



Supplier Guide

Villares Metals

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1 INTRODUCTION

Founded in 1944, Villares Metals has become a benchmark in the development of products, services, and solutions in special steels and alloys for a wide range of complex applications that demand high quality and superior performance.

The company competes in the global market and is recognized for its high metallurgical know-how. Villares Metals is present in the main metal-mechanical hubs of Brazil with its Service & Solutions Centers, assisting its customers through its renowned application engineering team, technical support, product engineering, and research and development center.

The company has a comprehensive structure for quality heat treatments, serving various segments worldwide, including automotive, aerospace, oil & gas, energy, tooling, rail, capital goods, and medical.

Headquartered in Sumaré (SP), Villares Metals is part of the High-Performance Metals division of the voestalpine Group, headquartered in Linz, Austria, which is a technological leader in all global markets in which it operates.

Mission: Provide innovative solutions in actions, special alloys, and services in a sustainable manner, creating value for customers, employees, and shareholders.

Visão: Become the first choice for customers, employees, and shareholders. At all times!

Values:

-  **Health and Safety first**
-  **We make a better world**
-  **We value people**
-  **We ensure good results always**
-  **We are creative and innovative**
-  **We love what we do**
-  **We do what is right**

2 OBJECTIVE

Villares Metals understands that its business partners are fundamental to ensuring the quality and competitiveness of its products. Therefore, this document aims to establish guidelines and interactions between Villares Metals S.A. and its suppliers regarding the quality and reliability required for the materials and services provided.

The document clarifies what is required from the supplier for the development and application of the necessary means to manage, plan, verify, and document product control, quality system, and process, as well as the requirements of Villares Metals' customers regarding specific certification requirements that we possess.

The document encourages suppliers to pursue organizational standards aimed at reducing waste, promoting environmental awareness, and enhancing sustainability, focusing on rationalizing the use of natural resources and reducing their environmental impacts.

This guide applies to all companies that provide direct, indirect materials, and services to Villares Metals, as well as its Service and Solutions Centers for application in its products and processes.

For suppliers of the voestalpine Group, this document does not replace the manuals and specific requirements of other units of the group. Its application is valid for supplying Villares Metals S.A.

3 POLICIES

3.1 General Procurement Conditions

Service providers must be aware of and adhere to our policy on General Purchasing Conditions for Services, available for download on our website in the supplier section.

3.2 3.2 Code of Conduct

Supplier must be aware that VILLARES METALS is committed to the Code of Conduct for Business Partners of voestalpine AG, therefore confirming that they have understood it and will comply fully, available at:

[Code of Conduct for Business Partners](#)

3.3 Integrated Policy

The Integrated Policy on Health, Safety, Quality, Environmental Protection, and Energy Efficiency, which outlines the company's guidelines and objectives in each of the aforementioned areas, is available on VILLARES METALS's website.

[91.93 – Integrated Policy_A \(1\).pdf](#)

3.4 Data Protection Statement

The Data Protection Statement applies to all third parties, customers, suppliers, and prospective candidates for open positions published on the VILLARES METALS website, as well as to all services VILLARES METALS offers to its partners, customers, and visitors to the website.

[2023 - Data Protection Statement - Villares Metals \(1\).pdf](#)

3.5 Guidelines for Service Providers and Critical Suppliers

[Guidelines for Service Providers and Critical Suppliers.ppt](#)

3.6 Sanctions and Embargo Policy

Supplier agrees to comply with all national and international laws and regulations related to sanctions and embargoes, as well as to implement guidelines to ensure that the company avoids transactions or activities that may result in violations hereof.

Supplier must, whenever requested, provide relevant information regarding the origins of all supplied materials, as well as whether the materials subject to negotiation are from entities under economic sanctions or if they are considered “dual-use goods” (those that can be used in the defense industry or for military equipment).

VILLARES METALS will conduct random reviews of its supplier base and the materials received to evaluate whether its supply chain complies with sanctions and embargo policies.

Any established commercial purchasing relationship with countries under embargo or entities under economic sanctions will be reported internally to VILLARES METALS’s Legal and Statutory Board departments and may lead to the suspension of the commercial relationship.

4 PROCUREMENT

4.1 Overview

The Procurement Department plays a crucial role as the primary communication channel between VILLARES METALS and its suppliers. Its objective is to drive new business opportunities, provide solutions and information, contributing to the sustainability of our operations. Any commercial communication must be directed exclusively to the Procurement Department.

No other department within VILLARES METALS has the autonomy to select suppliers or conduct negotiations. In case of technical doubts, the Procurement area will direct contact to the specific product or process area. Any

new need must be communicated to the Procurement Department for appropriate management.

4.2 Supplier Registration

Supplier registration at VILLARES METALS is initiated by the buyer responsible for the category after feasibility analysis and need assessment.

