for administrative employees, supporting the social distance recommended by the World Health Organization (WHO).

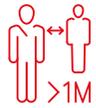
To honor the responsibility with our customers, who work in essential sectors, and with society, after 20 days of collective vacations, we began the gradual resumption of face-to-face activities in the factories for adaptation, communication and training on the new protocols, initially with 25% of the total framework, thus gradually increasing it, as the municipal and state protocols allowed us to do so.

On top of that, we adopted measures such as the suspension and flexibilization of work hours, proposed by the federal government as a measure to encourage the preservation of jobs, to preserve the health of employees, especially of the group sensitive to Covid-19 (elderly people, people with respiratory diseases etc.).

With the end of the government programs in December, we kept, until the publication of this report, people in risk groups away from face-to-face work, whether keeping them on remote work, on vacations or on paid leaves.

Throughout the year, we also started the gradual resumption of employees who were working at home, considering access to no more than 25% of their teams. The percentage has been periodically reviewed until the publication of this report, considering pandemic-related updates from the region.

See below the main preventive **measures and campaigns** carried out in 2020:



DISTANCING

- Right from the start, there was the deployment of home isolation for professionals who returned from international trips – or from Brazilian cities where the community transmission was detected – and the availability of medical assistance as needed;
- Cancellation of international travel;
- Replacement of face-to-face meetings, such as meetings and training, by videoconferences;
- Cancellation or postponement of internal and external events held by companies;
- Restricted access for face-to-face visits to companies;
- Installation of visual resources to indicate the ideal distance in shared spaces, such as restaurants, changing rooms and transportation;
- Until the publication of this report, employees from risk groups are still isolated, working remotely, on vacation or on paid leave.



PROTECTION

- Offering of prevention kit (alcohol gel, disposable tissues, masks);
- Increased supply of alcohol gel for employees in common spaces, especially in restaurants, accesses and changing rooms;
- Reinforcement in the cleaning of shared spaces, such as bathrooms, changing rooms, restaurants and transportation vehicles for employees;
- Anticipation of the H1N1 flu vaccination campaign, which, although it does not prevent Covid-19, helps in the correct diagnosis;
- Screening stations in the units, with the presence of medical and nursing teams to assist employees and service providers who show symptoms or wish to ask questions;
- Testing when the professional physician indicates a need due to the symptoms; and
- Home medical care for symptomatic people.



AWARENESS

- Guide to Safe Work with Covid-19 in resuming activities with practical recommendations, based on guidelines from the Centers for Disease Control and Prevention and WHO;
- Periodic disclosure of information and guidance on the prevention of Covid-19;
- Dialogue actions on care and prevention protocols with all employees;
- Online health and safety training;
- Application of stickers for demarcations and distribution of information materials to raise awareness in the external area of Randon Companies and in establishments surrounding the company's headquarters, such as snack bars and food trucks; and
- a Preventive campaign against respiratory infections.

Support to Communities

At a time when the interdependence of all people came to the attention of society, we continued taking care of neighboring communities, an audience with which we have always had a close collaborative relationship.

See below the partnerships and initiatives we implemented to meet the main needs of our communities, in partnership with Randon Companies:



SUPPORT TO HEALTHCARE INSTITUTIONS

- Donation of more than R\$ 3 million for the “Caxias against Covid-19” campaign, an initiative of CIC Caxias, MOBI and the City of Caxias do Sul (RS) that aims to purchase respirators, in partnership with Marcopolo and Simecs;
- Donation of a thousand quick tests to the health network in Caxias do Sul (RS);
- Donation of 200 pressure sensors for the University of Caxias do Sul to manufacture respirators and a thousand liters of sanitizing solution that were passed on to the health network;
- Supply of personal protective equipment (PPE) for the hospital network in Caxias do Sul (RS); and
- Donation of 500 face shield units, to the public health network of Serra Gaúcha.



SUPPORT FOR TRUCK DRIVERS

- Donation of 50 thousand hand sanitizers bottles to truck drivers, in an initiative that included 14 Brazilian states, with the support of several partners; and
- Donation of 10,000 reusable masks to truck drivers from all over Brazil, with the support of the TruckHelp and EGR (Empresa Gaúcha de Rodovias) startup. The action was carried out in June, in the week of Truck Driver’s Day.



SUPPORT FOR VULNERABLE COMMUNITIES

- Donation of fabrics to the Mão Amiga (“Friendly Hand”) project for producing about a thousand masks;
- Donation of more than 130 tons of food to vulnerable families in Caxias, affected by Covid-19, in an action with 11 other companies;
- Contribution of R\$ 500 thousand from the ICMS to the State Fund for the Productive Inclusion, to look after people on the streets in the municipalities of Rio Grande do Sul; and
- Support for the ARF’s “Nossa Gente Faz O Bem” project to raise funds to purchase materials and equipment for hospitals in Rio Grande do Sul.

PRODUCTION OF PARTS AND COMPONENTS BY FERRARI AND CONTROIL COMPANIES SUPPORT COPING WITH COVID-19

In a national action coordinated by Embraer, Ferrari, a subsidiary of Master, manufactured components to bring about 300 lung ventilators.

It also produced parts for facial protectors, adapting the Controil production line, controlled by Frasle, which were donated to healthcare and safety professionals (Civil Defense).



Chapter 2

Fras-le

Related capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Who we are

GRI 102-1, 102-3, 102-5, 102-6

We are **Fras-le S.A.**, a global company dedicated to offering quality products and focusing on safety and movement control on roads, tracks and airstrips, thus guaranteeing the integrity of life.

**WE DO OUR PART TO KEEP
YOUR LIFE MOVING.**



We started our operations in 1954, in Caxias do Sul (RS), Brazil, and right now, we are a replacement powerhouse for auto parts, bringing together premium quality products and iconic brands in our portfolio, in addition to being the largest manufacturer of friction materials in Latin America as well as one of the world leaders.

We work in the development, production and marketing of friction and non-friction materials to be applied in braking and suspension systems. Moreover, we have a broad portfolio of components for the brake, transmission, engine, suspension systems, among others.

We operate in more than 120 countries, with ten industrial units, six distribution centers, four commercial offices and two technology and development centers.

Since 1996, we are part of Randon Companies, which offer solutions in products and services for the automotive segment.



DISCOVER +

Discover our overcoming and achievements story in the interactive timeline: <https://www.fras-le.com/pt/institucional>

Our principles

GRI 102-16



Purpose

Connecting people and wealth, thus generating prosperity.



Mission Statement

Creating value for shareholders, customers, employees, suppliers and society, acting with a focus on security in the control of movements.



Vision

Being a global company, leader in friction materials for commercial vehicles, with a sustainable revenue of R\$ 2 billion by 2020.



Principles

- Valued and respected people;
- Satisfied customers;
- Safety and quality;
- Preservation of image and legacy;
- Ethics;
- Profit with sustainability;
- Innovation and technology; and
- Random is made up of all of us.



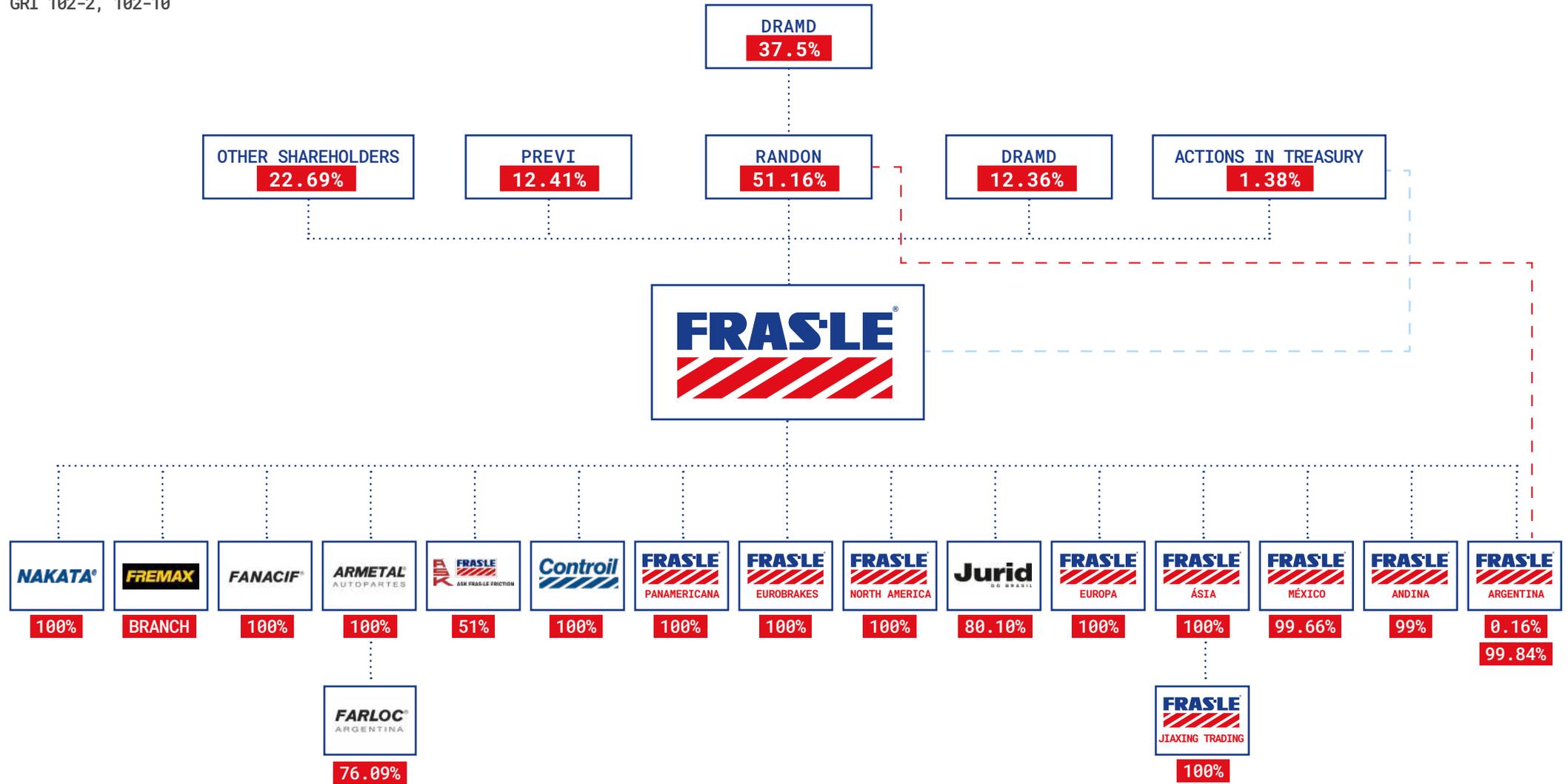
DRAWING PATHS

We achieved our vision

of being a global company with revenues of R\$ 2 billion by 2020. Thus, with the new short, medium and long-term strategic planning cycle in progress, we will define, for 2021, a new strategic ambition that will guide the review of our mission and business vision for the next five years.

Our business

GRI 102-2, 102-10



Global leader in friction materials and brake components.

We offer more than 16 thousand references in auto parts solutions, through our brands:



ARGENTINA

It distributes and markets the products manufactured in the Company's manufacturing units in the Argentine market. In addition, it is responsible for distributing and marketing products manufactured by Randon Companies, such as Suspensys, Jost and Master, and products by other brands such as Hyva.



NORTH AMERICA

It produces and markets, in the industrial unit in Alabama (USA), brake pads for light commercial vehicles, serving the assemblers and after-market segments in the North American market. Further, it sells brake linings and pads for commercial and passenger vehicles, mostly through the sales office located in the state of Michigan (USA).



ANDINA

It markets the products manufactured in the Company's manufacturing units on the Chilean market. In addition, it sells products manufactured by Randon Companies, such as Suspensys, Jost and Master, and products from other brands such as Tomé.



MEXICO

It markets products manufactured in the Company's manufacturing units in the Mexican market.



PINGHU

The industrial unit located in China, produces and sells brake linings and pads for commercial vehicles in the Asian and European markets, in addition to exporting its products to other countries. In 2020, Jiaxing Bafu Trading Company Ltd was created, a unit controlled by Fras-le Friction Material Pinghu that sells items such as brake discs and drums.



EUROPE

It comprises the business operation in Germany, commercial office, and it has a distribution center in Holland, responsible for distributing and marketing the products manufactured in the Company's plants at the EMEA market (Europe, Middle East and Africa).



PANAMERICANA

Its operations are responsible for distributing and marketing the Fras-le, Lona Flex, Fremax, Controil and Nakata brands products, in addition to being the sales agent for Master, Jost and Suspensys (auto parts from Randon Companies).

The operation has a commercial and technical office in the city of Bogotá (Colombia) and a distribution center in a free zone, located in the city of Cartagena (Colombia). The unit is responsible for sales in Colombia, Ecuador, Peru, Venezuela, Central America and the Caribbean.



It is a Joint Venture with ASK Automotive. Ask Fras-le Friction produces and distributes brake linings and pads for commercial vehicles. It serves the after-market and automaker markets in India and neighboring countries (Nepal, Sri Lanka and Bangladesh) and the global demand for friction materials through exports. The operation is installed in Manesar, in the state of Haryana, India.



As a leader in the after-market of components for hydraulic brakes, Controil offers solutions in hydraulic components, polymers and automotive fluids that guarantee safety for vehicles and passengers. It operates in the after-market and assembler market, mainly in Latin America, with emphasis on Brazil, Argentina, Uruguay, Chile, Paraguay and North America.

Learn more at: www.controil.com.br



It sells auto parts for several internationally recognized brands, such as fluids and parts for brakes, engines, suspensions and transmissions in the light and heavy vehicle segment, among others. The unit is located in Buenos Aires, Argentina.

Learn more at: www.armetal.com.ar



As a joint venture between Armetal and Driv, it produces brake fluids, coolants, antifreeze and anti-corrosion items. It stands out for the high quality and safety of products and is a leader in the Argentine market in this line. Its production unit is located in Buenos Aires, Argentina.



It has been operating in the Uruguayan market for more than 60 years with the production, sale and export of friction products, mainly brake linings and pads. Its production unit is located in Montevideo, Uruguay.



As a joint Venture with Driv, it produces and distributes brake pads and footing for the light vehicle line, in addition to brake fluids and lubricants. The products are also intended for customers in the assemblers and after-market segments in the light vehicle market in Brazil and South America. The operation is located in the municipality of Sorocaba (SP).

Learn more at: juridbrakes.com.br



Fremax, recognized for quality and safety in the most demanding automotive markets in the world, is one of the leading manufacturers of brake discs and drums for light vehicles in Brazil. The products serve the assembler and replacement segments for the Brazilian and export markets. The production unit is installed in Joinville (SC).

Learn more at: www.fremax.com.br

NAKATA®

As a leader in suspension and steering, Nakata produces and sells components for light, heavy vehicles and motorcycles, including a wide portfolio of products for suspension, steering, transmission, brake and engine. It exclusively operates in the after-market and exports to more than 20 countries in the Americas, Europe, Asia and Oceania. Its production unit is installed in Diadema (SP), the administrative headquarters and technology and development center in Osasco (SP) and distribution center in Extrema (MG).

Learn more at: www.nakata.com.br



In 2020, we launched **Auto Experts**, our digital catalog of products from the Fras-le, Lonaflex, Controil and Fremax brands.

The tool facilitates and streamlines the search and identification of products by our distributors, retailers, mechanics and end consumers.

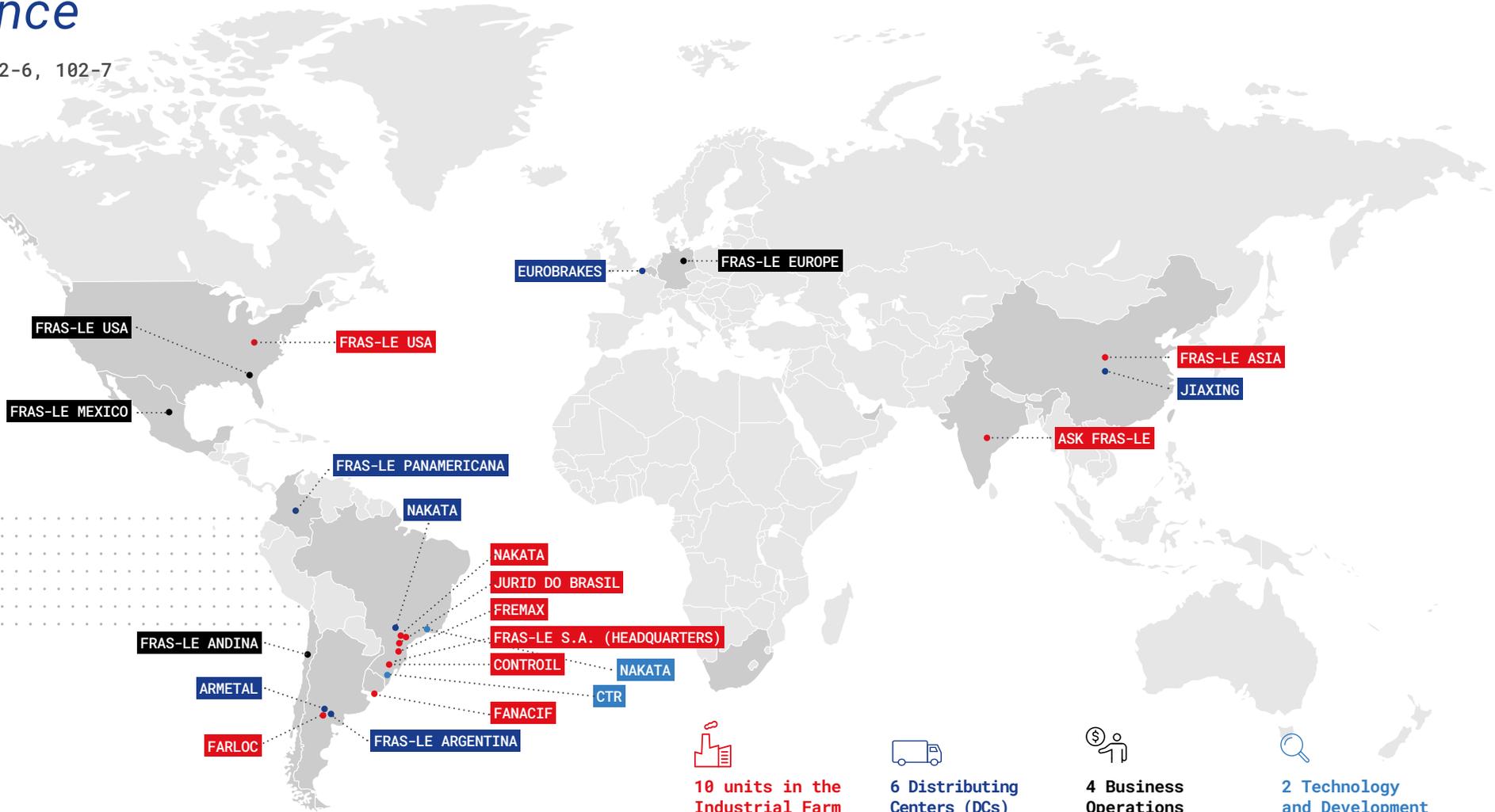
With it, you can search all the options of automotive parts available by type of vehicle, product or automaker and all this can be done by computer, tablet or smartphone.

Learn more: autoexperts.parts



Global presence

GRI 102-4, 102-6, 102-7



10 units in the Industrial Farm

- 5 Brazil
- 1 Argentina
- 1 China
- 1 United States
- 1 India
- 1 Uruguay



6 Distributing Centers (DCs)

- 2 Argentina
- 1 Brazil
- 1 China
- 1 Colombia
- 1 Netherlands



4 Business Operations Offices

- 1 Germany
- 1 Chile
- 1 United States
- 1 Mexico



2 Technology and Development Centers

- 2 Brazil

Highlights 2020

GRI 102-10



INNOVATION more on page 41



CTR expansion

- Construction of a special low-friction runway, with **1,800 m²**, the largest in Latin America and one of the largest in the world; and
- Expansion and modernization of the structural laboratory.

Launch of CTR Innovation Lab

an open innovation initiative that seeks to develop innovative and disruptive solutions in products in the face of mobility megatrends.



