LA FABRIL GROUP SUSTAINABILITY REPORT 2018

SIXTH EDITION

La Fabril S.A.
Rio Manso S.A. Agricultural Extraction Plant
Energy & Palma S.A. Extraction Plant

LA FABRIL
the industry of innovative ideas

RIO MANSO
AGRICULTURAL
EXTRACTION PLANT

Energy &Palma
Energy that evolves

STRATEGIC DEVELOPMENT PARTNER

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

GRI 102-14

Dear friends,

We share with you our sixth Sustainability Report, with the aim of making transparent the management carried out in 2017 and 2018, as a tangible sign of our commitment to provide you with information on a transparent, solid and innovative exercise.

The topics you will find below correspond to those which, through 177 interviews, collected the issues of greater relevance to the groups with which we relate and which for more than 50 years have not only been witnesses, but also direct actors of our growth and consolidation.

Looking always at the three axes of sustainable growth, we consider ourselves Ecuador´s strategic development partner. During this period our income grew by **3.8%** thanks to the consolidation of the exportable offer of higher added value -lower volume and more profitability- in addition to the increase in the sales of edibles oils and fats, as well as the attention given to specialized segments such as baking.

The acquisition of **Otelo & Fabell** allowed us to expand our product catalog and enter new segments, thus making us a more attractive and diversified industry for customers, suppliers and consumers.

In March of 2017, we became the first Ecuadorian business group and the third in Latin America to be part of **The Forest Trust (TFT)**, an international not-for-profit organization that aims at reaching responsible supply chains in various sectors such as oil palm. Moreover, at the end of 2018 we obtained the **RSPO MASS BALANCE** international certification of the Round Table on Sustainable Palm Oil, for **Energy & Palma** plantation and extraction plant in Esmeraldas, the palm kernel oil extraction plant in Santo Domingo (Tysai S.A.) and La Fabril Industrial Complex in Montecristi. In our processes, we kept the water reuse percentage at **20%** and we see with satisfaction that we are making progress every day in reducing our ecological footprint, constantly diminishing our residues and laying the foundations for the generation of renewable energy through the **Enerbmass** project. Initiatives like these and others, which we communicate in this document, make us feel proud of this industry, which has consolidated itself as a good corporate citizen. We continue to generate employment and productivity and reaffirm our commitment of respect for the environment in which we operate, constantly innovating in order to continue being the benchmark of the solid and sustainable industry that the country requires.

I appreciate your confidence in us.

Carlos González-Artigas Díaz
President

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

GRI 102-14

Dear friends:

The document you have in your hands reflects our efforts to become an industry with 100% sustainable operations. It constitutes the evidence of the achievements we reached at **La Fabril** during the period of analysis, and, more importantly, we lay the foundations for our future growth by prioritizing the innovation to which our slogan responds: **The Industry of Ideas**. With a portfolio of 45 brands, diversified after the acquisition of **Otelo & Fabell** at the end of the year 2018, we entered into new categories and we expect to increase our sales in the coming years.

Our brands, beyond being sales leaders, are becoming leaders of purpose through constant innovation that contributes to improve the food, hygiene and personal care lifestyles of our consumers.

Through the **B2C** and **B2B** businesses, we are committed to consolidating the **Otelo & Fabell** product portfolio, as well as pilot projects to strengthen mid-size retail distribution channels with focused attention. That is 21 countries we already reach in all our business lines. Our interest is to maintain our presence and strengthen our position in these markets in order to double our exports by 2022.

We count on the unparalleled contribution of our collaborators, who contribute generating innovative ideas in terms of optimization of resources, care of human capital and protection of the environment. We are pleased with the start up since March 2019 of the **Enerbmass** project, which allows for the generation of steam through **Biomass**, thus turning us into a clean production industry.

Its utilized capacity currently reaches from **19** to **20 tons per hour** and it is projected to reach 23 tons per hour. We will continue the **RSPO** certification process for more than **21,000 tons** of palm oil and more than **1,500 tons** of palm kernel oil, which will ensure a greater sustainable production. We also want to take the environmental challenge to the homes of our collaborators through new campaigns.