Supplier must provide the following documents for registration:

- ❖ Updated CNPJ Registration
- ❖ Authorization for payment via credit to account (VILLARES METALS-specific form)
- ❖ Registration Form (VILLARES METALS-specific form)
- ❖ Municipal Registration Form
- ❖ Bylaws, Articles of Incorporation, or Individual Entrepreneur Application
- ❖ Negative Certificate of Federal Taxes
- ❖ Negative Certificate of State Taxes
- ❖ Brief Report Form from the Commercial Registry
- ❖ Certificates (ISO/IATF/etc.)

4.3 Quotations

Proposals will primarily be submitted through the VILLARES METALS purchasing portal, including detailed information about the offered product or service, and it is imperative that they are responded to within the stipulated deadline.

All documents, descriptions, models, drawings, samples, data, and information provided to the Supplier for preparing the proposal are strictly confidential and must not be used for any purpose other than assisting Supplier in providing quotes and services. These documents are the exclusive property of VILLARES METALS and must be kept confidential and protected.

To comply with this confidentiality obligation, Supplier must agree to share this confidential information only with employees or subcontractors who require

access, recognizing that a breach of this agreement could adversely affect the business relationship and result in legal action.

4.4 Purchase Orders

The Purchase Order is the official document from VILLARES METALS authorizing the supply of all materials or services.

Purchases must be supported by this document, which carries contractual force and reflects the previously negotiated commercial conditions and specifications.

Supplier may not subcontract the order to third parties, either in whole or in part, without prior authorization from VILLARES METALS, which reserves the right to request any documentation related to this subcontracting.

Supplier remains responsible for any eventualities arising from subcontracting, according to the contractual conditions.

Supplier is not authorized to deliver the product or render services before the date specified in the Purchase Order without prior written authorization from VILLARES METALS.

If this occurs, Supplier must bear all costs arising from any early delivery.

The delivery timeline for products or services will be counted in calendar days from the date the Purchase Order is issued.

All requirements stipulated in the Purchase Order and General Conditions of Purchase are mandatory and must be fulfilled by the suppliers.

Supplier should pay attention to the dates specified in the Purchase Order for compliance.

Any difficulties in meeting the requested dates should be discussed with the responsible purchaser beforehand.

Questions related to the Purchase Order should be directed to the responsible Purchaser.

4.5 Invoices

All deliveries or services rendered must be accompanied by an Invoice, which should reflect the conditions of the Purchase Order (Price, Quantity, Payment Terms, etc.). In the event of non-presentation or discrepancies in the Invoice, VILLARES METALS reserves the right to refuse delivery or payment for the material or service rendered.

All Invoices must include the Material Code, Purchase Order number, and item from the order; delivery of products/services without a Purchase Order is not permitted.

After issuing the Invoice, Supplier must ensure that the XML issued has been approved by VILLARES METALS's tax department before proceeding with delivery. In case of disapproval, the Supplier should evaluate compliance with the Purchase Order and, if necessary, contact the responsible purchaser immediately.

5 QUALITY

5.1 Overview

Our Quality System aims to ensure that specifications are met within established standards. Our Suppliers are responsible for the quality of the product/service provided.

Any changes to the product/service must be approved by VILLARES METALS in advance, with notification of any impacts.

5.2 Supplier Approval

The approval of new Suppliers is necessary when the material or service requested by the user is not found within VILLARES METALS's existing supplier database. The main criteria for supplier approval are outlined below but are not limited to:

- ❖ Acceptance of General Conditions of Purchase;

- ❖ Acceptance of the Code of Conduct for Business Partners;
- ❖ Acceptance of the Villares Metals Supplier Guide;
- ❖ Registration approval with the Procurement Department;
- ❖ Financial Analysis;
- ❖ Assessment of the Supplier's Technical Capability;
- ❖ Compliance with current legislation;
- ❖ Audit (when applicable);
- ❖ Commercial Conditions;
- ❖ Signing of a Confidentiality Agreement (when applicable).