Inauguration of a new area for dynamic tests, expanding the structure in order to develop mobility solutions.

FINANCIAL PERFORMANCE more on page 33



Consolidated net
revenue from

R\$ 1.7 BI
(+22.4% vs. 2019)



R\$ 283.1 MI

Adjusted EBITDA
(+49.2% vs. 2019)



R\$ 182 MI

in net income
(+454.9% vs. 2019).

EXPANSION more on page 16



Acquisition of **Nakata Automotiva**, expanding its presence in the after-market.



Launch of **Auto Experts**, our online product catalog.

SUSTAINABILITY more on page 53



10.6% reduced
energy consumption.



88%
of the waste generated
was recycled and/or
recovered.



Reverse logistics of
1,455 tons
of friction material.



7.1
Average hours of training.



R\$ 1.6 million
invested in
social actions.

How we create value

GRI 201-1

CAPITALS

MANUFACTURED

- 10 Industrial Farms
- 6 Distribution Centers
- 4 Commercial Offices
- 2 Technology and Development Centers
- Advanced high-capacity equipment

INTELLECTUAL

- R\$ 19.3 million invested in RD&I
- R\$ 344.8 million in potential revenue from new projects
- 49.25% innovation index
- Over 3,000 prototypes
- 5,711 tests performed

HUMAN

- 4,641 employees
- 1,487 suppliers

NATURAL

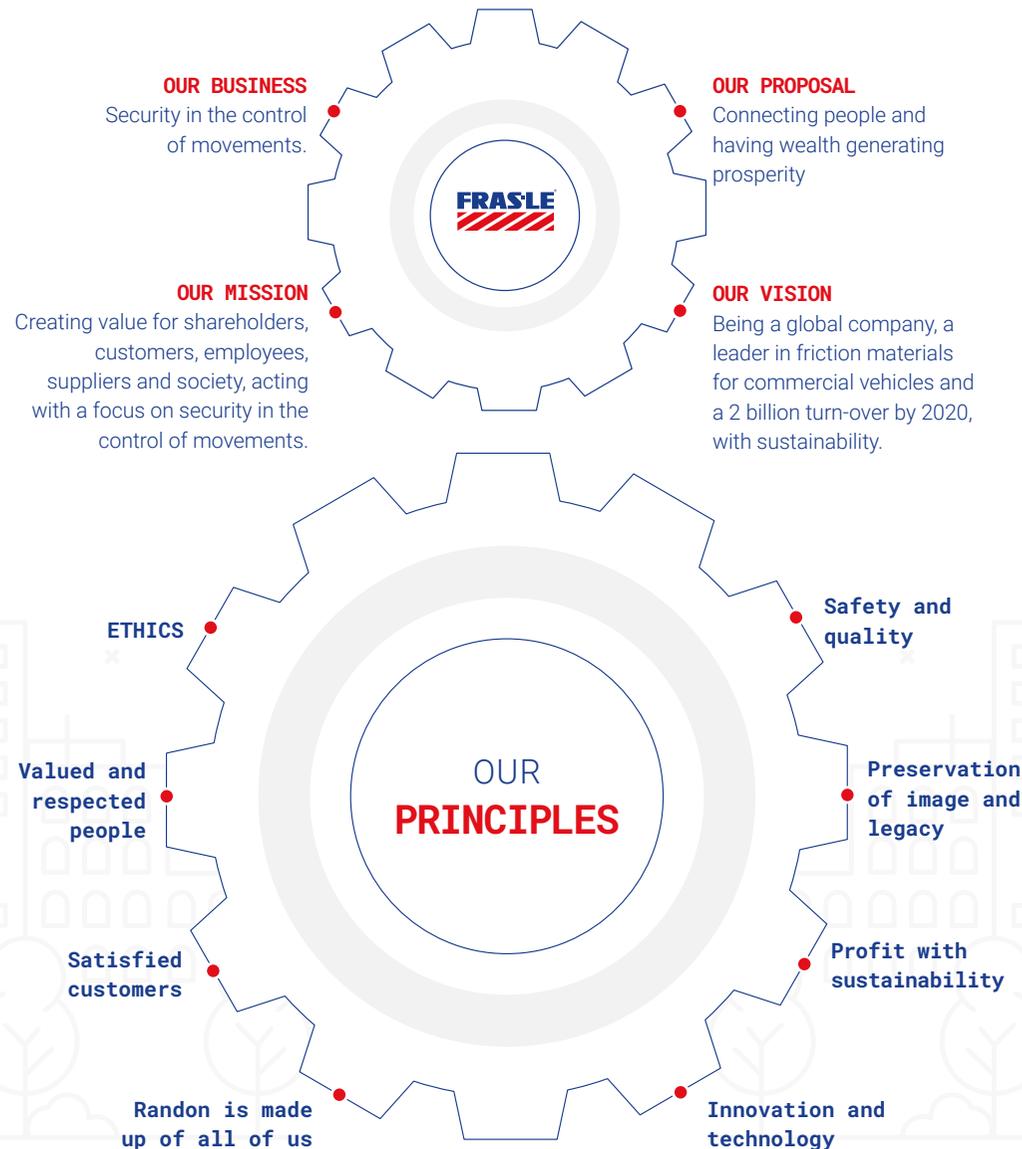
- 386,602 GJ of consumed energy
- 49.4 megaliters of water consumed

SOCIAL AND RELATIONSHIP

- 4 Social Programs coordinated by the Elisabetha Randon Institute
- 360 children and 76 young people served

FINANCIAL

- R\$ 2.4 billion in gross revenue
- R\$ 56 million invested



AMOUNT GENERATED

R\$ 1.2 BILLION

in value distributed to the business, government and employees.

EMPLOYEES

- Employee salaries and benefits
- 7.1 average hours of training and development

CUSTOMERS

- 16.5 million products sold
- 269.5 hours of training for customers
- 93% customer satisfaction index (internal) and 98% (external).

INVESTORS

- R\$ 37.5 million distributed in earnings to shareholders

SUPPLIERS

- R\$ 394.6 million spent with suppliers

COMMUNITIES

- R\$1.6 million in social investment

ENVIRONMENT AND SOCIETY

- 88% of the waste generated was recovered
- 1,455 tons of friction material collected
 - 20.5 megaliters of reused water
- R\$ 2.7 million in donations to combat Covid-19 (with Randon Companies)

Awards and events



WORKSHOP BRANDS

Award

Survey carried out by the **Automotive Intelligence Center (CINAU)** that assess brand recall and purchase intention

1stplace



Highlighted for the 3rd consecutive year, it holds the 1st position as the most bought (buy trend share) and remembered (share of mind) brand in Brazil in the brake pad segment.

2ndplace



In the Brake Pads segment, as the most purchased and most remembered brand by repair shops.

1stplace



In the master cylinder and servo brake categories, as the most bought brand (buy trend share).

2ndplace

In the master cylinder and brake servo categories in brand recall (share of mind).

1stplace



Mentioned in several categories, it ranks 1st in suspension pivots and steering terminals. Also, it was elected as one of the most loved brands (share of heart) by the participants, occupying the 5th position.



Highlight at the
48th Rio Grande do Sul Export Award,
as one of the largest suppliers of friction materials worldwide.

SINDIREPA AWARD (SP)



For the 2nd consecutive year gold distinction in the **Best Brake Disc** category, by Fremax.

Bronze seal in the **Best Brake Pad** category, by Fras-le.

“THE INNOVATION CHAMPIONS”

6TH
PLACE

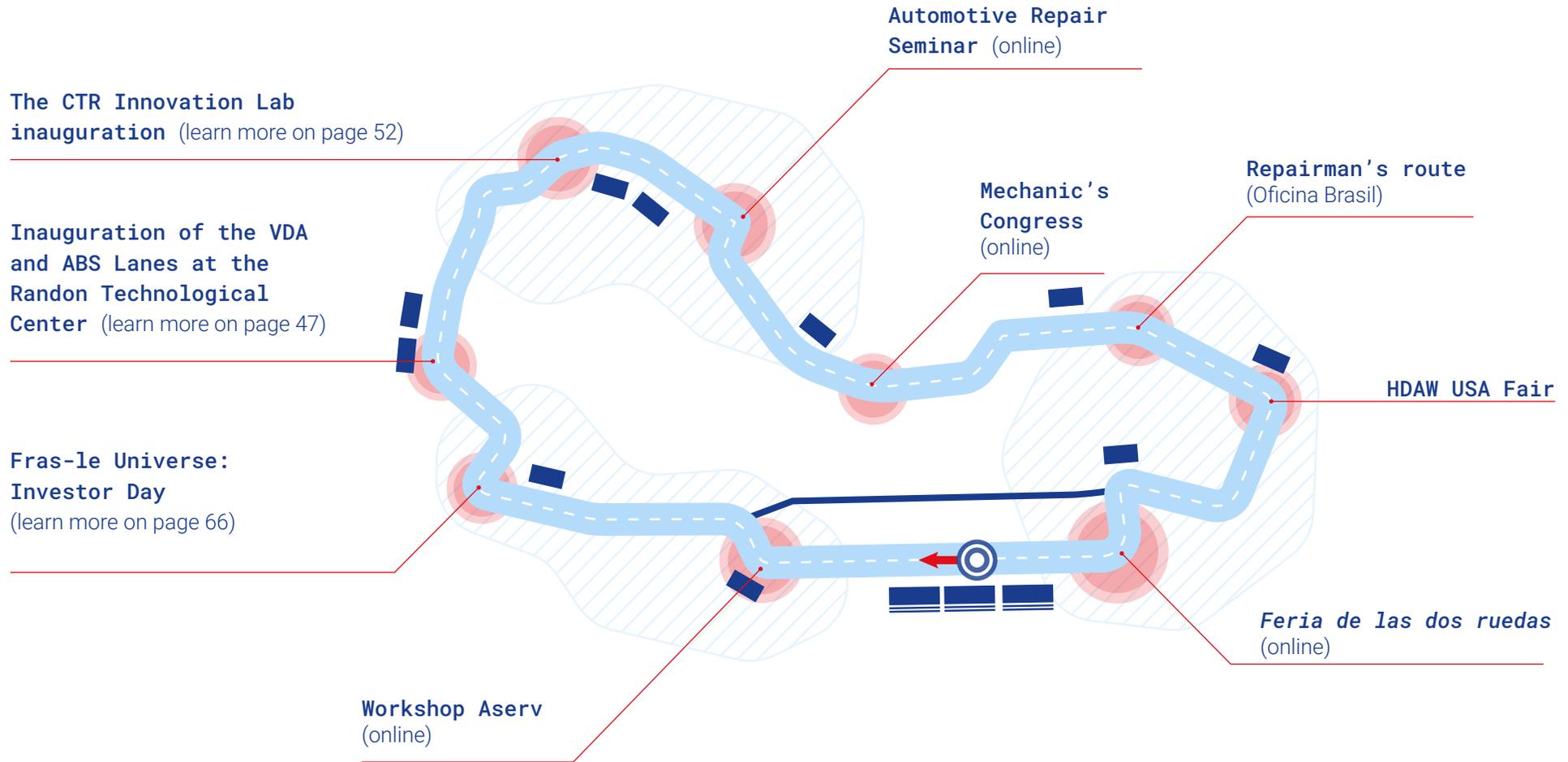
among the most innovative companies in the south of the country, in the **Amanhã Magazine** ranking.



2ND
PLACE

Nakata stands out in the general ranking of the brands preferred by mechanics, according to the **0 Mecânico (“The Mechanic”) Survey**, carried out in partnership with IBOPE.

Main events and achievements



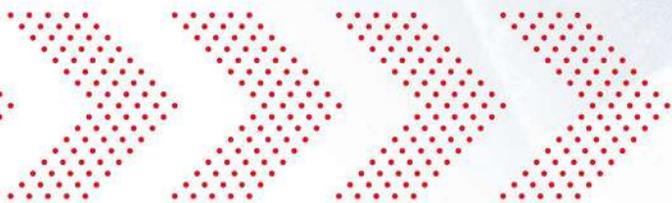
Chapter 3

Strategic Driving

Related capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Corporate governance

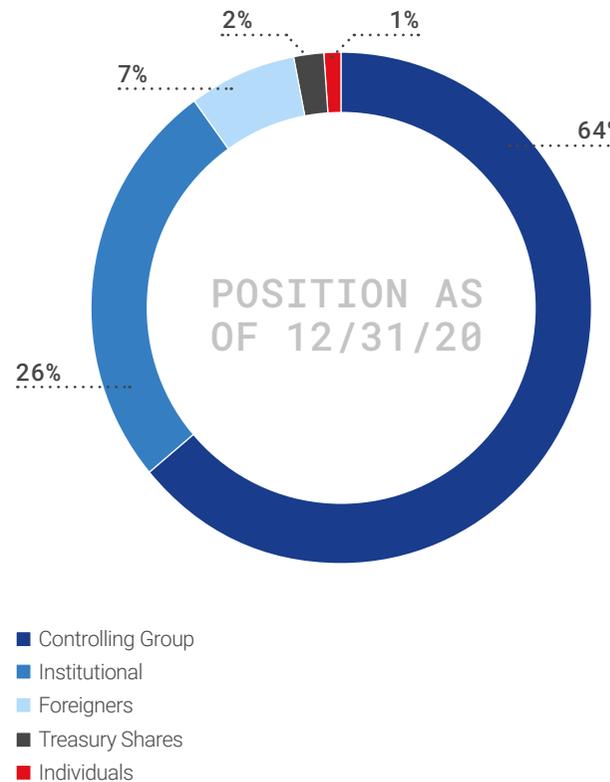
GRI 102-18

Overview

Fras-le is a publicly traded company, composed of 217,566,343 common shares, with a market value of R\$ 2.2 billion, at the end of 2020, traded on B3 under the codes FRAS3 and FRAS3F (fractional market).

In December 2020, Fras-le announced the exchange of shares between its shareholders GIF V PIPE Fundo de Investimento em Participações Multiestratégia and DRAMD Participações e Administração Ltda. With the conclusion of the exchange, the Fund reduced its direct shareholding in the Company, becoming the holder of 3.8% of the Company's capital and DRAMD increased its participation, becoming a direct holder of 12.4% of the total share capital, which, added to the stake held through its parent company Randon, amount to 63.5% of the share capital. As a result, the Company's free float increased to 34.8%.

SHAREHOLDERS' COMPOSITION



Having been publicly traded for almost 50 years, since 1971, we are committed to transparency and ethics and we adopt the best governance practices in order to expand our value generation in a sustainable manner.

We are listed on level 3 of B3, a special segment that brings together companies with differentiated corporate governance practices, and we offer 100% tag along to our shareholders, a maximum percentage and higher than the 25% required by the segment.

Management

GRI 102-22, 102-23

Our governance structure is made up of the Board of Directors, made up of five members, with the Executive Board being made up of three members and the Fiscal Council, which is not permanent, being made up of three members.

Board of Directors

Profile: it is composed of three to nine members, elected by the shareholders at the General Meeting with a unified mandate of two years, with no possible automatic renewal.

The Board's responsibilities are provided for in our bylaws, available at: bit.ly/3nBnCcX

Meetings: the board meets regularly, at least once a quarter and as convened by the chairman and board members. In 2020, 20 board meetings were held and members registered 100% attendance.

The composition of the Board of Directors can be seen in the organization chart below.

Fiscal Council

Profile: it is an independent body from the management and external auditors, installed at the

request of shareholders at the Annual General Meeting. It may have three to five members, and an equal number of alternates.

Meetings: In 2020, there were eight meetings of the CF and the members registered 100% attendance.

The Fiscal Council composition can be seen in the chart below.

Executive Board

Profile: it is composed of at least two members and no more than nine members, shareholders or not, resident in the Country, being a Chief Executive Officer, a Superintendent Director, an Investor Relations Officer and the others without a specific designation, elected by the Board of Directors, and the roles can be accumulated by the same Director.

Meetings: executives meet regularly and, in 2020, nine meetings were held with 100% of the directors having attended.

The Executive Board composition can be seen in the organization chart below.

Related parties' committee

Profile: it is a non-statutory body, of an advisory nature, which advises the Board of Directors, ensuring that transactions with related parties

are guided by the Company interest, observing commutative conditions, through a transparent, ethical process and in compliance with the legislation in force. It consists of three members of the Board of Directors, two appointed by the controlling shareholder and one by a minority shareholder.

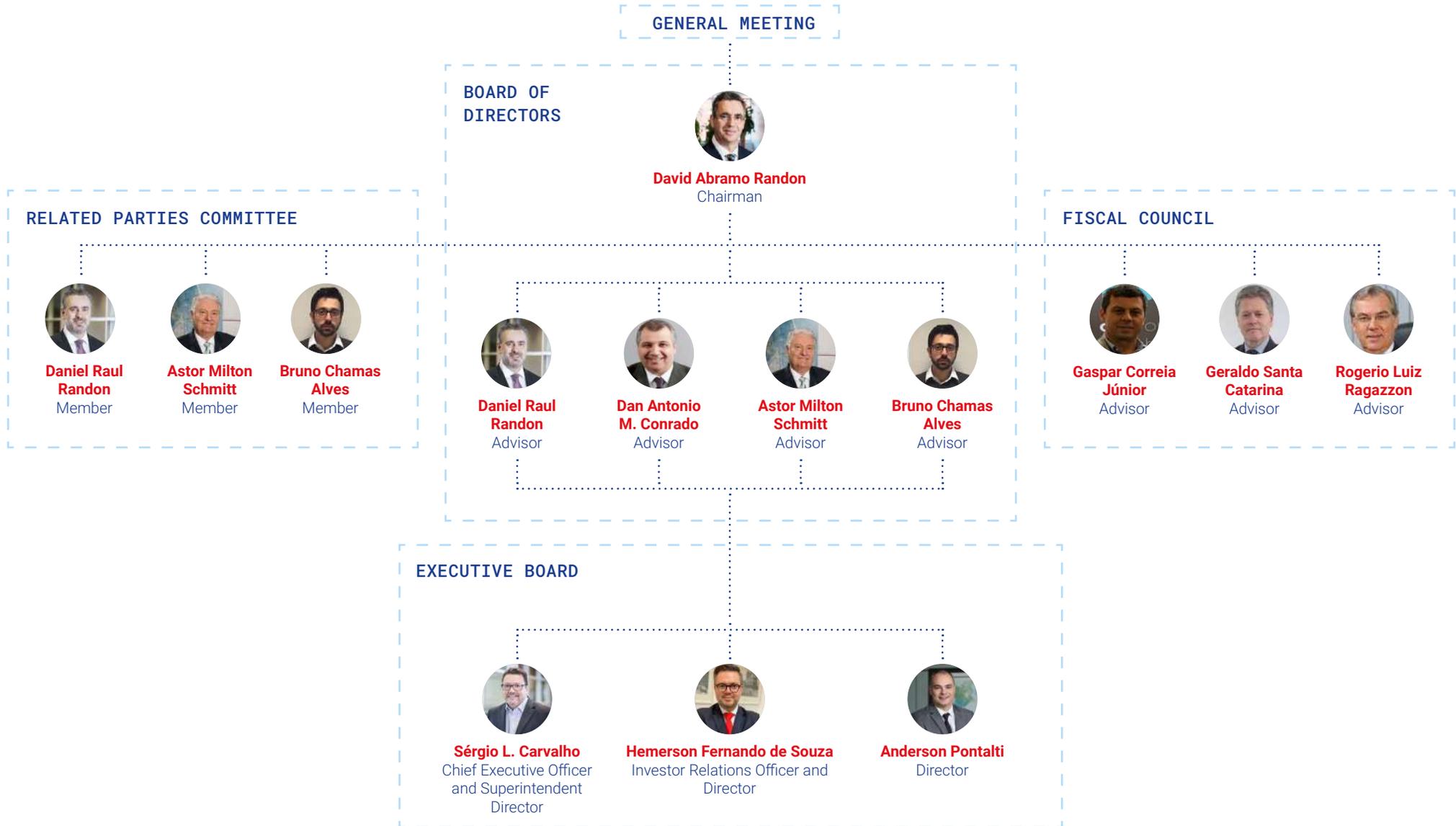
Compensation

GRI 102-35, 102-36

The compensation practices of the members of the Board of Directors, the Executive Officers and the members of the Fiscal Council are aligned with the company's interests and aim at the recognition of professionals for the performance of their duties, aiming to stimulate the search for business expansion and, as a consequence, the return to shareholders.