Cuadro de textoThe respect, honesty, commitment, responsibility and leadership that represent our corporate values and that are the compass of our actions, keep us on the course we have traced to be the symbol of the thriving, solvent and profitable Ecuadorian industry recognized at the national and international level. It is not only a question of arriving there, but also of staying there, and at La Fabril we reaffirm it every day counting on you as our main allies.

Yours faithfully,

LF-MANAGER S. A.
Carlos González-Artigas Loor
Chief Executive Officer

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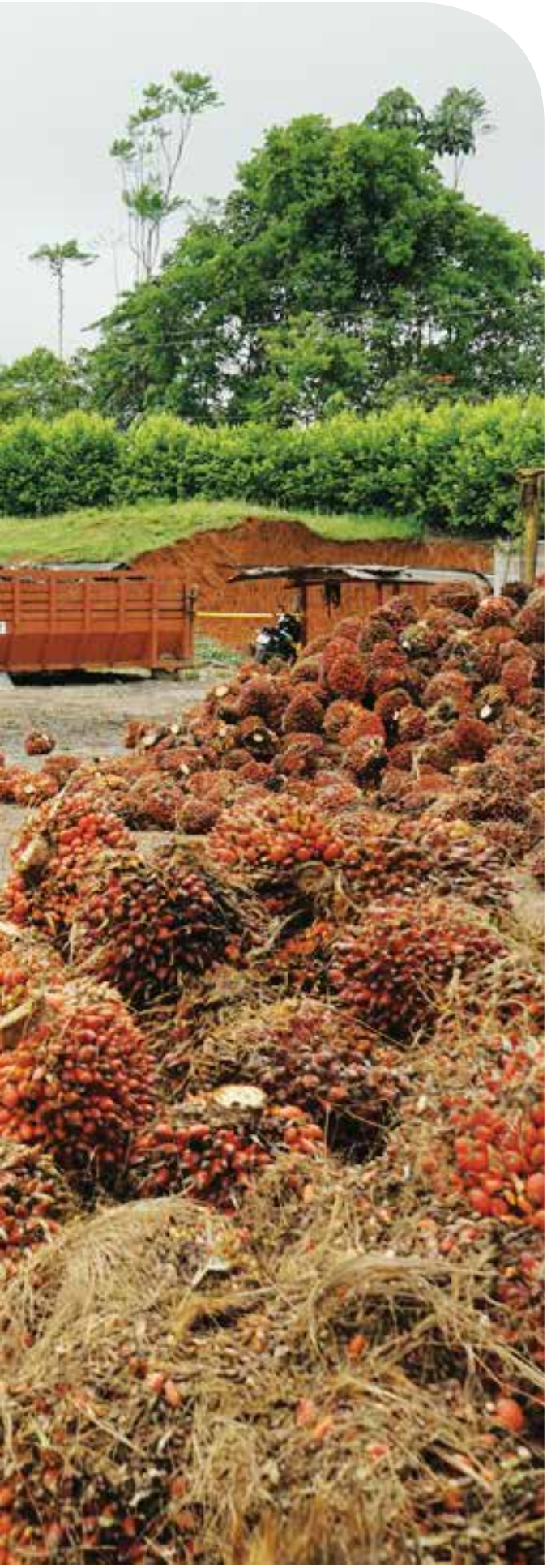

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ABOUT THIS REPORT

GRI 102-1, 102-5, 102-50, 102-51, 102-52, 102-53, 102-54

This is the sixth Sustainability Report prepared by La Fabril S.A., which contains relevant information about the economic, social and environmental management for the 2017 - 2018 biennium.

For the third time, this Report includes information of other companies that are members of **La Fabril Group**: **Extractora Agrícola Río Manso EXA S.A** and **Energy & Palma S.A.**

The reported financial information is based on the International Financial Reporting Standards (IFRS), established by the Superintendence of Companies of Ecuador.