5.3 Approval of Materials and Services

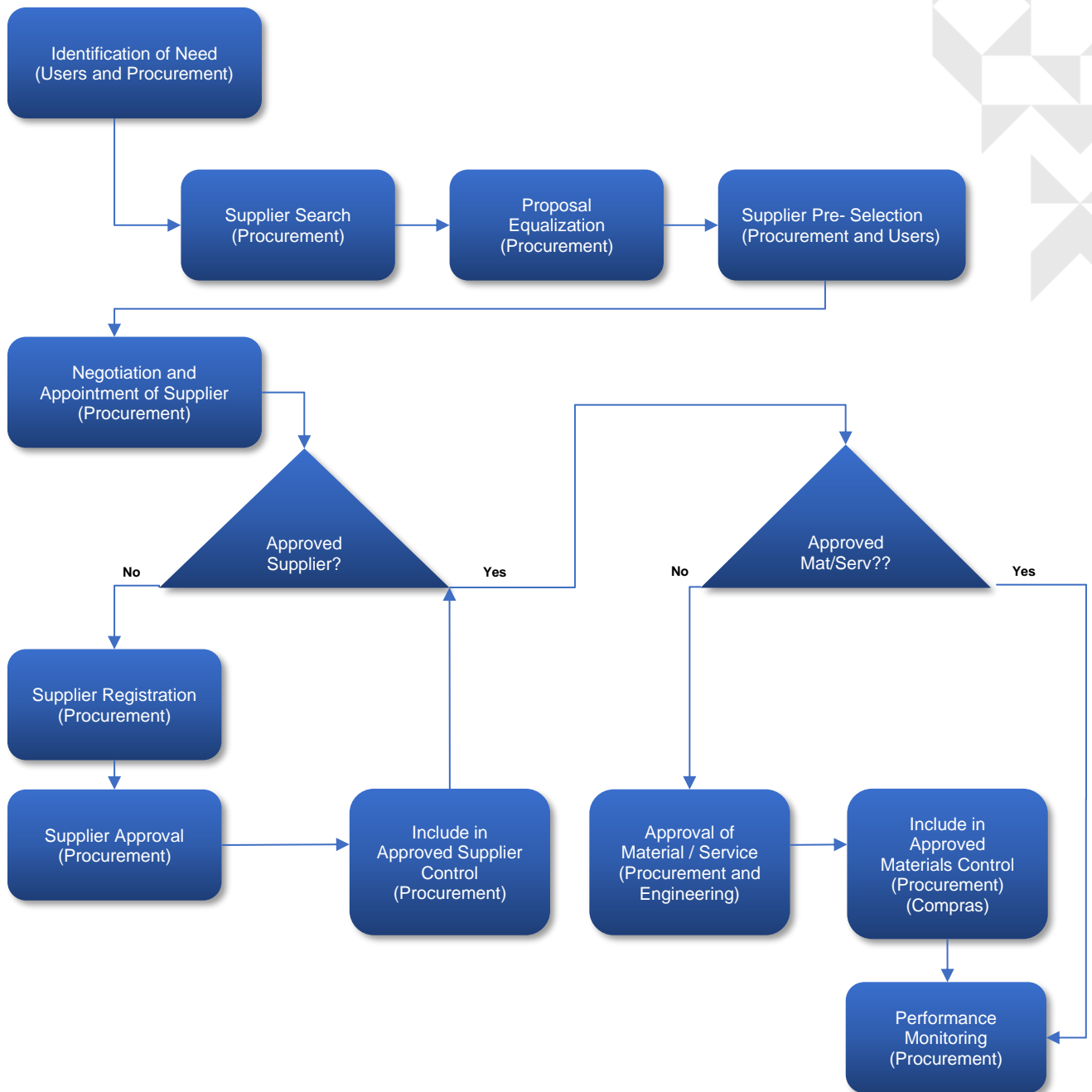
The approval of new materials or services is required for materials that are incorporated into VILLARES METALS's final product or that are used as Auxiliary Material during the production process.

In these cases, when the material or service from the desired source is not included in the approved materials/services control, it must be submitted for an approval process. The main criteria for the approval of materials and services are outlined below but are not limited to:

- ❖ Analysis of the material certificate;
- ❖ Receipt and analysis of samples via laboratory and engineering;
- ❖ Approval of pilot batch;
- ❖ On-site evaluation of materials produced by Supplier;
- ❖ Approved ALEMP.

The ALEMP document (Approval of Experimental Batch of Raw Material) is a form containing material data, standard revision, purchase order number, supplier identification, and must be signed by the supplier, certifying total or partial compliance with the specification, detailing deviations in the case of non-compliance.

Processes for approving suppliers, materials, and services are carried out as described in the flow below:



5.4 Analysis and approval of documentation

Documents will be analyzed for compliance. Irregular occurrences will be treated as follows:

- ❖ Compulsory rejection irregularities: Any Supplier that is in the following situations will be compulsorily rejected by the registration responsible:
- ❖ Bankruptcy petition registered with economic and financial information agencies;
- ❖ CNPJ with a status other than “Active” with the Federal Revenue;
- ❖ IE with a status other than “Enabled” in Sintegra (except for service provision);
- ❖ When the consultation conducted in the economic and financial analysis services presents pending issues and other irregularities, they will be submitted for approval by the responsible purchaser;
- ❖ Positive Certificates with Negative Effects, either Federal or State, are not considered irregular;
- ❖ The expiration dates of documents will not be monitored. Provided they are valid at the time of analysis, the entire process will be approved, validating the registration.

5.5 Registration Blocking

Supplier registrations may be blocked due to maintenance asset transactions. Periodically, the registration manager will automatically block suppliers in the SAP system if they:

Have a CNPJ status other than “Active” with the Federal Revenue Service.

Have documentation rejected or lack required documents: through compulsory rejection, buyer evaluation, and/or evaluation by the Procurement Supervision.