For the members of the Board of Directors and the Fiscal Council, the compensation consists of fixed monthly fees. Directors' compensation is comprised of fixed monthly compensation, benefits package and variable compensation, represented by the profit sharing to executive officers, which considers short-term incentives (annually paid as per the achievement of the Company's results) and long-term incentives (paid every three years, considering permanence in the company and achievement of economic and financial indicators).

Chart



Risk management

GRI 102-15

Our risk management is corporate and guided by the Risk management Policy, which applies to all Randon Companies. This document establishes the guidelines, strategies and responsibilities in risk management.

We have a corporate Risk Management and Compliance area that supervises the corporate risks to which all Randon Companies are subject and assesses the effectiveness of the objectives set. The process consists of identifying, assessing, treating, monitoring and communicating the risks inherent in the activities.

Randon Companies regularly carry out risk assessments with processes to ensure that the risk map is updated. It encompasses a series of factors and impacts, and classifies the level of criticality of corporate risk by crossing impact and likelihood.

The Presidency and the Executive Committee of Randon Companies are responsible for supporting the application and continuous assessment of the risk management model of Randon Companies. In 2020, the Company updated the Risk management Policy and carried out a new assessment based on the criteria of financial impact, image and the likelihood of materialization.

Currently, **43 corporate risks** have been identified and classified according to the four categories described below:



Strategic Risk

Associated with the Randon companies' strategic decisions to achieve their business objectives and/or resulting from the company's lack of capacity or ability to protect itself or adapt to changes in the environment.



Operating Risk

Associated with the possibility of losses (of production, assets, customers and revenues) resulting from failures, deficiencies or inadequacy of internal processes, people and systems, as well as external events such as natural disasters, fraud, strikes and terrorist acts.

Operational risk generally results in a reduction, degradation or interruption, in whole or in part, of activities, with a negative impact on reputation.



Financial Risk

Associated with market, credit and liquidity risks.

- **Market and Government Risks:** there are financial losses due to changes in interest rates, foreign exchange rates, share prices, commodity prices and legislation;
- **Credit Risks:** the possibility of losses due to non-payment of credit granted through financing, securities issues etc.; and
- **Liquidity Risks:** loss of capital, financial value of assets, among other impacts.



Regulatory Risk

Associated with legal or regulatory sanctions, financial loss or reputation that the company may suffer as a result of failure to comply with the application of laws, agreements, regulations, code of conduct and/or internal policies.

Ethics and Compliance

GRI 102-11, 102-16, 102-17, 103-1, 103-2, 103-3, 205-1, 205-2, 205-3

As part of Randon Companies, we are committed to **ethics and integrity** and conduct our business in a transparent and responsible manner.

To put our commitments into practice and disclose an ethical organizational culture among employees and in our relationships, we follow the Randon Companies Integrity Program (ID Randon).

The ID Program guides, disseminates and monitors the principles and values to be observed by all employees and administrators in all companies and subsidiaries of the Group. Furthermore, it covers a set of corporate policies that guarantee the alignment of processes and conduct in all Randon Companies.



NOSSOS PRINCÍPIOS, NOSSA IDENTIDADE



Solid Commitment

We are signatories to the Ethos Institute's Business Pact for Integrity and Against Corruption, and we assume the public commitment towards integrity in the business environment.

POLICIES WITH GENERAL GUIDELINES ON VARIOUS TOPICS



Code of Ethical Conduct



Anti-Corruption Policy

DISCOVER+

Get to know our policies at:
<https://bit.ly/39od249>

GUIDING POLICIES ON SPECIFIC TOPICS

- Property Security Policy;
- Information Security Policy;
- Personal Data Privacy Policy;
- Controllership Policy;
- Finance Policy;
- Health and Safety and Environment Policy;
- Consequence Policy;
- Corporate Purchasing Policy;
- Human Resources Policy;
- Compliance Policy;
- Risk Management Policy;
- Investment Management Policy;
- Foreign Exchange Risk Management Policy;
- Sponsorship and Donation Policy;
- Policy for Contracting Extra-Audit Services;
- Earnings Allocation Policy.

RELATED PARTIES

To further strengthen our ethical conduct, we launched, in 2020, our Policy on Transactions with Related Parties.

The document aims to ensure that all transactions and decision making are guided by the principles of transparency and ethics, avoiding any conflicts of interest.

The guidelines also deal with business conducted with suppliers controlled by our shareholders. These transactions must follow market conditions and comply with all internal contracting requirements and processes, with a wide disclosure in the form of a relevant act or fact, in accordance with the relevant legislation.

In order to disseminate the Code of Ethical Conduct, all our employees receive, after being hired, the document in physical or digital form, and sign the term of acknowledgment and commitment. We also carry out periodic campaigns to bring people closer to our ethical culture and to reinforce our values and principles. Through the Integrity Program (ID Randon) we offer training to all employees on the topic.

In 2020, 100% of our employees were informed about the company's commitment to fighting corruption and 48% were trained on the topic through the online learning platform (Pra VC).

CONTRIBUTORS		
Communicated	3.658	100%
Trained	1.751	48%
GOVERNANCE BODY MEMBERS		
Communicated	6	100%
Trained	0	0%

To monitor the efficiency of ID Randon, Randon Companies have a monitoring structure. The following stand out: the Ethics Channel and the Ethics and Compliance Committee.

Ethics Channel

To report cases of non-compliance with our policies and principles, we make the Ethics Channel available, open to the internal and external public.

The Channel is a secure tool, managed by an independent and specialized company that guarantees the confidentiality and secrecy of information.

The collected demands are analyzed in the first instance by the independent company and forwarded to the Compliance area.



Telephone

0800 777 0768

Available 24 hours, via recording on answering machine, or Monday to Saturday from 8 a.m. to 8 p.m., with a specialized personal service



Website

www.canaldeetica.com.br/empresasrandom



Intranet

Ethics and Compliance Portal



Questions and suggestions

E-mail: compliance@empresasrandom.com.br

Ethics and Compliance Committees

It is comprised by the CEO, the vice-president directors, the CTO and the controllership director – who monitors the ID Randon Program results every two months, assessing:

- The occurrences received by the Ethics Channel and the monitoring of the main incidents;
- Due diligence Results from service providers (learn more on page 65);
- Need to review Corporate Policies and the Code of Ethical Conduct;
- Breakthroughs in campaigns and training aimed at reinforcing Ethics;

Audit

The ID Randon Program is also monitored by Our Internal Audit, which independently investigates reports of fraud or process errors from the Ethics Channel itself, and monitors the management of the fight against corruption, in accordance with the annual work plan, approved by the Board of Directors.

Moreover, we maintain an Independent Audit to assess the financial statements and provide the analysis of internal controls. The analysis of corruption risks was conducted in 100% of the operations, covering the risk of regulatory compliance, the environment, ethical conduct and management of third parties and partners. No risks have been identified in the activities related to the new operations. Furthermore, in 2020, we did not identify any confirmed cases of corruption.

Strategy

Our differential is a broad portfolio that offers **high-quality products**, serving several markets on a global scale.

We are inserted in a highly dynamic sector and with a global value chain. Thinking about the future and sustainability of our business, we operate on three strategic fronts to guarantee our permanence and competitiveness in the market: acquisitions, new technologies and foreign markets.

Throughout our expansion trajectory, we made acquisitions in order to increase revenue and the use of synergies between these businesses. On top of that, we decentralize our production and seek to enter new markets.

We are attentive to changes in the automotive sector and continuously invest in innovation, governance and people to overcome challenges in order to maintain our leadership position in the auto parts market.

STRATEGIC DIFFERENTIALS



AMONG THE WORLD'S LARGEST

Production of brake linings for commercial vehicles



STRONG AND RECOGNIZED BRANDS

Preferred brands, global consumers



GROWTH RESILIENCE

Diversification of markets and segments



GLOBAL PRESENCE

Important participation in markets such as NAFTA, South America, China and India.



DIVERSIFIED MODEL

Diversified revenue base in currencies and markets

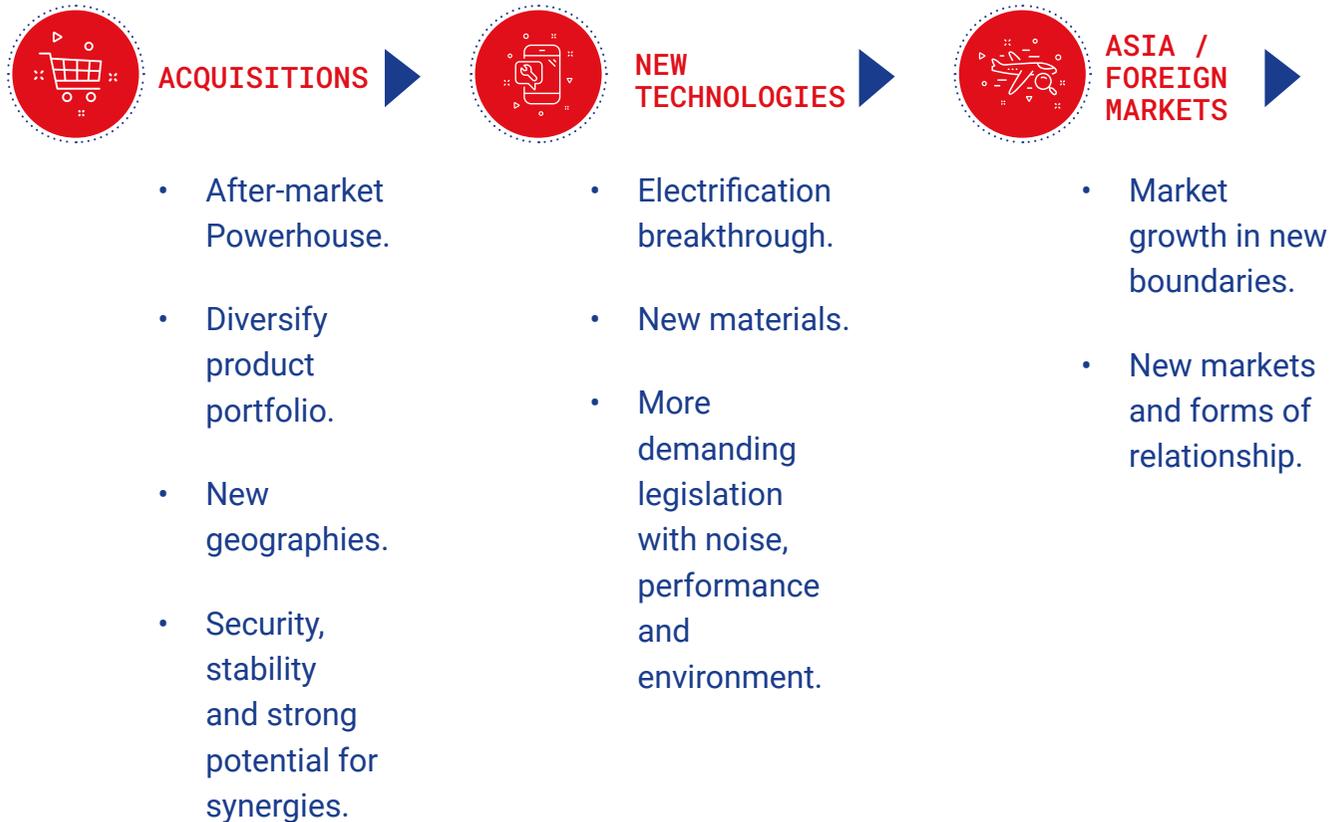


DISTRIBUTION NETWORK

Presence in the main global distributors in the segment

Our growth strategy

Performance fronts



In 2020, we completed the acquisition of Nakata Automotiva S.A. The business reflects the synergy with our strategic growth plans for Fras-le and reinforces our performance in the auto parts replacement segment.

The company, one of the leaders in the after-market, manufactures and markets components for light, heavy vehicles and motorcycles. With the acquisition, we expanded our portfolio of products with renowned brands in the automotive industry, adding suspension, steering and powertrain items, which represent a competitive advantage for Fras-le.

Further, we expanded our distribution structure and strengthened our sales team, directly impacting our customers in offering a greater diversity of products, as well as in prior and after sales service.

Performance

Results

Context

The year of 2020 started with positive expectations, reflected in the first quarter of the year, in which we registered a small impact related to the closing of borders and the onset of the restriction of circulation measures related to the new coronavirus pandemic.

Yet, from the second quarter onwards, due to the economic effects and the uncertainties related to the pandemic, the impacts were more felt with the sudden stop of production, collective vacations and strict social distance in Brazil and in most of the globe.

In order to minimize impacts, the Company made important decisions, such as adjusting production to demand, controlling costs and expenses, voluntarily separating employees, suspending and making work hours more flexible and prioritizing investments.

As the situation improved, around the third quarter, we were able to partially leverage the volume gap, due to the rapid recovery of the domestic market. Nevertheless, sales volumes ended the period showing a lower performance – as for the family of products related to friction materials – compared to 2019.

In the families of components for brake systems and mainly in the family of components for suspension, steering and powertrain systems, which aggregate sales volumes originated by the inorganic expansion of Nakata Automotiva's products, the volumes were higher than 2019.

KEY FINANCIAL INDICATORS

SUMMARY OF THE INCOME STATEMENT (IN MILLIONS OF REAIS)	2020	2019	Range (%)
Total Gross Revenue (without eliminations)	2,372.2	2,009.1	18.1
Consolidated Net Revenue	1,670.8	1,365.5	22.4
Gross profit	479.9	349.7	37.2
EBITDA	330.9	175.2	88.8
Adjusted EBITDA	283.1	189.7	49.2
Net profit	182.0	32.8	454.9

Total gross revenue

Total gross revenue, with taxes and before consolidation, totaled R\$ 2.4 billion in 2020, 18.1% higher than the gross revenue obtained in 2019 (R\$ 2.0 billion).



Consolidated net revenue

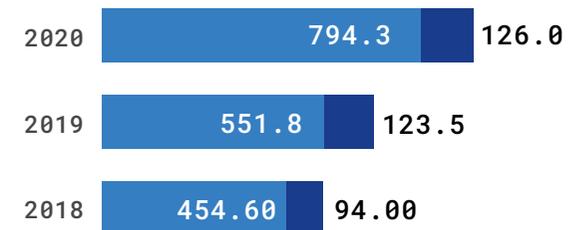
Consolidated net revenue reached R\$ 1.7 billion, an increase of 22.4% compared to 2019. It is worth noting that, for comparative purposes, the year 2019 did not have Nakata Automotiva, while the year of 2020 consolidated four months (as of September) the revenues of this subsidiary.

Fras-le is a very distinctive company in terms of revenue configuration, with diversification both in product lines and in markets, with the after-market segment accounting for almost 90% of consolidated revenue.

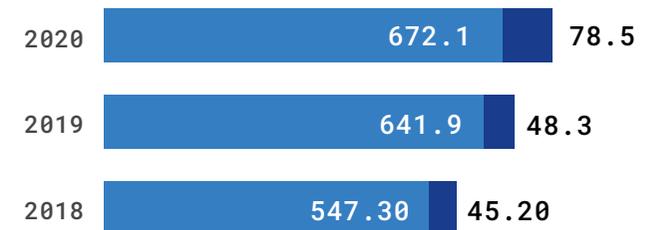
In relation to the **Domestic Market**, it was driven by the acquisition of Nakata, which holds approximately 95% of its revenue in this market. It is worth noting that, despite disregarding any growth due to the acquisition, Fras-le grew by almost 10% this year.

In the **Foreign Market**, the average exchange rate increased by 30.7%, ending the year with an average rate of R\$ 5.16, compared to 2019, which was R\$ 3.95, which contributed to the good performance in the foreign market in Reais.

DOMESTIC MARKET (R\$ MILLION)



FOREIGN MARKET (R\$ MILLION)



■ Replacement
■ Carmaker

Costs of products sold (CPV)

The consolidated cost of products sold totaled R\$ 1.2 billion, 71.3% of consolidated net revenue, representing a drop of 3.1 pp compared to 2019 (74.4%). Two non-recurring events impacted the COGS this year, namely:

- (-) Voluntary dismissals (R\$ 3.4 million);
- (-) Cost to restructure the controlled unit FANACIF S.A., located in Uruguay, resulting from the transferring of the brake linings production to the parent company located in Brazil (R\$ 1.8 million).

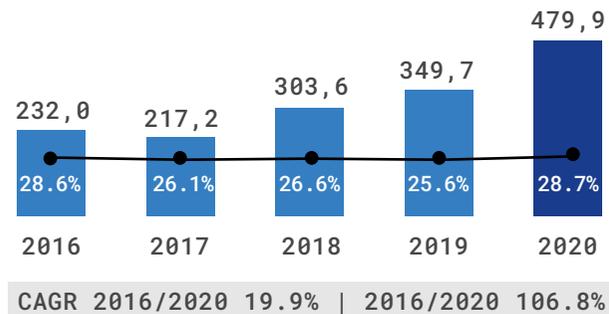


NUMEROUS INITIATIVES TO IMPROVE PRODUCTIVITY AND REDUCE INDUSTRIAL COSTS WERE IMPLEMENTED, WHICH, TOGETHER WITH NECESSARY PRICE ADJUSTMENTS DUE TO A STRONG INFLATION RATIO (FELT MAINLY IN THE LAST QUARTER OF THE YEAR), ALLOWED US TO FACE THE PANDEMIC AND ACHIEVE A NORMAL PERFORMANCE.

Gross profit

The consolidated gross profit of R\$ 479.9 million in 2020, showed a 37.2% increase compared to the previous year, and reached a 28.7% gross margin, a 3.1 pp increase in the annual comparison. The result reflects the exchange rate variation in the period and the reduction in costs and process improvements, which allowed gains in productivity and, in turn, margin.

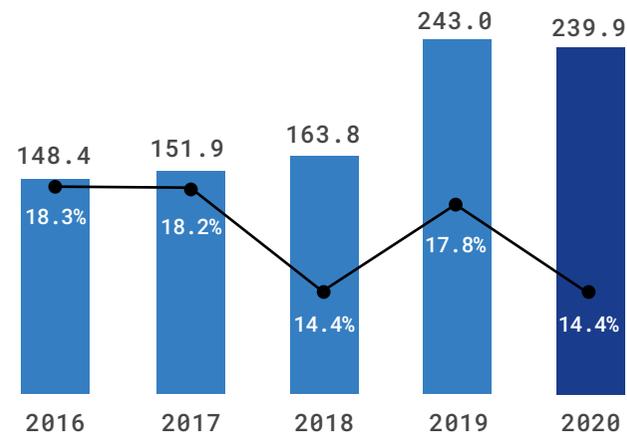
GROSS PROFIT (R\$ MILLION)



Operating expenses and revenue

The operating expenses and revenue group improved by 1.3% in 2020, compared to 2019, from an expense of R\$ -243.0 million (17.8% of net revenue) to R\$ -239.9 million (14.4% of net revenue) in 2020.

OPERATING EXPENSES (R\$ MILLION) | %RL



This is mainly due to the composition of the line of other operating expenses and revenues, in which the success in the process of excluding the ICMS was accounted for in the PIS and COFINS calculation basis. In addition, we have the sum of expenses from Nakata Automotiva, which has been included in the Company's consolidated balances since September 2020. Such balances also influenced revenue:

- Impairment of assets (R\$ 34.5 million);
- Demobilization of assets (R\$ R\$ 2.2 million);
- Gains on lawsuits (R\$ 135.8 million);
- Additional expenses related to the provision for loss of receivables (R\$ 1.2 million);
- Change in the expectation of recoverability of the pension plan (R\$ 2.2 million);
- Voluntary dismissals (R\$ 3.4 million).

EBITDA and EBITDA margin

Consolidated EBITDA was R\$ 330.9 million, an amount that represented an 88.8% increase in monetary value and 7 p.p. in EBITDA margin, in relation to 2019.

It is worth noting that the 2019 financial year does not include the operation of Nakata, which started to consolidate its results at Fras-le in the second half of 2020. Besides, this performance is the result of the events explained in the chapter on operating expenses.