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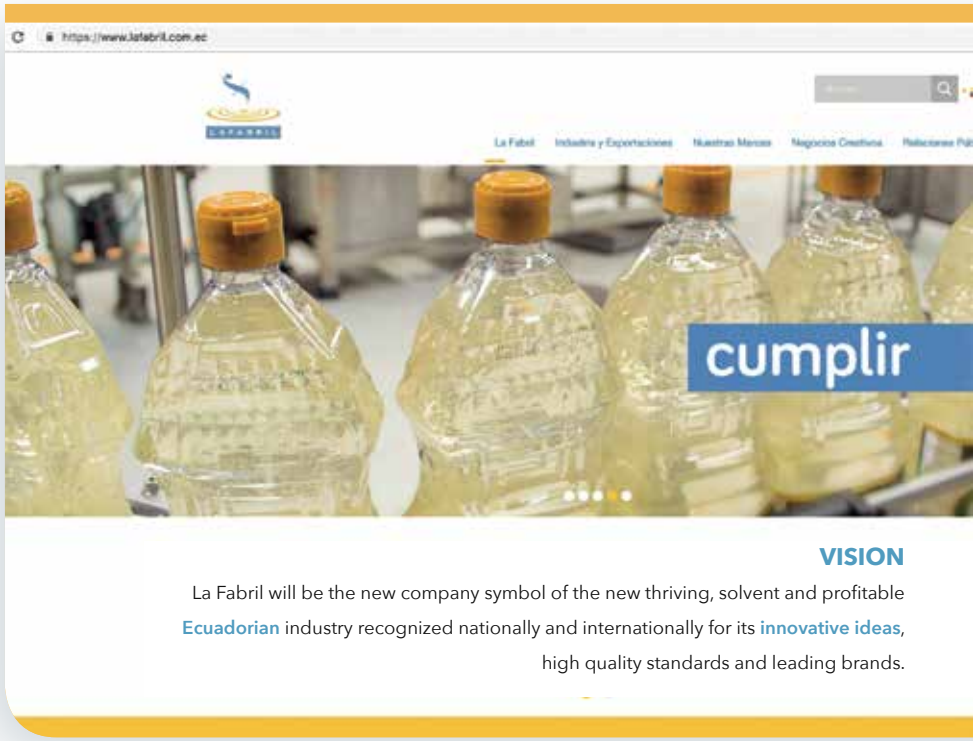
MATERIALITY AND DIALOGUES WITH STAKEHOLDERS

GRI 102-40

The definition of materiality has allowed our companies to assess the approach of Corporate Social Responsibility and Sustainability in order to project ourselves in an integral sustainability vision. Our Sustainability Report meets the principles of **Standard AA1000**, presenting relevant information for the business and stakeholders to which La Fabril, Rio Manso and Energy & Palma are accountable.
The content and information of this Report may be consulted at our website:

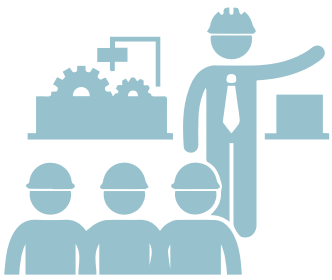
https://www.lafabril.com.ec/



MATERIALITY STUDY

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

The Materiality was conducted in order to identify, prioritize, analyze and validate the issues considered as more important to our stakeholders, the company and the industry, taking into account the economic, social and environmental context of the country. For the development of this analysis we took into account the following considerations:



- Implementation of the Biomass steam generation project.
- Acquisition of Otelo & Fabell.
- Review of the materiality study 2015 - 2016.

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To establish the material aspects, a total of 177 in-depth individual interviews were made to internal and external stakeholders, some of the most significant of which are the following: suppliers, government, communication media, universities, collaborators and customers.

In order to ensure impartiality and independence in the collection and analysis of the information, dialogues were carried out by an independent third party. The questions were prepared with the aim of assessing the level of knowledge of the issues, priority, risk level and impact, perception and contribution of the matter for a sustainable performance.