Face Commercial Issues: Suppliers deemed unqualified. Exceptional cases may, at the discretion of the buyer and Procurement Supervision, remain active.

Encounter Financial Issues: Suppliers that issue unjustified claims and/or protests against VILLARES METALS. Exceptional cases may, at the discretion of the Procurement and Financial Supervision, remain active.

Quality, Environment, and Occupational Health and Safety: Failure to comply with requirements established by these three areas could lead to supplier blocking. These requirements are defined in specific procedures for these areas.

Internal Service Providers: Failure to comply with labor and social security legal requirements as assessed by the Human Resources Department may result in supplier blocking.

All blocks must be requested from the registration manager through formal communication (via email) according to the reasons mentioned. This communication must be archived along with the supplier documentation.

5.6 Audits

Audits are an integral part of the VILLARES METALS supplier approval process and may occur in the following situations:

- ❖ Assessment of Prospective Suppliers
- ❖ Significant changes in the process
- ❖ Quality Issues
- ❖ Periodic follow-up audits
- ❖ Development of strategic suppliers

Audits may be conducted at the supplier's site on a pre-scheduled date or remotely (self-assessment), where a form will be sent to the supplier for them to self-evaluate their process and Quality Management System.

The evaluation criteria will be part of the VILLARES METALS audit checklists and will be shared with suppliers prior to the planned evaluation date.

After the evaluation, supplier will receive a score that classifies them according to the risks their system poses to the VILLARES METALS process:

Approved > 90%: Supplier meets established requirements and scores high on most evaluated items, indicating a controlled process/system. For items with a score of Zero, a performance improvement plan must be established and presented to VILLARES METALS.

Conditionally Approved >61 e ≤89,9%: When supplier is conditionally approved, the EQF must assess the results and establish an action plan for improvement, considering items with a score ≤ 5 , when applicable.

Rejected $\leq 60\%$: When supplier does not meet the minimum score, Procurement and Supplier Quality must define a timeline for the supplier to adjust their system and be re-evaluated.

5.7 Modifications

Any changes to approved products, whether in property, composition, process, origin, labels, distributor, or approved specifications, must be formally communicated to VILLARES METALS in advance for validation and approval of the modification.

5.8 Contingency Plan

Suppliers must have a contingency plan to ensure supply continuity and minimize impacts on business with VILLARES METALS.

It is expected that the supplier conducts a risk/impact analysis for each part of their operation to ensure continued supply and a notification process to

customers and other stakeholders. Contingency plans should be critically assessed by a multidisciplinary team and tested for their effectiveness.

5.9 Traceability

All materials supplied to VILLARES METALS must contain sufficient traceability information available on the label and/or certificate of the products.

This traceability must guarantee that in the event of quality issues with the material/product, the traceability of the raw material source is maintained.

5.10 Receipt of Materials

Products and materials supplied to VILLARES METALS must be delivered to the Warehouse/Receiving Inspection, except in cases of destination changes made by the buyer and/or user, who must designate the specific area for delivery in advance.

Products and materials must be in their specified packaging, identifiable with visible, legible labels without damage, including the product lot, codes, and all required traceability information, as well as the relevant reports for each material/product.

Transportation must be conducted using vehicles in proper working condition, protecting the load against potential damage, ensuring adequate coverage, and using safety locks where necessary; unloading may be rejected in the event of irregularities.

Scrap is directed straight to the Raw Material Yard, and unloading will be allowed only after confirming compliance with Quality and Safety specifications, including the vehicle.

Ferrous alloys and Auxiliary materials must include their quality certificates along with the lot and sent to the email address qualidade.mp@vilaresmetals.com.

All materials/products delivered to the Central Warehouse / Receiving Inspection will undergo an entry analysis according to specifications, being classified as Approved, Conditionally Approved, or Rejected.

Items classified as Approved with Restrictions and Rejected will impact supplier performance, as per item 10 of this guide.

Machined parts must be delivered on wooden pallets and must include the dimensional report in VILLARES METALS format, with a rounded drawing aligned with the dimensions and a report of the material used for manufacturing, as well as a heat treatment report containing specifications and values found, when applicable. It is not acceptable for machined parts to be delivered in wooden boxes.

Reports must be physically sent along with the parts and also emailed to toqualidade.pu@villaresmetals.com.

Other documents may be requested by the user and/or receiving inspector as needed.

Supplier must ensure that their products are free from any defects or malfunctions, whether apparent or not, related to design, manufacturing, construction, assembly, composition, handling, presentation, and packaging, as well as insufficient or inadequate information regarding their use and associated risks.

Supplier is responsible for indemnifying VILLARES METALS for all direct or indirect damages resulting from such defects and failures.

5.11 Non-Conformance

Materials or products classified as Rejected or Approved with Restrictions will be immediately communicated to the Procurement department, which will conduct a criticality analysis to determine the need for a formal complaint or notification.