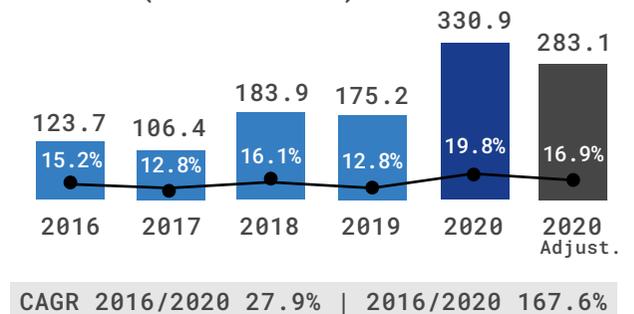
The adjusted EBITDA in the period was

R\$ 283.1 MILLION

with an adjusted EBITDA margin of

16.9%

EBITDA (R\$ MILLION)



Financial result

The financial result ended the year of 2020 at a positive R\$ 14.6 million, reversing the negative result for the year 2019, a reduction that is mainly due to the interest income on the gains in tax proceedings totaling R\$ 52.9 million. The composition of the financial result for 2020 has the following highlights:

- The minor impact on the devaluation of the Argentine Peso, which resulted in lower levels of expenses with variation on balance sheet accounts subject to monetary effects, at Fras-le's subsidiaries located in that country;
- The 30.7% appreciation of the average US dollar against the Real (2019 R\$ 3.95 | 2020 R\$ 5.16);
- The reduction in the financial resources available at the time of the M&A movements, since 2018, reflected in the reduction of the income from financial investments in relation to the previous years;
- New loans, including the issuance of two debentures, which contributed to the increase in financial interest.

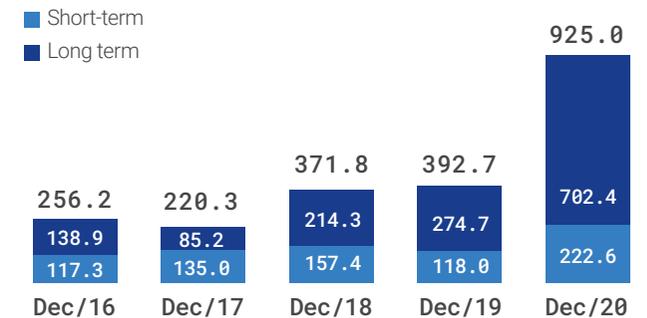
Financial indebtedness

The consolidated net financial debt (gross debt less cash and cash equivalents) ended 2020 with a balance of R\$ 1.1 billion, of which R\$ 924.9 million in loans and financing (R\$ 222.6 million in short-term and R\$ 702.4 long-term), R\$ 7.0 million in debts with other related parties, R\$ 222.2 million in accounts payable by business combination and R\$ 8.3 million in derivative transactions.

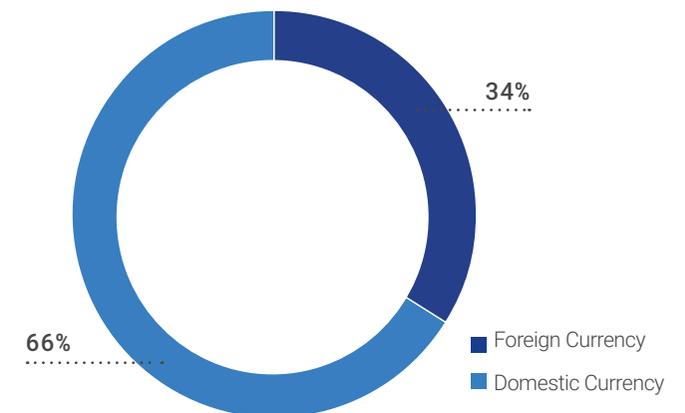
In addition, the Company amortized R\$ 146.6 million, of which the Parent Company corresponded to R\$ 100.2 million in amortizations of financial debt, while the subsidiaries disbursed R\$ 46.4 million in amortizations.

The increase in indebtedness is due to the acquisition of Subsidiary Nakata Automotiva, a commitment in the amount of approximately R\$ 457 million. It is noteworthy that most of the debt is allocated in the long-term (76%) and in national currency (66%).

LOANS AND FINANCING (R\$ MILLION)



ORIGIN OF DEBT - DEC/20

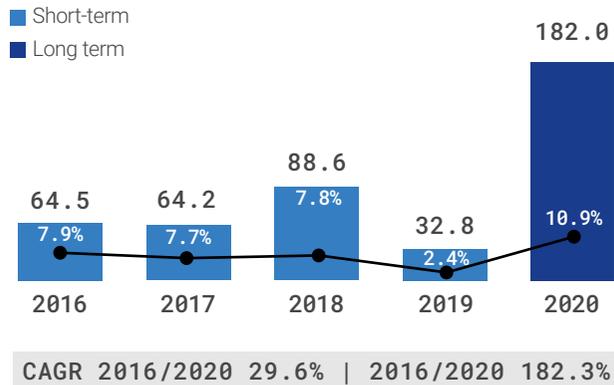


Net profit

Net Profit totaled R\$ 182.0 million, with a consolidated net margin of 10.9% and a 454.9% increase compared to 2019.

This performance is the result of a combination of all the factors listed above, especially the gains from tax and interest on these processes.

NET PROFIT (R\$ MILLION)



Investments

In 2020, investments of **R\$ 56.0 million** were made, the main ones being :

- **R\$ 25.9 million** at the Fras-le unit in Caxias do Sul, corresponding to investments in the railway shoe line, AGV's to supply the cutters, machines and equipment, various automations and the NR-12 safety adjustments, in addition to investments in VBA and ABS tracks from CTR (Randon Technological Center);

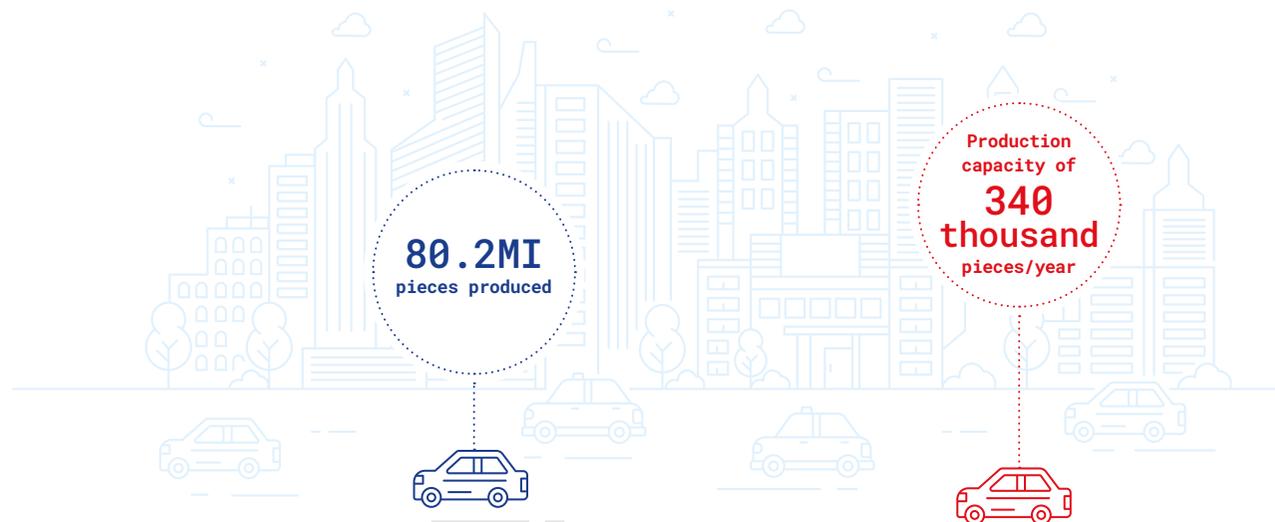
- **R\$ 30.1 million** in the controlled units, corresponding to the conclusion of the expanded foundry capacity of Fremax, expanded machining capacity of Freios Controil and investment in the new Nakata plant that will be headquartered in Extrema – MG.



Efficient operation

GRI 103-1, 103-2, 103-3, FRAS3

The Operational Excellence area is responsible for increasing the efficiency of the resources made available in the company. It operates directly in cost reduction, 6 Sigma projects, lead time reduction, efficiency increases and layout changes. Moreover, it acts indirectly in the acquisition of equipment, automation and process improvements. In 2020, we produced 80.2 million pieces, with a production capacity of 340.1 thousand pieces/year.



PRODUCTIVE CAPACITY

	2020	2019	2018
Parts produced	80.266.894	99.070.687	113.721.299
Comparison unit (working days)	236	250	244
Productive capacity (parts per working day)	340.114	396.282	466.071

PRODUCTION X SALES

Parts	2020			2019			2018		
	Produced	Sold	Relationship	Produced	Sold	Relationship	Produced	Sold	Relationship
Brake pad	119,287	136,830	1.15	138,000	125,502	0.91	141,000	138,840	0.98
P-60	96,550	106,342	1.10	102,134	95,114	0.93	123,892	118,412	0.95
Brake liner CA/32	116,877	122,595	1.05	95,030	94,916	0.99	100,052	99,865	0.99
Total	332,714	365,767	1.10	335,16	315,532	0.94	364,944	357,117	0.98

Sustainability

GRI 102-40, 102-42, 102-44, 102-47

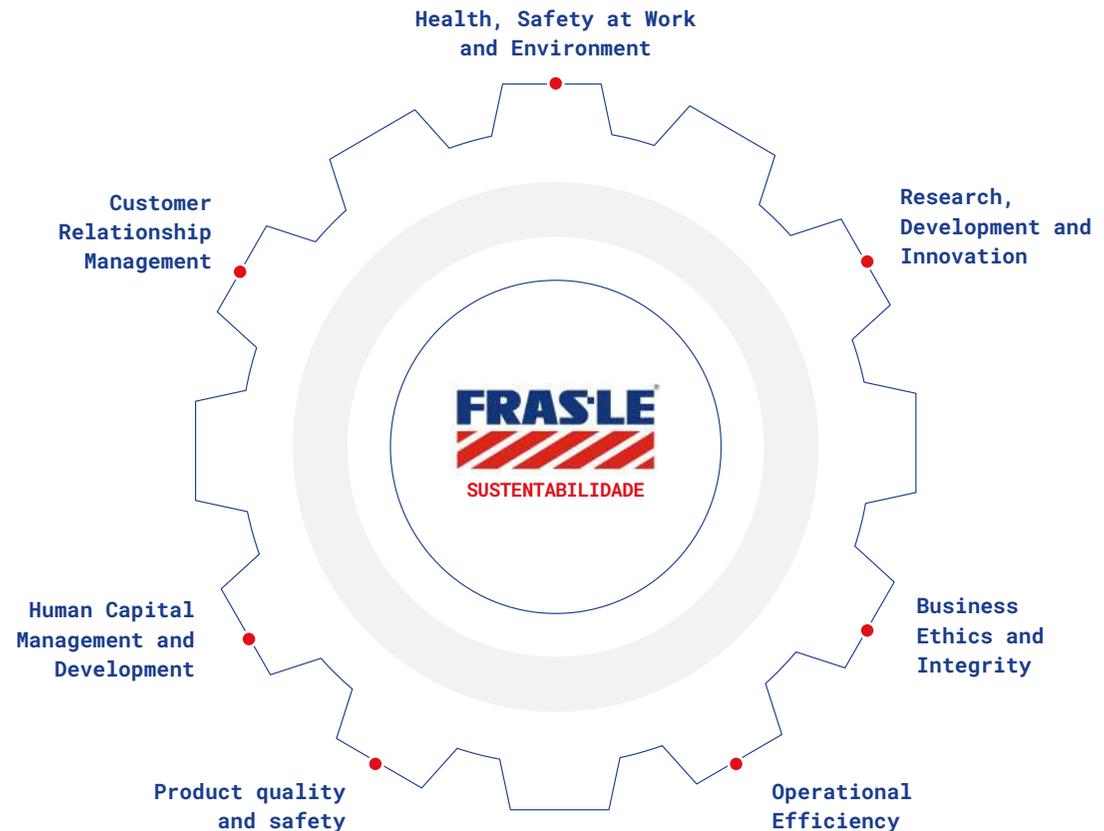
We are committed to the sustainability of our business. Our actions are guided by the key principle that governs our management: being an environmentally correct, socially just and economically feasible company.

Our commitment towards sustainable development is the result of continuous work that seeks to combine economic performance with good socio-environmental practices, guaranteeing the sustainable use of resources and the mitigation and prevention of environmental and social impacts inherent to our activities.

In order to continue advancing our sustainability strategy, we conducted an in-depth study on the topics that most positively or negatively impact our stakeholders (employees, customers, investors, the press, sector/community entities, suppliers and Fras-le's top management)).

The latest study, carried out in 2019, analyzed aspects of our operations and the sector in which we operate and resulted in the identification of seven material themes (learn more in the infographic beside). For each material theme, we establish parameters and indicators that help us measure and expand the positive transformations we generate.

MATERIAL THEMES



Click on the theme you want more information about and we will take you to the page where it is presented.

Membership in associations

GRI 102-13

We actively participate in the discussion and proposition of public policies that contribute to the development of the transport sector in Brazil and we are members of associations that contribute to the development of our business. Find out more about our participation below:

NATIONAL ASSOCIATION OF AUTO PARTS DISTRIBUTORS (ANDAP):

We are associated with the civil class entity that represents the largest auto parts distributors in Brazil.

Learn more: andap.org.br

ASSOCIATION OF CAPITAL MARKET ANALYSTS AND PROFESSIONALS (APIMEC):

we are associated with the confederation that unites all Regional Apimecs, concentrating their activities on institutional political representation vis-à-vis the government and entities representing the market.

Learn more: apimec.com.br

AUTOMOTIVE QUALITY INSTITUTE (IQA):

a non-profit certification body specialized in the automotive sector, created and directed by Anfavea, Sindipeças and other entities.

Learn more at: iqa.org.br

SAE BRASIL:

an association disseminating techniques and knowledge related to mobility technology in its various forms: terrestrial, maritime and aerospace.

Learn more at: saebrasil.org.br

UNION OF METALLURGICAL AND ELECTRICAL MATERIALS INDUSTRIES OF CAXIAS DO SUL (SIMECS):

a union that acts as an agent that boosts the competitiveness of the Metallurgical, Mechanical and Electrical Material industries of Caxias do Sul and Region. Learn more: simecs.com.br/

NATIONAL UNION OF INDUSTRY AND COMPONENTS FOR MOTOR VEHICLES (SINDIPEÇAS):

we are associated with the entity gathers small, medium and large companies that work in the development and strengthening of the Automotive Vehicle Components sector.

Learn more: sindipecas.org.br

Chapter 4

Innovation and technology

Related Capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Tradition in Innovating

GRI 103-1, 103-2, 103-3, FRAS2

Innovation is **our essence**.

For over 60 years, we have invested in technological innovation to support our growth strategy and, as a result, we are a global reference in high performance friction materials and the world's largest manufacturer of brake linings for heavy vehicles.

We work to improve our products and processes and create new solutions for our customers, with increasing quality and efficiency, influencing market trends and increasing our competitiveness.

We have a structure focused on the theme, with highly qualified teams and technological partnerships with startups and universities.

Meet some milestones in our history of innovation:

AMOUNT GENERATED IN RD&I



R\$ 19,373,663

Invested in RD&I



R\$ 344.8 Million

in potential revenue with new projects from the current portfolio



over 3,000 prototypes

Innovation ratio:



49.25%

of revenue comes from new products

Innovation Strategy

Our Research, Development and Innovation (RD&I) strategy is structured on four fronts – people, partnerships, a dedicated budget and a robust structure – we seek to meet the demands of our customers, both for assembly line products and after-market, and transform applied research into innovations in products and processes that can have a high impact on the business.

Our more than 80 professionals have technical backgrounds in several areas, mainly chemistry, mechanics, and materials. The engineering team is highly qualified and works with exclusive dedication to RD&I. In 2020, our team had 33 engineers graduated from the best universities in the country, four of whom have doctorate degrees, ten have master's degrees, three have specializations, and 16 have degrees in areas aligned to our business.

Partnerships with scientific and technological institutions are fundamental to drive our innovation ecosystem. Together, we generate knowledge that



enables new business possibilities, while supporting the continuous training of our people.

Our RD&I partners are laboratories and Institutes of Science and Technology (IC's), such as Pontifícia Universidade Católica (PUC), Universidade de Caxias

do Sul (UCS), Universidade Federal do Rio Grande do Sul (UFRGS).

Learn more about Fras-le's main RD&I initiatives, projects and structures, and how they contribute to innovation.

Robust Structure

R&D Center

The most advanced Research and Development Center in Latin America

Inaugurated more than 46 years ago, the center has three laboratories, with the latest technology in prototyping and brake tests, supporting a highly leveraged RD&I process in experimentation and validation cycles.

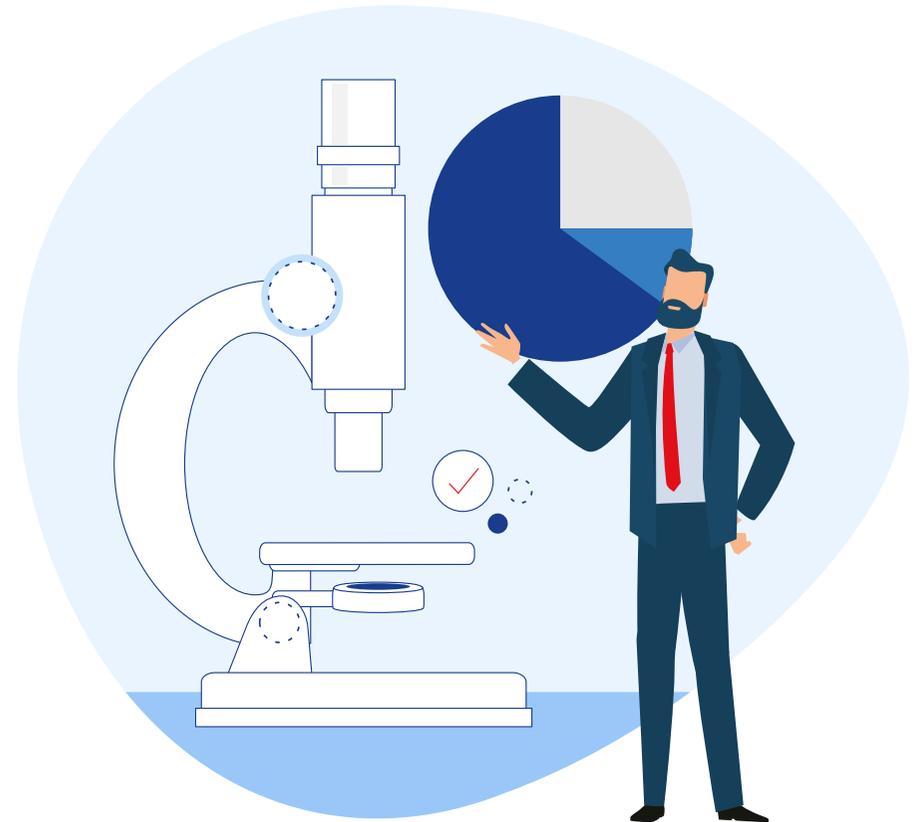
Located in the city of Caxias do Sul (RS), the group of laboratories supports the research and development of products through physical, chemical and mechanical tests, supporting all stages of the process, from the characterization of raw materials and construction of prototypes, undergoing reverse engineering processes, validation and monitoring of new processes, certifications and product approvals. This structure allows us to determine the performance and durability of our friction materials throughout the product's life cycle.

Moreover, the laboratory structure ensures compliance with the requirements of the most important worldwide standards for the quality control of friction materials. Several of

the test methods are accredited by ISO17025, including those pertaining to product certification according to INMETRO ordinance.

We also have **simulation** tools that support the development of solutions for structural, dynamic, thermal problems and, also, Noise Vibration and Harshness (NVH).

In the latter, in partnership with research groups in the area, we have developed proprietary algorithms, which allow the streamlined development of customized solutions for the demands of each customer, in addition to assisting them in the development of the acoustic and vibrational comfort design of the braking system and of the vehicle as a whole.