The topics of greatest importance increasingly expressed by the stakeholders were considered during the interviews. Subsequently, a qualitative and quantitative analysis was conducted to determine the relevant issues. The materiality matrix was obtained through the analysis above mentioned.

CONSULTED ASPECTS

ECONOMIC

1 Presence in the market
2 Fight against corruption
3 Economic performance
4 Indirect economic impact
5 Unfair competition
6 Procurement practices

ENVIRONMENTAL

7 Water
8 Environmental compliance
9 Environmental assessment of suppliers
10 Effluents and residues
11 Materials
12 Biodiversity
13 Energy
14 Emissions

SOCIAL

15 Employment
16 Occupational health and safety
17 Social assessment of suppliers
18 Non-discrimination
19 Worker / company relation
20 Health and safety of the clients
21 Diversity and equality of opportunities
22 Local communities.
23 Socio-economic compliance
24 Training and education
25 Evaluation of human rights
26 Marketing and labelling

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MATERIALITY MATRIX

GRI 102-46, 102-47

The matrix indicates the relevance for the interest group and the company´s management with respect to each issue. Through the materiality study carried out, the issues that are material to the company and the stakeholders were identified.

MANAGEMENT OF THE STAKEHOLDERS

GRI 102-40, 102-42, 102-43, 102-44

La Fabril has identified its stakeholders taking into account all those groups that may be affected or benefited through its actions or decisions. Different forms of communication with each interest group are used as detailed in the table.

STAKEHOLDER	COMMUNICATION METHOD	FREQUENCY
Shareholders	Shareholder Board	Yearly
	Sustainability Report	Yearly
Customers	Customer Service Line	Permanent
Collaborators	Email	Permanent
	Suggestion box	Permanent
	Breakfast with Human Resources	Quarterly
Palm suppliers	Sales representative	Permanent
Suppliers of other goods and services	Meetings and visits	According to the need
	Social media	Permanent
Government and supervisory authorities	Institutional documents	Regularly
	Electronic channels	Permanent
Communication media	Press releases	Monthly
	Press conference	According to the need
	Public relations events	Regularly
Universities	Public relations events	Regularly

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For this Sustainability Report, additional queries were made to various interest groups in order to get to know their concerns and the key issues that they would like to see published in this document.

STAKEHOLDER	METHODOLOGY	KEY ISSUES AND CONCERNS MENTIONED
Palm suppliers of Santo Domingo and San Lorenzo	20 interviews in San Lorenzo.	La Fabril's market presence.
	24 interviews in Santo Domingo.	Compliance with environmental legislation and water care.
		Safety and health at work and the generation of employment.
Clients	Telephone surveys to 10 large customers (> $1M).	The economic performance of La Fabril and its presence in the market.
	Telephone surveys to 50 small customers < $100 K).	The consumption of materials and the environmental legal compliance.
		The relationship between workers and the company, the generation of employment and health and safety at work.
Collaborators	50 electronic surveys.	The presence of La Fabril in the market and its economic performance.
		Compliance with environmental legislation, including emissions, water and energy.
		The relationship between workers and the company, the generation of employment and health and safety at work.
Other stakeholders	6 phone surveys to suppliers.	The economic performance of La Fabril and its indirect economic impact.
	8 phone surveys to members of government	Environmental management of water, effluents and residues.
	5 phone surveys to media. 4 Phone surveys to universities	Employment generation and diversity and equality of opportunities offered by the company.

DEFINITION OF THE MATTERS TO BE PUBLISHED

GRI 102-46, 102-47

To define the most relevant issues to be included, it was considered how significant the economic, environmental and social impacts of the organization are. In addition, the consultations carried out with the above mentioned stakeholders were taken as a basis. To define the scope of each topic, it has been considered that La Fabril is a company with national relevance so each topic is referred to all of Ecuador. Below is the list of material issues identified in the process of defining the contents of the report.