A formal complaint will be initiated to the supplier through a SAC – Request for Corrective Action – which will be sent via email and must be

responded to in the format specified by VILLARES METALS, observing the following deadlines:

- ❖ Containment Actions: Response within 24 Hours
- ❖ Root Cause Analysis: Response within 5 business days
- ❖ Corrective Actions: Response within 10 business days

The SAC will impact the supplier's performance, as outlined in item 10 of this manual.

The following are considered non-conformities subject to the issuance of non- conformity reports (SAC) and penalties on the supplier's performance indicator, but are not limited to:

- ❖ Documentation related to the products sent incorrectly or not sent as requested, e.g., Material Quality Certificate;
- ❖ Material sent with characteristics that do not meet technical specifications;
- ❖ Expired materials;
- ❖ Mixed products;
- ❖ Damaged packaging;
- ❖ Incorrect identification;
- ❖ Non-compliance with agreements made with VILLARES METALS;
- ❖ Inadequate transportation.

The following non-conformities are not subject to a non-conformity report but are subject to action plans and penalties on the performance indicator:

- ❖ Early / late delivery;
- ❖ Excess / deficient quantity;
- ❖ Delayed responses.

5.12 Return of Materials

Products classified as **rejected** may be returned to the supplier or even scrapped in whole or in part.

In both cases, supplier shall bear all costs arising from the disposal of the material.

Unless otherwise provided for in a contract, supplier is responsible for:

- ❖ Selection, removal, and replacement of non-conforming material delivered to VILLARES METALS;
- ❖ Retention and reinspection of products corresponding to the non-conformities, in transit or within the supplier's premises;
- ❖ Prompt assistance for problem resolution;
- ❖ Reimbursement for damages and downtime;
- ❖ Reimbursement for costs arising from quality deviations caused by failures.

In cases where replacement of the material is not possible, the supplier must compensate the involved amounts via credit note or debit note.

VILLARES METALS reserves the right to return or discard non-conforming material in a manner that presents the best cost/benefit if this is not done by the supplier in a timely manner, for example, due to return costs or the location of the production facility.

The Procurement department will contact the supplier to discuss the disposal of the involved materials.

5.13 Request for Deviation

Products with deviation are considered to be products that have been produced or need to be produced for some reason with characteristics that do not conform to VILLARES METALS specifications but do not cause quality issues for the final product.

Products with deviations may only be sent following negotiation and release from the competent technical department. For this, supplier must send the deviation request via email to the responsible buyer. Buyer will analyze it, and only after the buyer's approval will the supplier be released to provide the material.

5.14 Debit Notes and Credit Letters

VILLARES METALS has its own debit note model; however, it is acceptable for supplier to send their own model.

The document must be prepared on the company's letterhead, stamped, and signed by the designated responsible person.

5.15 Continuous Improvement

Supplier must use and enhance failure prevention methods, such as:

- ❖ Failure Mode and Effects Analysis (FMEA);
- ❖ Statistical techniques (SPC);
- ❖ Methods for problem analysis and resolution (MASP), etc.

6 ENVIRONMENT

6.1 Overview

VILLARES METALS is committed to seeking the highest levels of guidelines for environmental protection and conservation, aiming to meet the requirements of our customers.

We expect our business partners to be committed and engaged in actions aimed at preserving natural resources.

6.2 Environmental Requirements for Suppliers

Suppliers of products and services directed at environmental requirements must present the relevant documents registered with the competent environmental agencies, according to the scope of supply, which will be indicated by Supplier Management (Procurement) during the approval process..

Contracted companies that operate on VILLARES METALS's premises daily must follow all established standards and will be evaluated monthly based on environmental requirements, as outlined in item 10 of this guide.

Suppliers of transportation services and waste treatment/disposal of residues and chemicals, environmental analysis, pest control, and tree pruning/cutting services must present and maintain the operational licenses issued by the competent government agencies, as well as the registration certificate of activities with IBAMA.

For controlled chemical products, licenses from the Civil Police, Federal Police, and Brazilian Army must also be provided.

These documents will have their respective validity monitored and must be renewed by the supplier before the expiration date.

Failure to renew by the supplier will result in disqualification.

6.3 Hazardous and Controlled Products

Controlled Chemicals that directly or indirectly may be intended for the illicit manufacture of narcotic substances, psychotropic substances, or that cause physical or psychological dependence, or substances in any physical state with physical-chemical properties suitable for military use, must meet the supply conditions and licenses required by regulatory agencies, Federal Police, Brazilian Army, or Civil Police of the State of São Paulo.

When delivering hazardous products, local regulations regarding labeling and transportation must be observed, as well as the correct labeling of materials and packaging.

Only chemical products whose Safety Data Sheets (SDS) have been previously approved by VILLARES METALS's Environment, Safety, and Occupational Health department may be delivered.