DISCOVER +

Make a virtual visit to the Fras-le Research and Development Center, at: bit.ly/361K5Ky

Area

4.000 M² | 3 LABORATORIES



Over 200

vehicle brakes for testing



15 inertial dynamometers

- up to 4,000 kgm² – that make it possible to carry out a wide range of brake test methods.

2020 PERFORMANCE: TESTS AND ASSAYS

Characterization: 2,186 EXPs tested

- Determination of friction coefficient (ISO17025 – SAE J661)
- Dilation and growth (ISO17025 – SAE J160/NBR 5505);
- Compressibility (ISO17025 – ISO6310);
- Shearing (ISO17025 – ISO6312/NBR5537);
- Hardness;
- Natural frequency.

Chemical: 2,150 prototypes tested

- Thermo-gravimetric analysis (TGA);
- X-ray diffraction and fluorescence;
- Accelerated corrosion (salt-spray);
- Rheometry;
- Particle analyzer.

Dynamometers: 1,375 tests

- Performance tests, wear, noise, thermal fatigue, static friction (parking brake), based on international standards such as SAE and ISO.
- Vehicle tests on fleet owners and partners around the world: USA, Colombia, Chile, Brazil, China and India

Product innovation

In 2020, our highlight is the launch of the first materials of the GRN Tech family, with inserts for copper-free commercial vehicles, developed five years in advance to meet the environmental legislation of the states of California and Washington, in the United States, with the objective of protecting springs and marine life. With this launch, we became even more competitive in the face of the expansion of the disc brake segment in the North American market.



PRODUCTS LAUNCHED IN 2020:

- GRN Tech copper-free commercial vehicle pads
- OEM parking brake linings (North American market)
- Jost commercial vehicle pads (European market)
- Railway footing (North American market)
- Brake liner for OEM customers (Chinese market)
- OEM Brazil intake hose

Randon Technological Center (CTR)

The guarantee of more safety, quality, competitiveness and reliability to the products developed in one of the largest Technological Centers in South America.

Located in the city of Farroupilha, in Rio Grande do Sul, the CTR has a large laboratory and 20 tracks, which allow testing in the most varied conditions and the validation of products in vehicles that support our field assessments carried out in fleets partners.

The 2,200 m² building houses a workshop for vehicle preparation and a structural testing laboratory, equipped with a 94 m² seismic base, 18 servo-hydraulic actuators and benches for high-performance vibrational tests.

In 2020, Fras-le invested R\$ 11.3 million in the CTR expansion, together with Randon Companies, for creating a new dynamic testing area (VDA –

vehicle dynamic area), the construction of a special lane for systems testing anti-lock braking system (ABS), the expansion of the structural laboratory and the inauguration of the CTR Innovation Lab.

Among the advantages of the expansion, we have the increased ability to carry out tests for various types and combinations of light and heavy vehicles, with the capacity to withstand the necessary approvals of anti-lock braking systems (ABS), electronic stability and performance control and tire noises.

In addition, with the inauguration of the Innovation Lab space, we reinforced the work of multidisciplinary innovation teams (learn more on page 52).

 **DISCOVER +**
Take a CTR virtual tour at :
www.ctrandon.com



90 HECTARES

in Farroupilha (RS)

= 80 SOCCER STADIUMS!

20 TRACKS MEASURING 15 KM

and different types of pavements and irregularities for testing in various conditions.



DISCOVER +

Get to know the tracks in detail: ctr.randon.com.br/pt/pistas



**STRUCTURAL
TESTING
LABORATORY**

2,200 M²
for vehicle
preparation



**18 Servohydraulic
actuators**

Force cylinders that guarantee the faithful reproduction of forces and movements on the test piece according to customer requirements.



94 m² seismic base

Structure that isolates the test benches from external interference, such as vibrations, ensuring the accuracy of laboratory tests and simulations.



Test benches (RIGS)

for static and dynamic loads designed according to the specific requirements of the project and application of the product, allowing adequate reproducibility in the laboratory.

INTERNATIONAL RECOGNITION

Randon Technological Center is accredited to conduct laboratory tests in accordance with ABNT NBR ISO/IEC 17025:2017 with scope accredited by Coordenação Geral de Acreditação do Inmetro (Cgcre) for the standards ABNT NBR 10312:2019, ABNT NBR 15145:2004 and ABNT NBR 9714:2000, and with scope recognized by RMRS (Rede Metrológica RS) for the standards ABNT NBR 10966. Such recognitions reinforce the responsibility with the customers and reaffirm the commitment to be constantly updated for the mobility market.

RTS Industry

A more **connected and smarter** productions

As part of our modernization journey, we are increasingly investing in smart and connected systems, which incorporate automation and robotization in our processes.

Thus, Fras-le, as part of the Randon Companies, is part of the movement to create the new company Randon Tech Solutions Industry (RTS Industry), whose focus is to offer solutions and machinery, from the manufacture and sale of robotic turn cells key, special machines, devices, industrial tooling and provide technical engineering services and advice on industrial automation.

Get to know the RTS Industry operating pillars:



SPECIAL MACHINES CORE PROCESSES

- Productivity and Quality
- Competitive differentials



AUTOMATION

- Productivity
- Over the next three years, the project is expected to increase the number of robots threefold.



HANDLING

- Productivity, Safety and Ergonomics
- AGVs, connecting, conveyors, vertical storage



SMART MANUFACTURING

- Productivity, Visibility and Prediction
- Datalake, systems integration, online factory

Special machines

We design and execute the construction of machines and devices especially for core processes, related to design and manufacturing processes, since manufacturing is a key part of advancing productivity and quality.

Handling

We work to develop autonomous machines and equipment, which operate without the need for a human driver, such as the Automatic Guided Vehicle (AGV's) for automatic guided vehicles, conveyors and vertical warehouses, which are used in the transport of raw materials, finished products, pallets etc.

In 2020, we invested R\$ 3 million in the application of a new autonomous product transportation system in our plants that operate with four autonomous vehicles (AGV's). The first set of AGV's was developed over the year and will be completed by 2021. The equipment is applied for the

internal transit of parts between the production lines and the processing of friction products and enables a safer and more efficient movement of the components, thus reducing the risks for the professionals involved and increasing our productivity.

Smart Manufacturing

This is a pillar that follows the global movements of smart manufacturing, employing integrated manufacturing and information technology, ensuring a greater adaptability to projects.

We are developing projects in digital manufacturing, adopting new technologies in order to identify opportunities for improvement in production and logistics processes, through software and 3D simulations.

In 2020, we built a simulation model for the insert factory, which consists of modeling all manufacturing cells to provide more assertive capacity analysis and production restrictions.

On top of that, a new rail shoe production cell was modeled to assess productive bottlenecks.

With 100% automated processes and aligned with the one-piece flow concept – a production line where items are processed and moved directly from one process to another, one piece at a time – we seek to reduce cycle times, energy consumption and achieve lower scrap rates with ergonomic gains.

MOBILITY MEGA TRENDS

The automotive industry is undergoing the greatest transformation in its history since the end of the 19th century, when the car was invented, bringing great changes both in the product and in the way of using transport. In this scenario, Fras-le, together with Randon Companies, is identifying relevant megatrends for transformation, which will guide the future of transportation:



MOBILITY & ELECTRIFICATION

Initiatives related to new propulsion concepts (with a main focus on electric traction), in addition to new concepts and modes of mobility of people and goods.



EMBARKED ELECTRONICS

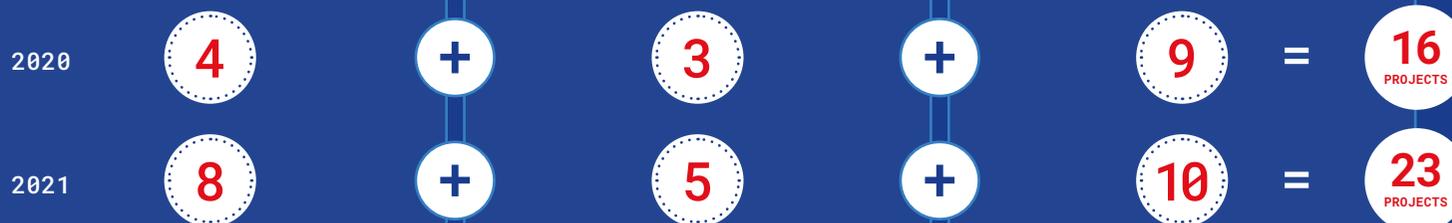
Development of solutions with complex electronic systems for vehicles, for example, the ABS system, launched by Master.



SMART MATERIALS

Development of alternative solutions to the use of materials (essentially steel) in vehicle applications, with a focus on reducing weight and increasing efficiency.

OUR INNOVATION AND R&D PROJECTS ON MEGA TRENDS



Open Innovation

Hercílio Randon Institute

Inaugurated in 2015, the Hercílio Randon Institute (IHR) seeks to foster innovation ecosystems by encouraging the collaborative construction of innovative solutions that meet the interests of society and enable new ventures for the Company.

In addition to benefiting society, the organization contributes to strengthening our culture of innovation, supporting the development of new professionals and streamlining transformations by connecting with the technology and innovation opportunities and trends.

Conexo

Conexo offers an environment for everyone to feel at ease to create the future.

In 2020, together with Randon Companies, we inaugurated Conexo, a physical and digital hub, which promotes Open Innovation and collaboration connecting entrepreneurs, large companies, startups, universities, institutions of this ecosystem and the community.

Conexo is in the physical and digital space. Installed in Caxias do Sul (RS), the physical space has a modern building with 945 m² designed to offer areas for co-

creation, interaction and content production. The digital space, on the other hand, offers a platform for exchanging and learning that connects diverse talents, integrates generations and mixes worldviews.

To generate knowledge, strengthen networking, solve actual problems, value ideas, empower people and generate new business possibilities, Conexo has a robust structure.



HOW DOES CONEXO CONNECT?

Ex0

In its 4th Generation, the Ex0 development program trains people in the exploration of technologies, design tools and the search for innovation.

Start

Plt is a program that offers practical experience to intrapreneurs so that they can model ideas, validate problems and test solution hypotheses.

Startup Creator

Dedicated to creating new businesses, the program has a methodology for prototyping and testing business models and driving the creation of a new startup.

Challenges

We periodically launch challenges for the community and a network of partners to work together in the search for solutions to real problems.

Education

We work with Nau to co-manage consultancy products, events and education projects for soft skills, creative innovation and entrepreneurship.

Events

We hold events for visitors to get to know Conexo and provide lectures on the platform's tags, such as Future of Work, Digital Industry, Big Data.

CTR Innovation Lab

The Innovation Lab launched at CTR is a collaborative space, located within the CTR, with 300 m² of areas intended for the joint creation and experimentation of strategic projects with our partners so as to develop innovative and disruptive solutions in the face of mobility megatrends.

We are working in partnership with the lab to develop a product and manufacturing process for structural composites, which is a new business front. After a few years of extensive research and testing, thoroughly validated and approved by customers, this strand of innovation begins to show results with components in structural composites and is expected to start manufacturing in 2021.



Chapter 5

Eco-efficient Operation

Related Capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Environmental management

GRI 103-1, 103-2, 103-3

We at Fras-le are committed to continuously reducing the environmental impact of our operation. For this reason, we work to improve our processes, so that they are more efficient every day, and expand the shelf life and circulation of our products, reducing the use of natural resources and the generation of waste in the value chain.

To this end, we follow the environmental guidelines of Randon Companies, registered in the Health, Safety and Environment Policy. Moreover, we set environmental goals that become the focus of our operation.



In our factories, we apply the Environmental Management System (SGA or EMS) based on the ISO 14001 methodology, which monitors a series of indicators, such as the consumption of electricity and water, the generation of solid waste, the consumption of exhaust dust and the reuse of effluents.



Energy

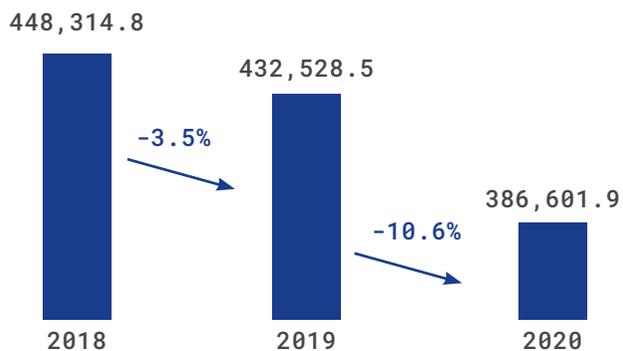
GRI 102-48, 103-1, 103-2, 103-3, 302-1, 302-3



As part of the chemical industry, energy consumption represents one of the main impacts of our operation. Therefore, we seek to minimize them by investing in new technologies, processes and products that increase efficiency both in operation and in the final product intended for our customers.

Further, we continuously monitor and control our energy intensity indicators (GJ/piece) and total energy consumption (GJ) through our Environmental management system (SGA or EMS), with the goal of achieving greater energy efficiency.

TOTAL ENERGY CONSUMPTION (GJ)



ENERGY CONSUMPTION BY SOURCE (GJ)

	2020	2019	2018
Fuels from non-renewable sources			
Natural gas	224.133,54	250.781,58	253.688,52
LPG	2.152,20	6.430,87	8.000,98
Diesel oil	705,78	290,34	296,80
Gasoline	308,5	10,04	12,55
Total	227.300,02	257.512,83	261.998,85
Fuels from renewable sources			
Biodiesel	81,04	33,34	34,08
Energy consumed - Electricity	159.220,82	174.982,30	186.281,88
Total	159.301,86	175.015,64	186.315,96
Total energy consumed	386.601,88	432.528,47	448.314,81

ENERGY INTENSITY (GJ/UNIT) / NUMBER OF PARTS



We implemented an operation to assess losses due to compressed air leakage, with the objective of periodically collecting data to check losses in a systematic and standardized manner in order to reduce our consumption of electricity.

We installed an active filter in our substations to reduce the harmonic currents that allow the reduction of energy losses. These losses are achieved by adjusting the operating voltage levels of the load and equipment feed bars. Furthermore, we made a correction to the power factor to shrink the reactive energy consumption and, consequently, enhance the conditions of electricity supply in the factories.

We also improved the monitoring of natural gas consumption, using online technology in the company's manufacturing units, ensuring a better control, distribution and consumption forecast,

subsidizing assessments that allow us to increase the system efficiency.

We replaced the sodium vapor luminaries with LED luminaries, providing increased luminous efficiency, greater durability and reduced electricity consumption.

Lastly, to encourage good practices with our employees, we share conscious energy consumption measures that can be applied inside and outside the company. Some practices were implemented in order to optimize the flow of information, streamline internal work and reduce waste.

As a result, in 2020, we recorded an energy intensity of 0.00485, a value that is 19% higher than in 2019. Due to restrictive measures to control the pandemic, we had a significant

reduction in production in the months of March, April and May that added up the need to shrink the occupation of employees within our factories, resulted in lower energy efficiency in this period, impacting the result of the indicator, which is why we did not reach the stipulated target of 1.5% reduction compared to 2019.

However, we recorded a 10.6% reduction in total energy consumption, 7.1 pp less than the figure registered last year, reducing the consumption of non-renewable sources by 13.3% and 9.9% of renewable sources.

These results attest the work on energy optimization and affirm our commitment towards Sustainability.

Water and effluents

GRI 303-1, 303-2, 303-3, 303-4, 303-5

The industrial sector, in general, is responsible for the consumption of 10% of all the water collected for use in Brazil, and the intensity of its use may vary depending on the type of process and products, the technologies applied and the good practices adopted by the companies in the sector.

At Fras-le, we are committed to the conscious use of this resource and, therefore, our management focuses on reducing water consumption and reusing treated wastewater.

Reduced consumption

To reduce our consumption, we invested in new monitoring technologies and adopted reuse initiatives, such as the reuse of treated effluent and the optimization of processes, reducing new abstraction.

In our administrative activities, we use water purchased from the local concessionaire and, for operational activities, we draw water directly from artesian wells in our plants, respecting the necessary limits in order to protect the water table. For general services – restrooms, gardens, cleaning yards and outside areas – we use water from the reuse system.

With the reuse system, we reduced new abstractions by 30%, which represents 20.5 megaliters of water per year.

Altogether, in 2020, we consumed 49.4 megaliters of water, 8% higher than the previous year, as a result of the increase in hygiene practices (individual and environments) that are part of the preventive measures to combat the spread of Covid-19.

Effluent management

Fras-le has its own Effluent Treatment Station (ETE or ETS) where the industrial and sanitary effluents generated in the company's activities are treated, with part of the treated effluent being reused in internal processes and part of it is discharged into the receiving water body.

Fremax also has its own WWTP, however the entire volume of effluent is discharged into the public network. At Controil, the effluents are treated by a third-party company, which guarantees an environmentally appropriate destination.

All effluent treatment stations meet the requirements for the discharge of effluents, as determined by CONAMA Resolution 430 and CONSEMA 01/1998 and CONSEMA 355/2017, considering the profile of the receiving water bodies, so that the discharged load does not cause changes on water resources.

Performance

TOTAL VOLUME OF WATER CONSUMED AND DISPOSED BY SOURCE AND TYPE (MEGALITERS)

	2020	2019	2018
Water withdrawal by source			
Supply network	6.0	2.4	0
Underground sources	63.5	68.7	63.5
Surface sources	0.0	0.0	0.0
Water withdrawal by type			
% Fresh water (≤ 1000 mg / L of Total Dissolved Solids)	100.0	100	100
Other waters (> 1000 mg / L of Total Dissolved Solids)	0.0	0	0
Total volume of water consumed	49.4	45.6	65.1
Total volume of water discharged	28.9	27.9	46.4

Materials and waste

GRI 103-1, 103-2, 103-3, 301-1, 301-2, 306-1, 306-2, 306-3, 306-4, 306-5

The production of automotive parts demands a high consumption of raw materials, which comes from natural resources and also generates waste from the leftover materials used and in the preventive and corrective maintenance of equipment.

To minimize and mitigate the impacts of both the use of resources and disposal, we rely on a management of the use of materials and waste that prioritizes the maximum use of materials and the recovery of waste, encouraging recycling and reuse.

Recycling and reuse

In 2020, 26% of all raw material used in the manufacture of our products came from recycled materials, whether inside or outside the organization.

Of the waste generated in the operation – both hazardous and non-hazardous – 88% was recovered, of which 62% was intended for recycling and 26% was

intended for other recovery operations (reuse, composting etc.).

Compared to non-hazardous waste, 93% were recycled or recovered and 7% were sent to the destination, 5% for co-processing and 2% for landfill. Out of this total, 59% represent metallic scrap and 27% exhaust dust. In 2020, we recycled 4,370 tons of metal scrap at the Fremax unit and 2,009 tons of exhaust dust were sent for co-processing, being reused in our production process.

Among the hazardous waste (lamps, electronics, oils and contaminated packaging), 14% were recovered or recycled. Waste that cannot be recovered or recycled is sent for co-processing. In 2020, 86% of hazardous waste was co-processed.

The packaging of raw materials and inputs are returned to some suppliers, as a practice of reverse logistics, avoiding the waste of materials and the generation of solid waste.

In addition, we compost garden waste and sludge resulting from the Effluent Treatment Station (ETE or ETS), which are subsequently used as fertilizer in the green areas of the site.

Reverse logistic

Pró Ambiente (“Pro-Environment”) is our reverse logistics program for friction products with the objective of disposing of the waste generated by our products in an environmentally appropriate way, after using our customers. Currently, it serves fleet owners registered in the states of Rio Grande do Sul, Santa Catarina, Paraná, São Paulo, Rio de Janeiro and Minas Gerais.

In 2020, we invested R\$ 915.7 thousand, through Fras-le, and 861 tons of brake linings were recovered. Fremax invested R\$ 588,9 thousand and 594.4 tons of brake discs were recovered. Also, each customer received a certification attesting to the environmentally proper disposal of their waste.

Performance in 2020

MATERIALS USED, BROKEN DOWN BY TYPE AND WEIGHT

TYPE OF MATERIAL	TONS
Material used for internal recycling	12,823
External recycled material used *	451
Non-recycled raw material *	36,838
Total	50,112

*Purchased from suppliers.

WASTE BROKEN DOWN BY COMPOSITION

HAZARDOUS WASTE	TONS
Power accumulators (batteries, cells)	0.1
Impregnation bath	14.9
Contaminated Jerrycans	1.9
Ink Blot	70.1
Oily Sludge	0.0
Contaminated Empty Packaging (Cans)	9.9
Oily Emulsion	3.4
Contaminated PPE	139.3
Fluorescent lamps (parts)	0.3
Fluorescent lamps	0.0
Used lubricating oil	27.9
Contaminated paper and cardboard	79.2
Contaminated plastics	79.2
Glue Waste	3.5
Varnish Waste	4.0
Electronic Waste	2.6
Biological Health Services Waste	0.6
Health Services Sharps Waste	0.1
Chemical Health Services Waste	0.0
Metal Waste (Containers)	16.4
Plastic Waste (Jerrycans)	1.0
Contaminated solvent	0.9
Total	455.6

WASTE BROKEN DOWN BY COMPOSITION

NON-HAZARDOUS WASTE	TONS
Construction	266.25
Raw material packaging	434.25
Sandpaper	7.489
ETE sludge with non-toxic substances	60.554
Aluminum lunch boxes	1.99
Used oil in the cafeteria	0.2835
Paper and cardboard	131.27
Brake pads	16.48
Brake pads	142.74
Plastics (films and small packages)	59.08
Exhaust Powder	1808.61
Exhaust Powder	180.115
Exhaust Powder	20.17
Used Tarpaulin Waste (SCRAP)	220.82
Restaurant waste (food leftovers)	144.00
Glass Waste	4.54
Wood Waste	76.06
Ferrous Metal Scrap	3,896.47
Non-ferrous Metal Scrap	473.84
Total	7,945.0

WASTE INTENDED FOR DISPOSAL BY RECOVERY OPERATION (TONS)

	2020	2019	2018
Hazardous waste			
Preparation for reuse	0.00	0.00	0.00
Recycling	2.91	16.73	11.50
Other recovery operations	61.7	70.34	78.88
Total	64.6	87.1	90.4
Non-hazardous waste			
Preparation for reuse	66.97	1.37	1.70
Recycling	5,236.72	4,384.50	4,478.82
Composting	60.55	77.72	85.31
Other recovery operations	2,009.17	0.0	0.0
Total	7,373.41	4,463.6	4,565.8

WASTE INTENDED FOR DISPOSAL BY OPERATION (TONS)

	2020	2019	2018
Hazardous waste			
Co-processing Incineration	390.4	0.0	0.0
Incineration	0.0	445.8	434.4
Other disposal operations	0.0	0.0	0.0
Total	390.4	445.8	434.4
Non-hazardous waste			
Co-processing	428.6	4,242.2	4.201
Landfill confinement	144	146.8	144
Other disposal operations	0.0	0.0	0.0
Total	572.6	4,389	4.345

Chapter 6

Relationships

Related Capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Customers

GRI 102-43, 103-1, 103-2, 103-3

At Fras-le, one of our principles is to satisfy our customers. To this end, we are committed to anticipating the expectations of our customers and offering products with high quality, safety and excellent performance.

To fulfill our mission, we maintain a close relationship with this audience, involving them in R&D projects, training, events and research. Thus, we are able to understand their needs and effectively propose innovative solutions.

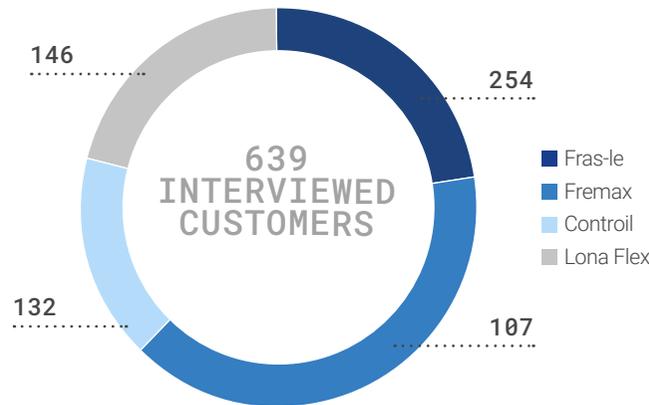
To provide guidance on the proper use of our products, we provide training for automakers, distributors, transportation companies, mechanic workshops, dealerships and their audiences (sales and technical staff, owner, mechanic etc.). In 2020, we recorded 269.5 hours of training with customers.

This year, due to the pandemic, we made the content available online, through YouTube; in this way, the content is available on our page and participants can review it as many times as they wish. As it is an online content, we also guarantee access to other interested parties.

We take part in the biggest fairs in the sector, promote sales campaigns, carry out technical and commercial visits and collaborate in events. This year, we attended the 4th Brazilian Mechanical Congress, with the brands Fras-le, Fremax and Controil, offering technical content, training and contact with professionals, assemblers and auto parts.

Biannually, we carry out the satisfaction survey with our customers. In the 2019/2020 edition, we registered a satisfaction rate in the Brazilian market of 93% for Fras-le, 90% for Controil and 94% Fremax. In the foreign market, we registered 98% for Fras-le, 75% Controil and 100% for Fremax.

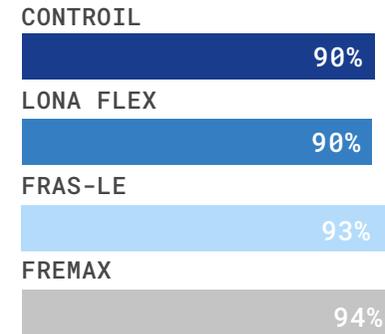
PARTICIPATION IN THE SURVEY (%)



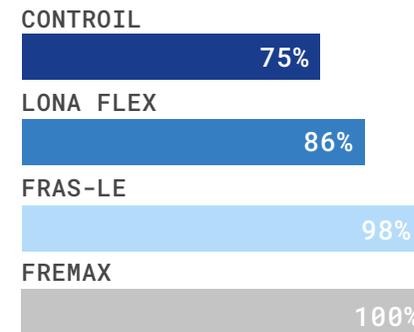
We also provide customer service channels, such as our toll-free number, on our social networks (WhatsApp, Facebook, Instagram and LinkedIn) and the Contact Us channel, available on our corporate website.

2019/2020 SATISFACTION RATIO

DOMESTIC MARKET



FOREIGN MARKET



Product Quality and Safety

GRI 103-1, 103-2, 103-3, 416-1, 416-2, FRAS1

We value people and strive to offer our customers **safe and high-quality products.**

We meet the legal requirements linked to regulatory standards and ordinances and our quality management system is certified by (IATF 16949: 2016, ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007/ISO 45001 and ISO IEC 17025: 2017).

In addition, our products are certified and regulated by IRAM-AITA (Argentina), Inmetro (Brazil), CCC (China), ONAC (Colombia), AMECA and NSF (USA), ECE-R90 (Europe) and EAC (Russia) .

We use technical quality management tools, such as the Advanced Product Quality Planning (APQP), Failure Mode and Effect Analysis (FMEA) and continuous improvement programs to solve problems such as 8D, Analysis Methodology and Trouble-shooting (Masp) and Lean tools such as 6 Sigma.

We monitor our products and processes, through quality control/product performance analysis results, product monitoring records, production quality control plans and technical guarantee analysis reports.

At Fras-le, 100% of the products are assessed in relation to the impacts on customers' health and safety and, since 2002, all products are free of substances harmful to customers and applicators' health. In the braking product line, all products are considered safety items, and since the design phase, we have mapped potential failure modes that may interfere with the safety of users, in order to define actions to get rid of them.

Our business units are subject to internal and external audits to guarantee the quality and safety of products and are checked as to meet our customers' requirements. Moreover, we carry out audits on suppliers to ascertain compliance with specified requirements and the management of health, occupational safety and the environment. In 2020, we did not register non-compliance cases related to the impact of products and services on the customers' health and safety.

STRATEGIC QUALITY INDICATORS FOR FRAS-LE PRODUCTS

	2020	2019	2018
OEM PPM	2	3	5
Low quality costs (R\$)	10,901,488	12,234,994	12,454,816
Productivity (piece/hour/man)	39.0	36.3	33.4
General waste (%)	2.1	2.3	2.3
Guarantee cost (R\$)	347,587	358,689	555,954

*Fras-le Controller.

Quality Control Circle (QCC)

The QCC is an improvement program led by Fras-le's Management System and relies on the volunteering of our employees to develop and promote improvements with the support of several areas of the Company.

Since its creation, 31 years ago, more than 11 thousand projects have been implemented that brought solutions and improvements in processes, quality and increased our productivity. Since 2018, QCC has aligned itself with Lean, empowering all circulating employees, initiating yet another successful journey. In all, more than 200 employees were trained and qualified.

Circulators organize themselves into groups to discuss the opportunities that exist in the work environment and the application of these analysis and trouble-shooting tools. To those who stand out, they present their projects in an objective and moody manner, by means of theatrical sketches, at the QCC Internal Exhibition of Works. In 2020, due to the pandemic, the edition was temporarily postponed.

In addition to promoting operational breakthroughs based on the continuous improvement of processes and products, the QCC encourages personal and professional development and collaborative work, promoting a sense of initiative and creativity and innovation.

Privacy and Security

GRI 418-1

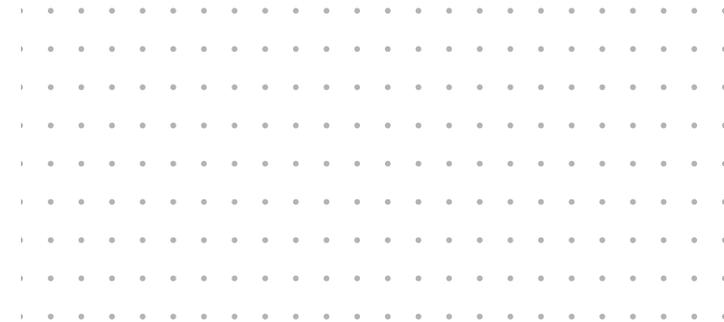
We are committed to the security of data in documents, tools and training of our customers and we follow the guidelines of **Randon Companies' Personal Data Privacy Policy.**

In 2020, data processing in the processes was mapped and actions were taken to adapt and comply with the LGPD (General Data Protection Law), which are directed by the Risk management and Compliance area, responsible for the privacy governance of personal data.

The protection of personal data is part of the conduct of our employees. In the integration process, everyone receives a commitment regarding the policy. Additionally, through the Safe Connections program, we carry out Information Security awareness campaigns with employees.

Our policy also applies to suppliers and service providers that process personal data on behalf of Randon Companies. Everyone must comply with the specific clauses on the protection of personal data contained in their contracts.

In 2020, we did not receive any warnings or sanctions from external parties and/or regulatory agencies due to breaches of data privacy or complaints proven through our customer service channels – SAC and Ethics Channel.



Suppliers

GRI 102-43, 102-9

We continue to invest in a sustainable relationship with our suppliers, based on transparency and mutual trust, aiming at the continuity of our business and the promotion of good management and sustainability practices throughout the chain.

In **2020**, we bought from

1,487
suppliers, totaling

R\$394.58 MILLION
in contracts.

To manage our relationship with this audience, we have adopted a series of corporate guidelines, established by Randon Companies, which include the Corporate Purchasing Policy, the Code of Ethical Conduct, the Supplier Requirements Manual, the Anti-Corruption Policy and the Related Parties Policy (learn more on page 27).

We advise our Corporate Purchasing area to consider, when choosing a supplier, a series of factors that include economic-financial, commercial, quality and safety aspects of the products and services offered, as well as socio-environmental aspects.

Our Supplier Requirements Manual establishes the systematic selection, assessment and monitoring regarding quality, logistics, after-sales and business issues.

As for environmental aspects, we require that our suppliers have a valid environmental licensing with the state or municipality and manage and control the impacts generated by their activities – waste, noise, use of natural resources, restricted materials, etc. – in order to comply with environmental policy.

Regarding with occupational health and safety (OHS), we check the existence of a system for assessing hazards and risks in the activities and processes of companies and measures to control and prevent accidents and health risks. In addition, we check whether they comply with legislation, establish OH&S-related objectives and goals, and whether they have procedures for implementing and monitoring corrective and preventive actions.



SUPPLIER'S PORTAL

The Supplier Portal is our relationship channel with this audience. Thus, Fras-le selects, assesses, monitors and communicates with the chain.

Through the portal, non-compliance deals are carried out (RNC/8D), requests for deviation/derogation/notification of product and process change, production part approval process (PAPP), process audit, filling in the self-assessment questionnaire and management of action plans.

Moreover, suppliers can check the monthly performance of their indicators, from the seventh business day of the month following the supply of , as well as the history of indicators.

Thus, to be part of our supply chain, companies must meet these requirements, as well as comply with all the assumptions required in our policies; also, they must comply with our Ethical Conduct Code, which incorporates issues related to human rights and combating the corruption.

SUPPLIER ASSESSMENT PROCESS

	Type of supplier	Rating criteria	Control criteria
Direct	Provide materials and services applied to our products	According to the Suppliers' Manual (financial analysis + process audit) Due diligence	IDGF Supplier Manual (quarterly classification and supplier lists)
Indirect	Suppliers (financial analysis + process audit)	Due diligence	Financial assessments and supplier lists
New		According to the Suppliers' Manual (financial analysis + self-assessment + process audit) Due diligence	-

Investors

GRI 102-43

At Fras-le, we have an area responsible for establishing contact with investors, shareholders or not. The Investor Relations (IR) sector establishes a bridge between the company's management, shareholders and other capital market agents, clarifying information about our Company.

Every year, we hold several meetings to show off our results and main highlights in relation to the business. In partnership with the Association of Capital Market Investment Analysts and Professionals (Apimec), we promoted events with sell side, buy-side professionals and investors in general, such as the Fras-le Universe, held in November 2020 to display the Company's

results, a strategy growth, innovation trend and future prospects.

Due to the Covid-19 pandemic, the event was held in an online format, transmitted through the exclusive platform for the event and through our YouTube channel, which allowed more than 250 people to connect to the event simultaneously, a higher figure than the face-to-face event, when approximately 60 guests participated. Moreover, the content remains available and already has more than 1,200 views (data from February 2021).

Moreover, we provide information through our IR website (ri.fras-le.com), LinkedIn (bit.ly/2Lsp0lv)

and mailing list (bit.ly/2Kir1jx). The disclosures follow the routines established by the legislation, such as the publication of the results on a quarterly basis and the disclosure of the monthly invoicing between January and November of each year.

In addition to these channels, investors and their representatives can contact us by email dedicated to IR (ri@fras-le.com), telephone contact or in face-to-face and online meetings.



DISCOVERY +

Watch in full on YouTube: bit.ly/2LQ30Wm

Press

GRI 102-43

We maintain a good Relationship with the press, to which we pass on information about our participation in fairs, events, awards, products and economic and performance data.

In 2020, we recorded 270 citations of Fras-le in the press, a figure that represents 10% of all citations of Randon Companies in the year. Of these citations, Fremax, with 29 mentions, and Controil, with 22 items standing out.

The contents were also published in specialized vehicles in the economic and business areas for topics such as results, performance and expansion. The highlight of the year was the announcement of the completed purchase of Nakata Automotiva, which recorded 67 citations.

There was also publication for matters relating to products and technology in magazines, newspaper supplements and portals, among others. The Randon Technological Center recorded 66 citations in the press throughout the year, as a result of the disclosure of the increased capacity of the structural laboratory and the inauguration of the new area for dynamic tests (VDA), a highlight in the year that reached 17 and 23 citations, respectively.



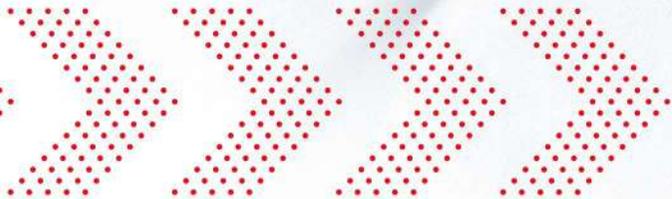
Chapter 7

Valued and respected people

Related capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Engaged team

GRI 102-43, 103-1, 103-2, 103-3

People drive our success. The passion and dedication of our people contribute to a better future for all.

We are focused on providing a healthy organizational atmosphere, through respect, inclusion and equality, and we encourage leadership so that each one develops their full potential.

We are changing the way we work to obtain new resources, improve our efficiency and keep people at the center of everything we do.

We are guided by the **Corporate Human Resources Policy of Randon Companies**, which seeks to value our people in order to develop and consolidate business management in a solid and strategic way.

It establishes eight guidelines that guide our programs and procedures: organizational architecture, compensation, Performance Management, career transition, organizational education, internal communication, organizational atmosphere and culture and personnel management.

OUR WAY OF BEING AND DOING

Valuing people and their talents is part of our success. Get to know our way of being and doing:



We are part of the digital transformation

We have innovation cells with people from different areas and backgrounds to drive digital transformation for the entire Company



We give autonomy aiming to grow

At Randon Companies, each one owns their own career. We give support and autonomy so that each one can project their growth.



We value diversity

We understand that a company is only ready for the future challenges if it is diverse and respects differences.



We collaborate in all processes

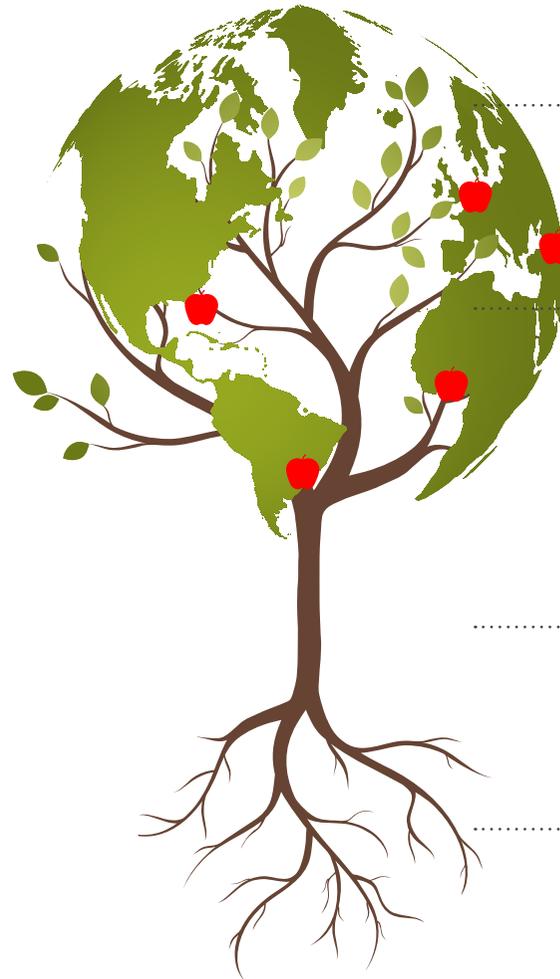
We only got here because we collaborate and work together to connect more and more people and wealth.

We are transforming our culture

We support the cultural and behavioral changes of our employees, contributing to the achievement of the Company's vision regarding Sustainability. With the **Sustainability Program**, we unfold the guidelines of our Strategic Planning for our employees, prioritizing the Safety, Quality and Productivity (SQP) pillars.

To keep our purpose alive, we hold the Leadership Meeting every year, together with Randon Companies. This year, 120 Fras-le leaders from Brazil and abroad attended.

This year, due to the pandemic, the event was held in a virtual format, and the main theme was **Our Way of Doing** and skills in the pillar of relationships – “Inspiring with confidence” and “Positive Influence”. On top of that, the event highlighted the **Diversity Journey**, introducing the Company's performance strategy regarding the theme and its developments to promote a safe, respectful and diverse environment.



CROWN

It represents the **objectives**: Strategic map.

FRUIT

It represents the **result**: Stakeholder satisfaction (shareholders, customers, employees, suppliers and society).

TRUNK

It represents the **initiatives**: Strategic projects and Sustainable Cycle.

ROOT

It represents the **strategic guidelines**: SGF vision, mission and policy.

EARTH

It represents our **principles**: Randon ID.