Suppliers must promptly meet these requirements. Accordingly, a safety data document regarding materials must be completed and delivered, following VILLARES METALS's instructions, including at least:

- ❖ A list of ingredients contained in the products and any other merchandise or property brought by any of the supplier's employees, agents, or contractors to VILLARES METALS;
- ❖ The quantity of such ingredients;
- ❖ Information regarding any changes or additions to such ingredients.

Supplier must notify VILLARES METALS in writing and in advance of all changes made to materials, compositions, and ingredients (including the updated Material Safety Data Sheet) and receive VILLARES METALS's approval before sending them for production.

Before and along with the shipment of hazardous products and materials, the supplier must provide VILLARES METALS and all carriers with written warnings and notes, including appropriate labels on products, containers, and packaging, along with all necessary special handling instructions, safety measures, and precautions that may be required to comply with applicable law.

Supplier must also inform VILLARES METALS and all carriers about any applicable legal requirements to help prevent personal accidents and property damage during handling, transportation, processing, use, or disposal of the products and materials, containers, and packaging.

Hazardous products must be transported only by licensed carriers authorized by the competent authorities. The condition of the vehicle used for transportation will also be checked before access to the VILLARES METALS factory is granted.

For the supply of controlled products, both the supplier and the carrier must have the appropriate licensing from the competent authorities (Army, Federal Police, Civil Police). Similarly, for products controlled by the Army, supplier must send the traffic guide with each delivery.

6.4 Waste

All materials and products owned by supplier, agent, or contractor brought to VILLARES METALS factories must be removed and/or disposed of according to applicable law by the supplier, who shall bear all costs.

Supplier must comply with all environmental rules and regulations of VILLARES METALS.

All waste generated from any work performed within VILLARES METALS must be treated according to internal procedures related to waste management.

Companies responsible for transporting and disposing of waste must be licensed, follow all applicable laws, and dispose of waste according to applicable regulations.

Companies responsible for the final disposal of waste must issue a Final Disposal Certificate and send it to VILLARES METALS Waste Management, along with the Waste Transport Manifest.

7 SAFETY

7.1 Overview

For VILLARES METALS, Safety is non-negotiable and must always come first. After all, it is impossible to offer quality in products and solutions without considering the need for protection and care in preventing accidents involving our greatest asset: our people.

It is expected that our business partners share the same commitment, which should be observed from the beginning of their process until the delivery of the material on VILLARES METALS's premises.

7.2 Contracted Companies

Contracted companies that operate at the VILLARES METALS plant daily must follow all established safety standards and will be evaluated monthly based on this requirement, as detailed in item 10 hereof.

Contracted companies must provide the relevant registration and integration documents for the employees who will perform activities within VILLARES METALS, according to the scope of supply, which will be indicated by the Occupational Safety and Supplier Management department (Procurement) during the approval process.

Each contractor will have a VILLARES METALS employee overseeing the process, responsible for the entire operation, known as the Contract Manager.

The documents must be presented to the Contract Manager, who will handle the procedures with HR and the VILLARES METALS Health Department.

Failure to present documents in advance or any missing documents will result in the inability of the third-party employee to undergo the integration process.

Every third-party employee must complete the Integration process.

After operations begin, the contractor must provide a representative from the management to participate in the GSSO meeting of the Contractors, which takes place monthly at VILLARES METALS's premises on previously announced dates. This representative must have decision-making authority and be able to direct discussions when applicable.

8 ESG

8.1 Overview

The acronym ESG comes from Environmental, Social, and Governance.

For VILLARES METALS, acting within the ESG principles goes beyond a trend; it is a concrete expression of our commitment to promoting business excellence, considering not only financial impact but also the positive influence we can exert on the environment, society, and corporate governance. We encourage the same practices from our suppliers.

8.2 Environmental

Within the Environmental aspect, there are three scopes that are fundamental categories used to classify and measure greenhouse gas (GHG) emissions of an organization:

Scope 1: Direct Emissions

Refers to direct GHG emissions from the organization's own activities. This includes emissions from burning fossil fuels, industrial processes, and any other sources under the company's direct control. Examples include emissions from the company's vehicle fleet and manufacturing operations.

Scope 2: Indirect Emissions – Purchased Energy

Involves indirect emissions associated with the generation of purchased electricity used by the organization. Such emissions result from the production of electricity used by the company and are therefore considered indirect as they are related to the supply chain rather than directly to internal operations. It includes the carbon footprint associated with the electricity consumed.

Scope 3: Other Indirect Emissions

This encompasses a broad range of indirect emissions that occur throughout the organization's value chain, including from the production of raw materials, transportation of inputs and products, and the final use of products by society. This scope may include activities such as business travel, outsourced manufacturing processes, and even emissions derived from the complete lifecycle of the products or services offered by the company.

Suppliers are encouraged to assess carbon footprint emissions (CO₂) across all scopes (1, 2, and 3), implement sustainable practices, manage waste, enhance energy efficiency, conserve natural resources, and consider other factors related to environmental impact.