Our people

GRI 102-8, 401-1

BY GENDER



* Total number of employees in all units (permanent and temporary).

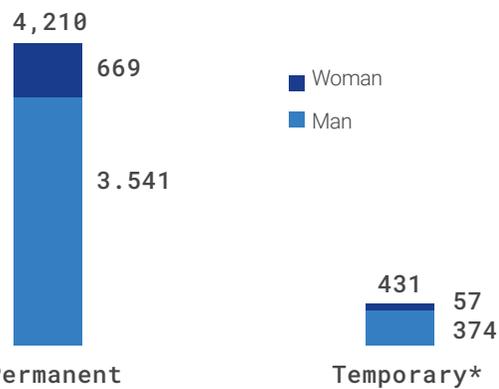
BY AGE GROUP



* Number of permanent employees in all operating regions.

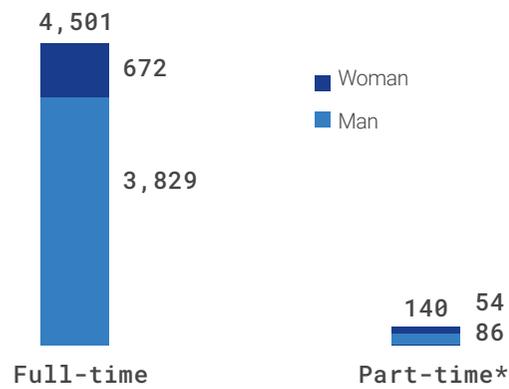


BY GENDER AND EMPLOYMENT CONTRACT



* The apprentices (124) and interns (30) are included.

BY GENDER AND TYPE OF EMPLOYMENT



* Permanent and temporary employees, apprentices (124), and interns (30) are included.

GENDER*

	Female	Male
Total hires	137	602
Hiring rate	20.4%	17.0%
Total dismissals	108	624
Turn-over rate	16.1%	17.6%

AGE GROUPS*

	Less than 30 years	Between 30 and 50 years	More than 50 years
Total hires	400	319	20
Hiring rate	41.6%	11.9%	3.6%
Total dismissals	247	371	114
Turn-over rate	25.7%	13.8%	20.4%

REGION*

	Southeast	South	Germany	Argentina	Chile	China	Colombia	United States of America	Netherlands	India	Mexico	Uruguay
Total hires	149	529	0	3	0	11	1	13	3	12	0	18
Hiring rate	25.4%	17.4%	0.0%	2.9%	0.0%	9.6%	12.5%	19.7%	37.5%	10.4%	0.0%	11.2%
Total dismissals	100	508	2	8	0	18	0	20	5	17	0	54
Turn-over rate	17.6%	16.7%	28.6%	7.7%	0.0%	15.8%	0.0%	30.3%	62.5%	14.8%	0.0%	33.5%

*The number of hires and dismissals was calculated based on the total number of permanent employees, that is, they do not include temporary employees, due to the lack of data for this group.

Career

GRI 103-1, 103-2, 103-3

Our success depends on our ability to attract, involve and retain a diverse group of people, to help and monitor the development of their skills, providing opportunities for learning and to enable the professional development in an increasingly competitive job market. Below are our initiatives:

Attraction and Retention

To attract new talents, we rely on a digital platform that uses artificial intelligence. Thus, we managed to attract people in line with our values and competencies, ensuring greater assertiveness in hiring.

Recruitment

All opportunities are disclosed in the **Careers (Gupy) page** of Randon Companies and sources of talent attraction in our digital media, namely **Facebook, LinkedIn, Instagram** and in **Work with us**, in addition to job boards linked to Gupy: Google for Jobs, Glassdoor, Indeed, Rio Vaga, Jooble and Net Vaga.

Our Recruitment & Selection area maintains proximity to regional academic institutions, close to the business units, forwarding all available internship opportunities and/or with high adherence to the training offered. Moreover, we take part in actions at



OUR COMPETENCIES

The competencies expected by our employees and leaders are part of **Our Way of Being and Doing**:

- Self-knowledge and continuous learning
- Positive influence
- Inspiring confidence
- Results with a strategic vision

universities (undergraduate, post-graduate classes graduate, MBA and at job fairs) where we advertise our vacancies and channels.

Our Research and Development Center maintains partnerships with several Institutes of Science and Technology (ICT) to finance research grants as a way to bring academics closer to industry demands. We also started a partnership with the FIERGS system (through IEL-RS) to select fellows for research and innovation.

Integration

After hiring employees, integration is done digitally (including signing documents). At first, this form

of insertion is shared by all employees at Randon Companies, with a focus on the organization's cultural issues: Our Way of Being and Doing, our competencies and the code of ethics.

Subsequently, integration is carried out in the face-to-face unit, for guidance on health and safety, specific information and understanding of the business, and then specific training is carried out according to the area of expertise (safety training, job training), welcoming and integration with colleagues and other related activities.

Benefits

We offer a competitive compensation and a robust benefits package, which includes health and dental insurance, maternity assistance, premium for length of service, credit facilities and RandonPrev – Social Security Fund, which allows one to maintain savings for retirement purposes.

Our website has a restaurant, which offers a nutritious and healthy food, as well as a library, country headquarters, party rooms, gym, bank post and insurance broker.

In addition, the employees' association coordinates sports activities encouraging healthy habits that contribute to the quality of life of our people.

Training

GRI 404-1

A learning culture is essential, so we have an organizational education model guided by training policies that include competence and awareness training and capability for employees and third parties.

The People and Culture consultancy is in charge of the model, and the corporate areas and managers ensure that the organization's needs and strategy are met. In addition, the program undergoes internal and external audits to check aspects of quality and compliance with the legislation.

We identified the needs for training through auditing processes, required by customers, the need to adhere to legislation, requirements of the job profile and performance evaluation. The following are part of our training and development program: quality training, operational excellence, work safety training, management development, performance training and foreign language program.

We encourage the search for self-development, in order to anticipate and react in the face of a competitive market environment, and guide our employees to take the lead in their careers,



PRA VC ("FOR U")

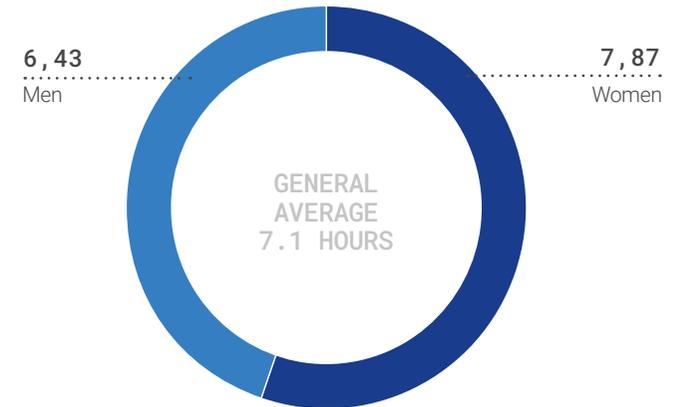
It is our **Corporate University**, a modern learning platform that encourages autonomy and leadership in the personal and professional development of employees.

Through it, we offer more than 200 courses that enhance the exchange of knowledge, cultural change, digital transformation, performance and updating of our team.

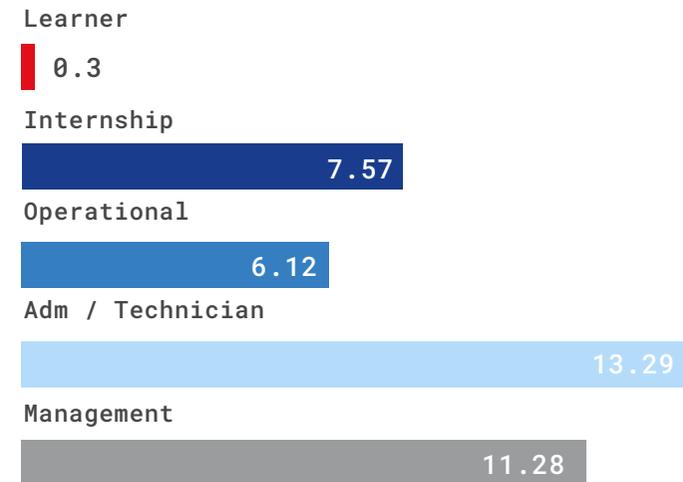
planning and defining goals and objectives aimed at improving and growing.

Our managers support the development of their teams, observing opportunities for improvement, giving feedback and supporting the Individual Development Plan (IDP).

AVERAGE HOURS OF TRAINING, BY GENDER



AVERAGE HOURS OF TRAINING, BY FUNCTIONAL CATEGORY



We also have training programs for young talents that include young apprentices. Check out our initiatives below:



Qualify Program

QUALIFICAR 15
Conectar para Transformar A.N.O.S.

Qualificar is our program developed for young apprentices, in partnership with the National Service for Industrial Learning (SENAI). We have an infrastructure of more than 1.5 km² with classrooms, a library, a computer room and a large workshop at the Randon/SENAI Professional Education Center, at the Company's headquarters in Caxias do Sul (RS).

Students between 16 and 18 years old receive technical training in courses that are aligned with our business: training for manufacturing processes involving auto parts, vehicles and road and rail implements; training in assembling automotive components and implements and training in mechanic maintenance for industrial machines.

In 2020, Qualificar completed 15 years. Since its inception, 1,904 young people have gone through the program and 884 have completed it. In 2020, 148 young people took the course, 65 of which are nearing completion.

Leadership Development

Performance evaluation

At Fras-le, performance management combines formal and informal processes and practices to direct us to results, priorities and behaviors that will produce positive effects in the short, medium and long terms for our employees and the entire Company.

Our performance management is structured according to the different functional levels and our managers are assessed by contracting goals with performance priorities, which are monitored and measured at the end of the performance cycle.

For the directors, we carry out 360° assessments, which include the evaluated peers in the composition of their assessment, for the levels of managers and coordination, we carry out a 270° assessment, with self-assessment, manager assessment and subordinate assessment. Behavioral assessment is based on the organizational skills named "Our Way of doing".

Succession

We identify our professionals with the potential to meet the demands of management positions and offer training aimed at developing them to perform new positions, such as board, management and coordination.

The process is the same carried out in all the Group's

companies. It consists of assessing the potential and readiness of professionals, through an assessment tool, indicating the strengths and gaps for the development of the manager, suggesting actions that can compose the Individual Development Plan (IDP).

We have a behavioral profile assessment tool for professionals with a growth potential, used in all internal opportunities accompanied by a qualified feedback from the assessment. Further, we have a development acceleration program, focused on identifying the core competencies of the business and preparing professionals for these challenges.

In 2020, internal and partner training for potential managers, underwent adaptations due to the pandemic scenario. Therefore, meetings for the development of projects and challenges, in addition to stimulating feedback and career talks were held on a virtual basis.

Continuous development

We continue to develop, implement and assess programs that help our leaders succeed in their roles and provide development opportunities for their teams.

The programs and actions that support our leaders in their own development and that of their teams are: coaching processes, face-to-face training, visits for benchmarking (national and international), participation in fairs, congresses and events. This year, we launched the Leadership in Motion and the Randon Companies Mentoring Program.

Diversity

As a global company our culture is to be diverse

In 2020, to advance the theme, we created a working group formed by the People and Culture, CSC and Compliance and Ethics areas and, with the support of an external consultancy, we carried

Strong culture

Our team's diversity is reinforced by our global presence. About 20% of our employees are located in 11 countries on four continents.

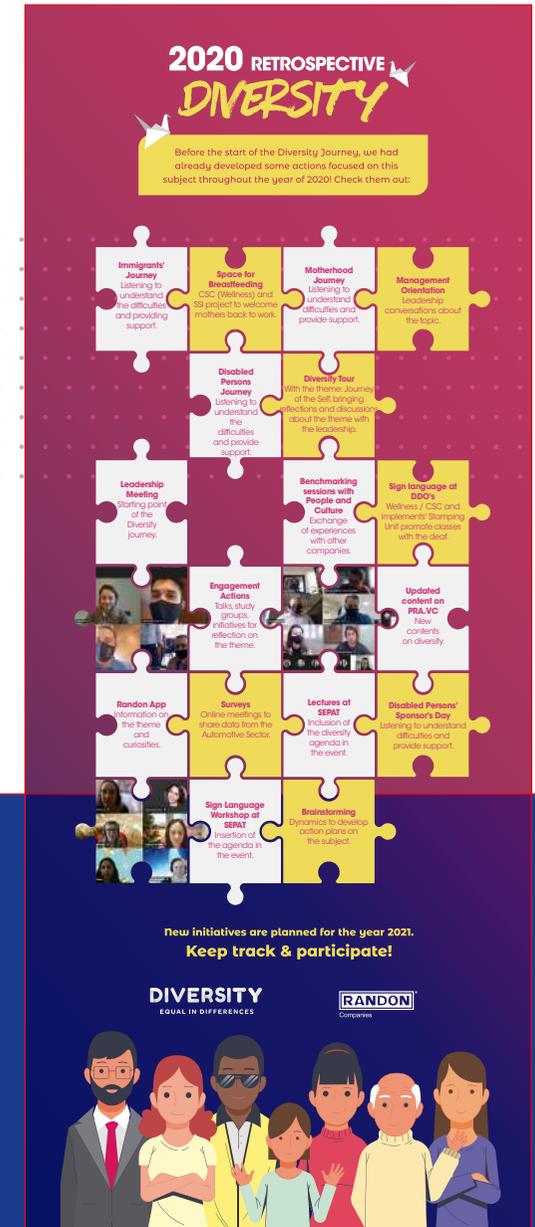
To ensure that we can learn from different cultures, respecting traits and, at the same time, connected by the same corporate culture, since 2018, we have developed the Global Human Resources Project.

out a diagnostic study in order to identify the main challenges in diversity and equality within the Company and build an action plan to further stimulate a culture of equality and respect for diversity.

The plan was structured around five strategic guidelines that permeate organizational commitment, the strengthening of an inclusive culture, the expansion of the representativeness of minorized social groups and the governance of the process.

Furthermore, we have the tactical guides so that this journey can be built and developed with a focus: on education and communication, on the review of policies and processes, on the committee and affinity groups, on the brand and reputation and on global challenges. Below is what we have already accomplished:

The project is part of our organizational strategy to consolidate a global culture, supporting local businesses and the long-term ambitions of Randon Companies. Thus, we promote a welcoming work environment that values people, keeps our leaders engaged with our values and principles, develops the HR area in companies in other regions and attracts and retains the best people with competitive wages and benefits.



Health and safety

GRI 103-1, 103-2, 103-3, 403-1

At Fras-le, the safety and well-being of our employees is our value and our priority.

Guided by the Health, Safety and Environment Policy (HSE) of Randon companies, Fras-le acts actively in anticipating, recognizing and assessing the risks of the activities carried out, establishing preventive and control measures to guarantee and preserve the health and safety of its employees.

Our Occupational Health and Safety Management System (OHS) meets applicable legal requirements and other requirements relevant to the organization, with the companies Fras-le S.A. and Jurid do Brasil certified by the OHSAS 18001 standard, and is in the process of transition to the ISO 45001 standard.

Prevention culture

GRI 403-4

At Fras-le, we encourage a prevention culture by means of programs and projects that promote participation and engagement, reinforcing our commitment to the care and safety of each person.

We guarantee all employees the right to refuse to carry out any activity that poses serious and imminent risks

to health and safety, and our HSE area encourages everyone to report dangerous situations immediately without suffering reprisals.

Thereby, we offer the "Incident Hunter" channel, which collects information specifically on OSH risks and hazards and the Ethics Channel (ID Randon), which receives all types of complaints, with an anonymity guarantee.

We maintain a process for workers' inquiries and participation in the development, planning, implementation, performance evaluation and improvement actions of the OH&S Management System, through training, safety dialogues, CIPA meetings, HSE inspections by the management, prevention campaign and general communications.

In the Internal Commission for Accident Prevention (CIPA), whose responsibility is to act in order to prevent accidents at work and occupational diseases, everyone has the autonomy to represent employees and influence decisions, as necessary.

Health promotion

GRI 403-3, 403-6

We have a Health Center designed to facilitate access to health care and support. SSI Saúde, a self-managed

health plan operator, offers clinical, orthopedic, social, dental, psychological services, exam collections, nursing reception and a mobile unit for urgent and emergency demands.

All procedures are carried out during the employees' work shift, and there is no need to travel to outside appointments, except for specific complementary assessments. Health professionals perform their activities with excellence providing everyone with a welcoming environment, meeting the beneficiaries' expectations and needs.

Through the Apollus computerized system, we maintain the confidentiality of personal information related to the health of our employees, in addition to medical confidentiality. Fras-le, through ID Randon guidelines, ensures that information related to workers' health, as well as their participation in services and programs, is not used in a biased way.



CAMPAIGNS

The Healthcare Programs aim to contribute to improving the quality of employees' lives, promoting health by means of educational actions that prevent diseases and their grievances. In 2020, due to the COVID-19 pandemic, some were carried out online.

- **White January;**
- **Safe Carnival;**
- **Postural action check;**
- **Green April;**
- **Influenza immunization campaign;**
- **Financial health;**
- **SEPAT**
- **Yellow September;**
- **Pink October;**
- **Health walking and running;**
- **Blue November;**
- **Orange December;**
- **Preventive measures for respiratory diseases;**

Training

GRI 403-5

We promote the training and awareness of our employees to preserve the preventive culture and reinforce their commitment to the best performance in Health, Safety and Environment. In 2020, 2,071 employees participated in training on legal requirements:

- **Security integration for new employees;**
- **Ergonomics training program;**
- **Hearing conservation program training;**
- **Respiratory protection program training;**
- **NR 05 – CIPA;**
- **NR 10 - Security in electricity facilities and services;**
- **NR 11 - Safety in the operation of industrial handling equipment;**
- **NR 12 - Safety of machinery and equipment;**
- **NR 20 - Safety and Health at Work with Flammables and Fuels;**
- **NR 23 - Emergency brigade;**
- **NR 32 - Occupational safety and health in health services;**
- **NR 33 - Confined space;**
- **NR 35 - Work at height;**
- **ISO 45001 - Occupational health and safety management system;**
- **Training in occupational health and safety internal rules and procedures;**
- **Urgent and emergency training for health professionals.**

Risk management and impacts

GRI 403-2, 403-3, 403-7, 403-10

We act systematically in the search for the evolution of our processes and in the elimination of dangers and risks, acting with a focus on critical activities. The commitment to eliminate risks with a high potential for damage is strengthened by significant investments and engagement programs by the top management, constantly raising the organization's safety standards.

We identify and appraise the hazards and risks by activity through a study carried out by professionals in the Work Safety area, in conjunction with a multidisciplinary team at the Company (operators, analysts, leader, service providers), in order to set up effective operational controls that allow us to reduce, and even eliminate, the risks related to our activities.

When an incident occurs within 48 hours (two business days), the area coordinator must conduct the meeting to analyze and investigate the incident with the multidisciplinary team (leader, TST, workers' representatives – CIPA – maintenance, and other professionals deemed necessary).

During the analysis of the incident, the Incident Analysis Form and the quality tools for analyzing the causes are completed. The assessment of the effectiveness of the actions is carried out by closing

the note in the system, completing all the actions and posting the evidence in the Accident Worksheet.

The process of continuous improvement of the OH&S Management System takes place through feedback from the assessment of hazards/risks, whether in change management processes, after incidents and accidents, or in improvements made in the work routine.

We keep up-to-date to ensure that our efforts reflect on safer products and processes throughout their life cycle. Since 2002, we have eliminated the main health risk associated with our products; we no longer produce asbestos brake components. This initiative demonstrates our commitment to the health and safety of our employees and customers.

In 2020, four cases of work-related illnesses were recorded, mostly associated with ergonomic hazards. To reduce ergonomic hazards related to workplaces, we have implemented the Ergonomics Management Program which aims to establish a systematic process for identifying and dealing with the company's ergonomic issues, as well as addressing suggestions for improvements in workplaces.



Fatality

Despite all preventive action to ensure safe work for all our employees, Randon Companies regret having recorded a fatality in 2020. An employee at the Fras-le Joinville unit suffered an accident when accessing a restricted area.