Whenever requested, the supplier must share sustainability reports with VILLARES METALS, detailing their actions and carbon footprint measurements.

Third-party audits for validation of measurements are recommended.

8.3 Social

VILLARES METALS engages in internal and external social responsibility actions and expects its business partners to respect human rights as fundamental values.

Such rules primarily apply to the prohibition of child labor and forced labor, the prohibition of any form of human trafficking and modern slavery, employee equality, and the right to representation of interests and collective bargaining.

We encourage VILLARES METALS's business partners to develop actions that promote accountability for the health and safety of their employees, as well as adherence to diversity and inclusion.

8.4 Governance

It is expected that our business partners pursue transparency in operations, implement internal control systems, evaluate employee compensation, uphold ethical business practices, and protect the interests of shareholders where applicable.

9 INNOVATION INITIATIVE

Innovation allows us to understand and anticipate the needs of our customers, and by incorporating pioneering ideas into our products and services, we ensure competitiveness and quality.

VILLARES METALS encourages its business partners to seek continuous improvement through innovation projects that bring enhancements to products / processes and/or commercial benefits.

Research and development projects may also be evaluated jointly with our partners to discuss ways to implement them and integrate them into our supply chain.

Innovation proposals may include (but are not limited to):

- ❖ New Technologies
- ❖ Material Reuse
- ❖ Resource Preservation
- ❖ Quality Improvement
- ❖ Process Optimization

Projects will be assessed by VILLARES METALS based on the extent of benefits, costs, implementation time, and feasibility.

10 PERFORMANCE EVALUATION

10.1 Overview

Supplier's performance is crucial to ensuring the continuity of our level of excellence in manufacturing. Therefore, we have created a multi-criteria structure of indicators. Our supplier base is periodically evaluated, receiving performance results monthly. Below, you will find our performance indicators and how they are scored.

10.2 Performance of Contracted Companies

Suppliers providing services at VILLARES METALS through integrated employees will have their performance evaluated monthly using the AVF module, by the Operations Managers and the Contract Manager of the respective supplier.

Evaluations cover requirements for Quality, Environment, and Safety, with a minimum target of 80% overall and for each item. The results of these evaluations are presented monthly at the Occupational Health and Safety meeting for contractors.

Evaluations conducted through the AVF generate a weighted performance score based on questions focused individually on Quality (QA), Environment (MA), and Safety (SE), with results ranging from “Poor” to “Excellent”.

$$SE, QA, MA = \frac{\text{Total points obtained}}{\text{Total maximum points}} \times 100$$

Evaluation results for each individual operations manager will be weighted as follows:

| | |
|-------------|-----|
| SAFETY | 40% |
| QUALITY | 30% |
| ENVIRONMENT | 30% |

Supplier evaluation results will be distributed according to the weights below:

| | |
|---------------------------------|-----|
| OPERATION MANAGERS' EVALUATIONS | 40% |
| CONTRACT MANAGERS' EVALUATIONS | 60% |

The supplier evaluation result (AVF) will automatically determine their classification within the performance tiers below, based on the score.

- ❖ Excellent (≥95%)
- ❖ Good (≥80% e <95%)
- ❖ Fair (≥60% e <80%)
- ❖ Poor (40% e <60%)
- ❖ Very Poor (< 40%)

Actions taken with suppliers are classified according to the monitoring results over three consecutive months as follows.

Retention (≥80%): Supplier remains active in the database and is cleared for new supplies without the need for corrective actions, unless a specific deviation necessitates it.

Attention (≥60 e <80%): Supplier must develop and submit a plan with actions, including defined responsibilities and deadlines, to recover performance, which may result in temporary blocking. Penalty measures may be applied according to contract stipulations.

Discontinuation (Low performance continuously, even after action plan): Supplier will be reviewed by the stakeholders (Contract Manager, department management, and Procurement) or according to contract stipulations and may be permanently blocked.

10.3 Suppliers of Raw Materials, Auxiliary Materials, Scrap, Machined Parts, and Services Applied to VILLARES METALS Products

Suppliers of the aforementioned materials and services will have their performance evaluated monthly through the IQF – Supplier Quality Index, which includes Quality and Delivery data.

The monthly scoring is based on the following score points:

| Quality Criteria | Score Points |
|----------------------------------|-------------------------------|
| ADF (Notice of Supply Deviation) | 3 |
| SAC (Corrective Action Request) | 5 |
| ARSAC (Delay in SAC Response) | 1 point for each day of delay |
| PD (Pending Documents) | 3 |

| Delivery Criteria | Score Points |
|------------------------------------|---------------------|
| EA (Late Delivery) | 8 |
| QD (Divergent Quantity) | 5 |
| TI (Incorrect Transport) | 5 |
| EI (Damaged / Incorrect Packaging) | 5 |
| FE (Special Freight) | 8 |

| Safety | Score Points |
|------------------|---------------------|
| RS (Safety Risk) | 10 |

Suppliers start the month with 100 scores, and the Supplier Quality Index (IQF) is calculated using the formula below:

$$IQF = 100 - [(IQ) + (IE)]$$

$$IQ = [\sum ADF \times 5] + [\sum SAC \times 10] + [\sum ARSAC \times 1]$$

$$IE = [\sum EA \times 10] + [\sum QD \times 5] + [\sum ETI \times 10] + [\sum FE \times 10]$$

The total scores achieved by the supplier, subtracted from their initial score, will yield the IQF for the month. Supplier's final performance will be classified according to the table below:

| Performance Criteria | Score Points |
|-----------------------------|---------------------|
| Excellent | 100 |
| Good | ≥85 e <99 |
| Poor | <85 |

Each supplier's performance will be critically evaluated monthly by an internal committee at VILLARES METALS. A supplier may face suspension if their score falls below 85 score points for three consecutive months.

11 CONFLICT MINERALS

VILLARES METALS maintains traceable sources for its raw materials, mandating that all suppliers provide acquisition data and traceability for all materials classified as Conflict Minerals, clearly indicating their origins. This data is made available to our customers in the original report format from the RMI – Responsible Minerals Initiative, and considers the data from suppliers to maintain clarity and accuracy.

Among the materials monitored by the initiative, the following materials used by VILLARES METALS must be reported annually regarding their origins to our clients:

- ❖ Cobalt
- ❖ Tungsten
- ❖ Aluminum
- ❖ Copper

VILLARES METALS suppliers for the aforementioned materials must ensure that the materials provided originate from sources listed in the RMI.

Further information regarding Conflict Minerals can be obtained from the website: <https://www.responsiblemineralsinitiative.org/>.

12 TERMINOLOGIES

VILLARES METALS: Villares Metals S.A.

CONTRACTED: Company operating on VILLARES METALS premises as a resident.

AVF: Supplier Assessment – Applied to contractors.

CRITICAL SUPPLIER: Company performing high-risk activities.

HIGH-RISK ACTIVITY: Work at height, confined space, excavations, etc.

GSSO: Health and Operational Safety Management.

SAC: Corrective Action Request (VM RNC).

OPERATIONS MANAGER: VM employee responsible for the contractor.

QA: Quality.

MA: Environment.

SE: Safety.

- ALEMP:** Aprovação de Lote Experimental de Matéria-Prima
- EQF:** Supplier Quality Engineer.
- IQF:** Supplier Quality Index.
- IQ:** Quality Index.
- ADF:** Notice of Supply Deviation.
- SAC:** Corrective Action Request.
- ARSAC:** Delay in SAC Responses.
- IE:** Delivery Index.
- EA:** Late Deliveries.
- QD:** Divergent Quantity.
- EI:** Damaged / Incorrect Packaging.
- FE:** Special Freight.
- RS:** Safety Risk.
- PD:** Pending Documents.
- TI:** Incorrect Transport.
- FMEA:** Failure mode and effects analysis.
- CEP:** Statistical techniques (CEP).
- MASP:** Methods for analyzing and solving problems.
- RMI:** Responsible Minerals Initiative.

13 CONTACT FOR SUPPLIER QUALITY MANAGEMENT

| NAME | JOB POSITION | E-MAIL | PHONE |
|-----------------------|-------------------------|--|--------------|
| Roberta Ferreira | Supplier Quality Eng. | roberta.ferreira@villaresmetals.com | 19 3303.8168 |
| Elieber Maciel Santos | Procurement Coordinator | elieber.santos@villaresmetals.com | 19 3303.8109 |

14 LETTER OF COMMITMENT

Dear Suppliers,

This Supplier Guide presents all requirements and rules for supplying raw materials, products, and services to Villares Metals S.A.

Even if an agreement has been previously executed by both parties, the requirements contained in this Guide are considered mandatory alongside the contract.

We inform you that signing in agreement to the points described in this Supplier Guide is mandatory.

Failure to sign this letter of commitment will impact the relationship with Villares Metals and may affect participation in new projects/quotations.

We request the completion of the letter of commitment below, and after filling it out, please send the document to the following address: roberta.ferreira@villaresmetals.com

Letter of Commitment

The Company _____ confirms
the reading and comprehensive analysis of the Villares Metals Supplier Guide,
as well as agreement with all requirements contained in this document.

Based on this information, I confirm knowledge of the actions and
implications if the requirements outlined in this Guide are not met.

Date: _____

Officer in Charge: _____

Job Position: _____

Signature: _____

15 REVIEW

| Review No. | Date | Change | Officer in Charge |
|------------|------------|-------------------|-----------------------------------|
| 00 | 26/03/2024 | Document Creation | Elieber Santos / Roberta Ferreira |

See the certified translation of the Supplier Guide by clicking [here](#).