An audit was carried out to identify the causes of the accident and create opportunities for improvement in order to eliminate the possibility of a recurrence. Randon Companies reaffirm their purpose that the safety of people and their integrity are values that are above other priorities.

HEALTH SERVICES THAT SUPPORT THE IDENTIFICATION OF RISKS

Occupational medicine	Survey of impact on the health of employees, according to the risk exposed and determination of the means of biological monitoring.
Assistance Medicine	Monitoring the health of employees, maintaining a feedback channel with an interface with occupational medicine.
Dentistry	Monitoring the health of employees, maintaining a feedback channel with an interface with occupational medicine.
Social service	Monitoring and relationship with employees, maintaining a feedback channel with interface with occupational medicine.
Laboratory for exam collection	Information on results of previous services.

Performance

GRI 403-8, 403-9, 403-10

WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM¹

	2020				2019				2018			
	Contributors	%	Outsourced ²	%	Contributors	%	Outsourced ²	%	Contributors	%	Outsourced ²	%
Individuals covered by an occupational health and safety management system, based on legal requirements and/or recognized standards/guidelines	3,469 ³	84	237	100	3,150	100	79	100	3,443	100	106	100
Individuals covered by an occupational health and safety management system, based on legal requirements and/or recognized standards/guidelines, which has been audited internally	3,228 ⁴	78	200	100	3,150	100	79	100	3,443	100	106	100
Individuals covered by an occupational health and safety management system, based on legal requirements and/or recognized standards/guidelines, which has been audited or certified by an outside party	31.8%	16.7%	28.6%	7.7%	0.0%	15.8%	0.0%	30.3%	62.5%	14.8%	0.0%	33.5%

¹ Information obtained from the annual report prepared to the Ministry of Labor and Employment, to meet the NR04 staff.

² Outsourced workers, but whose work and/or workplace is controlled by the organization.

³ Companies considered: Fras-le Caxias, FNAI, FASIA, Controlil, CTR, Fremax and Jurid do Brasil.

⁴ Companies considered: Fras-le Caxias, Jurid do Brasil, Fremax and Controlil.

⁵ Companies considered: Fras-le Caxias and Jurid do Brasil.

WORK-RELATED INJURIES¹

	2020		2019		2018	
	Contributors	Outsourced ²	Contributors	Outsourced ²	Contributors	Outsourced ²
Number of hours worked	6,064,031 ³	415,360	4,491,820	13,200	4,848,729	13,200
Number of deaths resulting from work-related injuries	1	0	0	0	0	0
Fatality rate resulting from work-related injuries	0.16	0	0	0	0	0
No. of serious work-related injuries (excludes deaths)	1	0	0	0	0	0
Rate of serious work-related injuries (excludes deaths)	0.16	0	0	0	0	0
Number of registered work-related injuries (includes deaths)	64 ³	2	50	0	70	0
Rate of recorded work-related injuries (includes deaths)	10.55	4.1	11.13	0	14.44	0

¹ Base number of hours worked = 1,000,000.

² Outsourced workers, but whose work and/or workplace is controlled by the organization.

³ Companies considered: Fras-le Caxias, Jurid do Brasil, Fremax, Controil, FNAI, FASIA, CTR.

Chapter 8

Social Impact

Related Capitals



Related SDG



WE DO OUR PART TO KEEP YOUR LIFE IN MOTION

Communities

GRI 102-43, 413-1

We conduct our social investment management through the **Elisabetha Randon Institute (IER)**, which supports citizenship and social development programs in the community, in a corporate manner, with a focus on education, culture and volunteering.

Founded in 2003, the Institute is a Civil Society Organization with Public Interest (OSCIP) and aims to promote citizenship and social development, through actions aimed at education, culture, social assistance and encouraging the practice of volunteering.

Every two years, we conduct a survey, together with the Union of Neighborhood Associations of Caxias do Sul (RS), to understand what the communities expect from our social projects and what the main demands of the communities are. In 2020, R \$ 7.7 million, of which R\$ 1.6 million by Fras-le, in programs aimed at the social development of the communities in the regions where we operate.

See next how we are generating value for communities with our initiatives:



Since 2005, Ser Voluntário encourages participation in community actions, promoting collaboration and solidarity while creating opportunities for employees of Randon Companies to develop new personal skills and competences.

Each volunteer contributes by providing general services, such as renovations and building painting, maintenance, lawn mowing in three public schools in Caxias do Sul (RS), partners of the Florescer Program and also in other social entities. In 2020, Randon Companies' employees dedicated 14 hours of the year to volunteering, less than the rest of the year due to the restrictions to face the Covid-19 pandemic.



DISCOVERY +

Learn more about the program at: bit.ly/2XkXybw

ESPETÁCULO



As a company in the transport sector that works offering security to its customers, we are concerned with encouraging preventive behavior and contributing socially to reduce the number of traffic accidents.

Therefore, the IER seeks to encourage a safe behavior through educational actions on traffic safety, such as lectures, theater, media tips and printed material. The Vida Semper project works on three fronts:

- Itinerant theater, "Espetáculo Vida Semper - Cultura Roda nas Estradas";
- Partnership with the National Road Safety Observatory (ONSV);
- Economic and Safe Driving Course for truck drivers.

In 2020, there were 24 performances of the Itinerant Vida Semper Theater - The Culture Wheel on the Roads – Year VIII to an audience of 1,000 industry employees in Caxias do Sul/RS. Four theatrical sketches from the show were also recorded to be made digitally available on the IER's YouTube channel. Visit bit.ly/3rognHM



DISCOVERY +

Learn more about the program at: bit.ly/2MMR4QR



Florescer is IER's social responsibility program and its mission is to prepare children and young people, in a situation of social vulnerability, for the exercise of citizenship, promoting the improvement of quality of life.

Since its foundation, the program has benefited, free of charge, children and young people from 6 to 15 years of age, offering educational, cultural and sports activities, carried out in the opposite period to that of the regular school. In 2020, 360 children benefited from the project.

After training in the Florescer Program, young people who show interest in continuing in our programs have the opportunity to join the **Florescer Professional Initiation Program**.

The program offers a technical-professional course in the area of Administrative Assistant for young people between 15 and 16 years old. The project is a partnership between IER and SENAI (National Service for Industrial Learning).

Throughout the year, a series of actions were carried out to continue the work, focused on the context of the pandemic and on supporting children, youth and their families in this moment.

We make donations, events on commemorative days (Children's and Educator's Day) and distance learning activities. Also, due to the pandemic, we postponed the completion of the course Florescer Iniciação Profissional to the beginning of 2021. Of the 76 young people enrolled, 74% were inserted in the labor market and 29% entered higher education.



DISCOVERY +

Learn more about the programs at : bit.ly/3hRGJ1j

FOREST PROJECT: PLANTING THE FUTURE

Launched in 2020, the project seeks to encourage conservation and environmental preservation among children and young people in the Florescer Program through the implementation of a forest garden and a composter at the Randon Technological Center (CTR). The project is a partnership between the CTR and the State of Rio Grande do Sul's Department of Labor and Social Assistance and, in all, 40 children and adolescents participated.



Memorial Randon is a corporate space that gathers historical documents related to all companies that are part of Randon Companies.

The Memorial collection consists of approximately 100,000 documents, including photographs, reports,

videos, oral memory, digital media, advertising campaigns, magazines, newsletters, newspapers and other pieces.

Among them, 45,000 records are cataloged in a computerized database. The space also has a small library with works related to the history of cargo transportation in Brazil.

In 2020, IER successfully completed the fundraising stage for the construction of the physical space of Memorial Randon. The completion of the works is scheduled for December 2021.



DISCOVERY +

Learn more about the programs at: ier.randon.com.br/pt/programas/memorial-randon/

Programming the future

The program seeks to stimulate creativity, innovation and cooperation, by teaching programming language and robotics.

It is a partnership between IER and the Uniftec University Center that supports children and adolescents in situations of social vulnerability, referred by the Reference Center for Social Assistance (CRAS) in Caxias do Sul (RS).

Annexes

GRI Content Index

GRI 102-55

GENERAL CONTENT

General Disclosures

ORGANIZATIONAL PROFILE

102-1	Organization name				Page 11	
102-2	Main activities, brands, products and/or services				Page 13	
102-3	Headquarters location				Page 11	
102-4	Number of countries in which the organization operates				Page 17	
102-5	Type and legal nature of the property				Page 11	
102-6	Markets served				Pages 11 and 17	
102-7	Organization's scale				Page 17	
102-8	Employees and other workers' profile				Page 71	
102-9	Description of the Company's supply chain. The five countries with the largest number of contracted suppliers:	Brazil	1378	Germany	13	Page 65
		United States	35	Italy	5	
		China	19	Spain	5	
102-10	Main changes in the company's structure and in the supply chain during the period covered				Page 5	
102-11	Explanation of whether and how the organization applies the precautionary principle				There is no formal adherence to the precautionary principle, however the Company promotes preventive risk management, as shown in the chapter Risk management, on page 26.	
102-12	Letters, principles or other initiatives externally developed of an economic, environmental and social nature, which the organization subscribes to or endorses				Page 27	

102-13	Main memberships in national/international defense associations and/or organizations	Page 40
STRATEGY		
102-14	Statement by the most senior decision maker on the relevance of Sustainability to the organization	Page 5
102-15	Description of the main impacts, risks and opportunities	Page 26
ETHICS AND INTEGRITY		
102-16	Organization values, principles, standards and norms of behavior, such as codes of conduct and ethics	Pages 27 to 29
102-17	Internal and external mechanisms adopted by the organization to request guidance on ethical behavior and in compliance with the law, such as relationship channels (e.g. ombudsman)	Pages 27 to 29
GOVERNANCE		
102-18	Governance structure, including committees	Page 23
102-22	Composition of the highest governance body and its committees	Page 24
102-23	Indication if the chairman of the highest governance body is also an executive officer	Page 24
102-25	Processes used by the highest governance body to prevent and manage conflicts of interest	Questions regarding conflicts of interest involving Related Parties are directed to the Executive Committee so that it, through the Policy guidelines on Transactions with Related Parties, recommends or not the agenda for deliberation by the board of directors.
102-35	Remuneration policies applied to the highest governance body and executives	Page 24
102-36	Process adopted for determining compensation	Page 24
STAKEHOLDER'S ENGAGEMENT		
102-40	List of stakeholders engaged by the organization	Page 39

102-41	Percentage of employees covered by collective bargaining	Units in Brazil (CTR, Controil, Fras-le, Fremax and Jurid): 100%. Units in Argentina and Uruguay (FASA, ARMETAL, FARLOC and FANACIF): 100% of the Direct Labor is covered by collective bargaining and for the others (MOI and MOA) the company defines it according to inflation ratio and the market (as per the country's legislation). Foreign unit – (United States, China, India, Colombia, Chile, Mexico, Netherlands and Germany): units do not have any collective bargaining, assessing the annual readjustment based on the inflation index and appraising the applicability.
102-42	Basis used for identifying and selecting stakeholders for engagement	Page 39
102-43	Approach adopted by the Company to engage stakeholders and frequency of engagement	Pages 62, 65, 66, 67, 69 and 83
102-44	Main topics raised during the engagement of stakeholders and measures adopted by the Company to address them	Page 39
REPORTING PRACTICES		
102-45	List of entities included in the financial statements	Explanatory note 2.2, on page 87 of the Financial Statements, available at https://bit.ly/3vgbx25
102-46	Process for defining the content and limit of the report	Page 4
102-47	List of material aspects identified in the content definition process	Page 39
102-48	Explanation of the consequences of any reformulations of information provided in previous reports	There were none.
102-49	Significant changes compared to previous years with regard to the list of material topics, limit of topics covered	None.
102-50	Period covered by the report	January 1, 2020 to December 31, 2020.
102-51	Date of most recent previous report	2019
102-52	Reporting cycle	Yearly
102-53	Contact details for questions regarding the report	Page 4
102-54	Reporting assumptions as per the GRI Standards	Core
102-55	GRI Content Summary	Pages 85 to 90
102-56	External verification	No

MANAGEMENT APPROACH

103-1	Explanation of material topics and their limits	Pages 27, 38, 42, 54, 55, 58, 62, 63, 64, 69, 73 and 77
103-2	Management on the material topic	Pages 27, 38, 42, 54, 55, 58, 62, 63, 64, 69, 73 and 77
103-3	Evolution of management	Pages 27, 38, 42, 54, 55, 58, 62, 63, 64, 69, 73 and 77

SPECIFIC CONTENT

Economic Disclosures

201-1	Direct economic value generated and distributed	Page 19
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ECONOMIC PERFORMANCE

203-1	Development and impact of investments in infrastructure and services offered	R\$ 500,000 invested in the renovation of space for installing the so-called "Casa de Passagem" for people on the streets, in Caxias do Sul, via the Solidarity Act (Social Incentive Act through ICMS).
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FIGHT AGAINST CORRUPTION

205-1	Percentage and total number of operations submitted to risk assessments related to corruption and the significant risks identified	Pages 27 to 29
205-2	Communication and training on anti-corruption policies and procedures	Page 28
205-3	Confirmed cases of corruption and measures taken	Page 29

Environmental Disclosures

MATERIALS

301-1	Materials used, broken down by weight or volume	Page 59
301-2	Percentage of raw materials or recycled materials used	Pages 58 and 59

ENERGY

302-1	Energy consumption within the organization	Pages 55 and 56
302-3	Energy intensity	Pages 55 and 56

WATER AND EFFLUENTS

303-1	Interactions with water as a shared resource	Pages 57 and 58
303-2	Management of impacts related to water discharge	Pages 57 and 58
303-3	Breakdown of total water withdrawal by type of source, including from areas under water stress	Page 58
303-4	Breakdown of total water discharge by type of source, including from areas under water stress	Page 58
303-5	Total water consumption	Page 58

WASTE

306-1	Generation of waste and significant impacts related to waste	Pages 58 to 60
306-2	Management of significant impacts related to waste	Pages 58 to 60
306-3	Waste generated	Pages 58 to 60
306-4	Waste not destined for final disposal	Page 60
306-5	Wastes destined for final disposal	Page 60

ENVIRONMENTAL COMPLIANCE

307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None.
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Social Disclosures

EMPLOYMENT

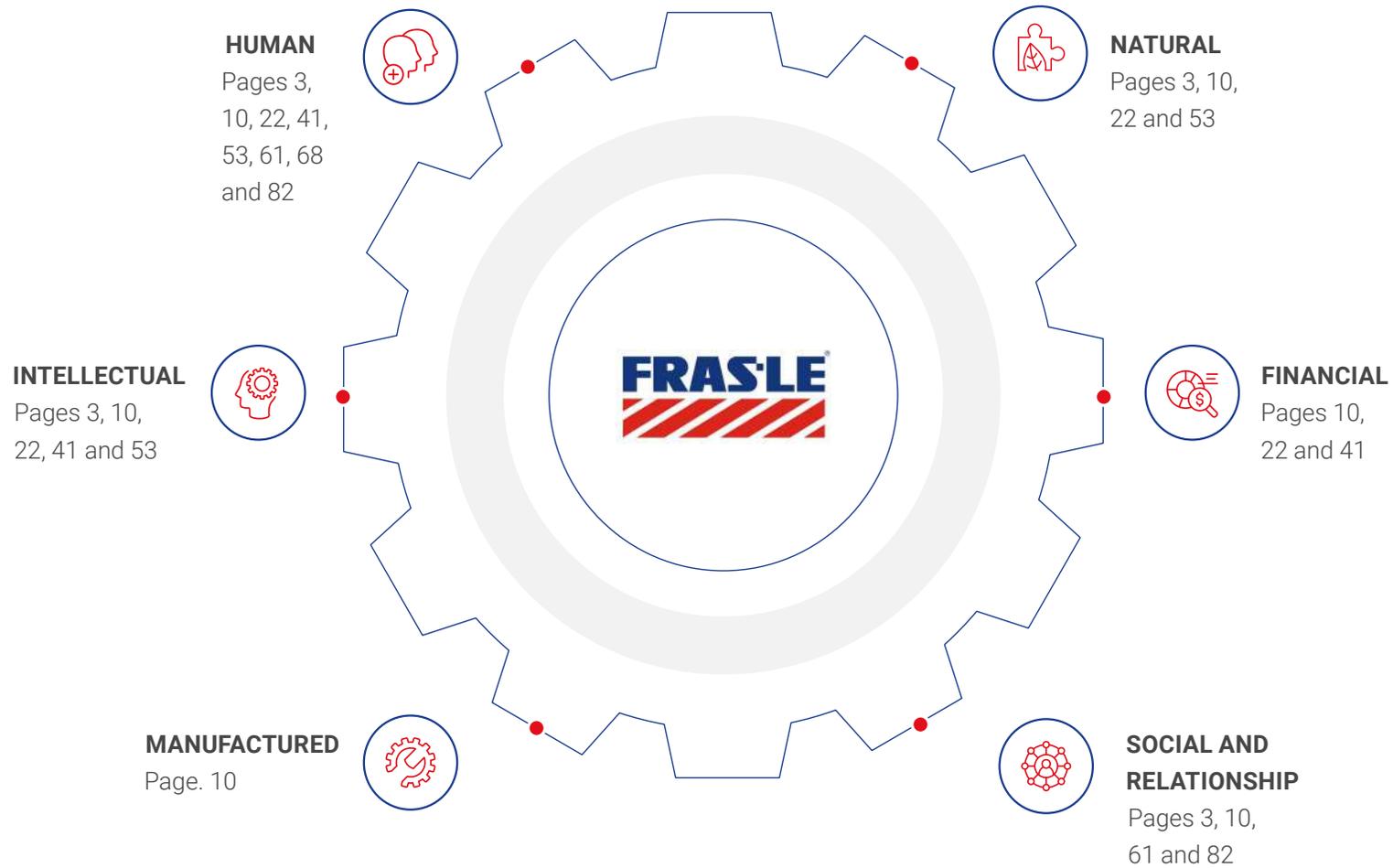
401-1	Total and rates of new employee hires and turnover by age group, gender and region	Page 72
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HEALTH AND SAFETY AT WORK

403-1	Occupational health and safety management system implemented	Page 77
403-2	Hazard identification, risk assessment and incident investigation	Page 79
403-3	Description of the functions of occupational health services	Page 79
403-4	Participation, consultation and communication of occupational health and safety workers	Page 77
403-5	Training of occupational health and safety workers	Page 78

403-6	Promotion of workers' health	Page 77
403-7	Prevention and mitigation of impacts on health and safety at work directly linked by commercial relations	Page 79
403-8	Workers covered by the occupational health and safety management system	Page 80
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403-10	Number and rate of deaths and work-related health problems	Pages 79 and 81
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404-1	Average hours of training per year, per employee, broken down by gender and job category	Page 74
LOCAL COMMUNITIES		
413-1	Percentage of operations with implemented local community engagement, impact assessment and/or local development programs	Page 83
CUSTOMER'S HEALTH AND SAFETY		
416-1	Cases of non-compliance with health and safety impacts caused by products and services	Page 63
416-2	Total number of cases of non-compliance with regulations and/or voluntary codes related to the impacts caused by products and services on health and safety during the life cycle, broken down by type of result	Page 63
CUSTOMER'S PRIVACY		
418-1	Total number of substantiated complaints regarding breaches of privacy and loss of customer data	Page 64
OWN INDICATORS		
FRAS1	Product quality and safety	Page 63
FRAS2	Research, development and innovation	Page 42
FRAS3	Operating Efficiency	Page 38

Capitals Map



SDG Map

Below are the pages where we show our contribution to the achievement of the 17 Sustainable Development Goals, the result of our commitment towards sustainability and social responsibility.



PAGES 3, 61 and 82



PAGE. X



PAGES 3, 53, 61, 68 AND 82



PAGES 61, 68 AND 82



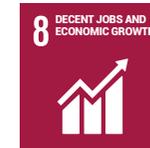
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PAGES 10, 22, 41, 53, 61, 68 AND 82



PAGES 22, 41 AND 61



PAGES 68 AND 82



PAGES 41 AND 53



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PAGES 41 AND 53



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PAGES 22, 61 AND 82



PAGES 3 AND 22

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For further information:

Detailed results, commented on by the management:

Financial Statements

Overview of relevant business aspects:

Annual Management Report