ECONOMIC

Economic performance

Presence in the market

ENVIRONMENTAL

Materials

Water

Emissions

Effluents and residues

Environmental compliance

SOCIAL

Employment

Worker - company relation

Occupational health and safety

Training and education

Diversity and equality of opportunities

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MISSION

GRI 102-16

To produce and commercialize higher quality products, at the lowest cost in an effective, efficient and flexible manner, with a constant service vocation, strengthening day by day our financial structure, working as a solid human team, outpacing the competition in the management of the environment, creating brands of undisputed leadership in the market.

VISION

GRI 102-16

La Fabril will be the company symbol of the new thriving, solvent and profitable Ecuadorian industry, recognized nationally and internationally by its innovative ideas, extremely high standards of quality and productivity, and its leading brands.

CREED

We Believe in Us

Because we know that we have been, are, and will be the engine that drives the development and growth of our company. We are individuals with integrity and values; service-minded people committed to La Fabril, making it a benchmark company in Ecuador and the world.

We Believe in Team Work

It is our cornerstone to achieve objective relationships through cooperation, coordination, dedication, and shared work of those who are part of the Fabril family, demonstrating every day that our success is not a coincidence but the result of the effort of all.

We Believe in Innovation and Quality

We are convinced that delivering the highest quality products to society can only be achieved by continuously creating and improving our processes, with cutting-edge technology and developing new ideas in order to ensure the satisfaction and welfare of our consumers.

We Believe in the Development and Progress

We know the importance of contributing to the development of our country's economy through the generation of direct and indirect jobs focused on growth, solvency and permanence in the national and international markets.

We Believe in the Future

Because we will maintain at all times a sense of social responsibility and care for the environment contributing in a proactive manner to the development, quality of life and well-being of our families, customers, suppliers and future generations.

We are since always and forever

La Fabril

The Industry of Ideas

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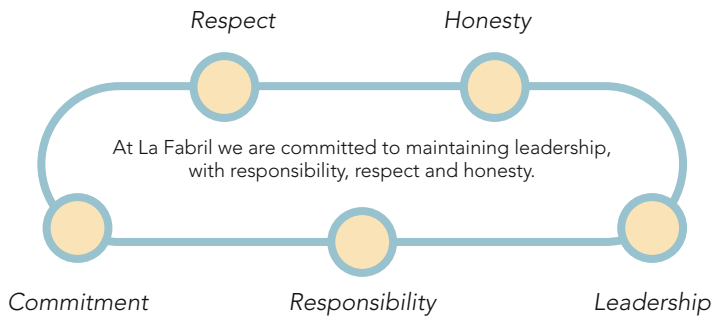
VALUES

GRI 102-16

The working culture at La Fabril is based on values that govern the actions of all who make up the company and which have become our compass to move decisively together.



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Guayaquil Distribution Center

On November 7, 2018, with an investment of **USD$ 2.5 million**, La Fabril incorporated its new Distribution Center in Guayaquil. Located at km 14½ of Via a Daule, the infrastructure has 3,677 m² and offers greater agility in the distribution process, reaching an average of 96% BCAT (percentage of well done, complete and on time delivered orders), with which inventories decrease and service improves. Through the new distribution system, a coverage of close to 50,000 points of sale will be achieved throughout the country, making 2,900 daily product deliveries.

The new administrative building for the Divisions of Horeca (Hotels, Restaurants and Catering), Trade, Marketing and Bakery is also located on the site, with an investment of over **US$ 300,000** was invested.

Acquisition of Otelo & Fabell

After a year of negotiations, in October of 2018, the process of acquisition of Otelo & Fabell was completed, an industry that had a turnover of nearly **US$ 27 million** in 2017 and has 500 employees. The process complied with all the requirements of the Superintendency of Control of Market Power and the Superintendency of Companies, Securities and Insurance. The acquisition responds to La Fabril Group's strategy of growth within the mass consumption market in Ecuador.

Otelo & Fabell

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PRESENCE OF LA FABRIL IN ECUADOR

GRI 102-3, 102-4, 102-7

La Fabril Group makes products that go to the homes of Ecuadorians, and to international markets in:

Montecristi

- Industrial Complex.
- CND [Spanish acronym] (Montecristi National Distribution Center).

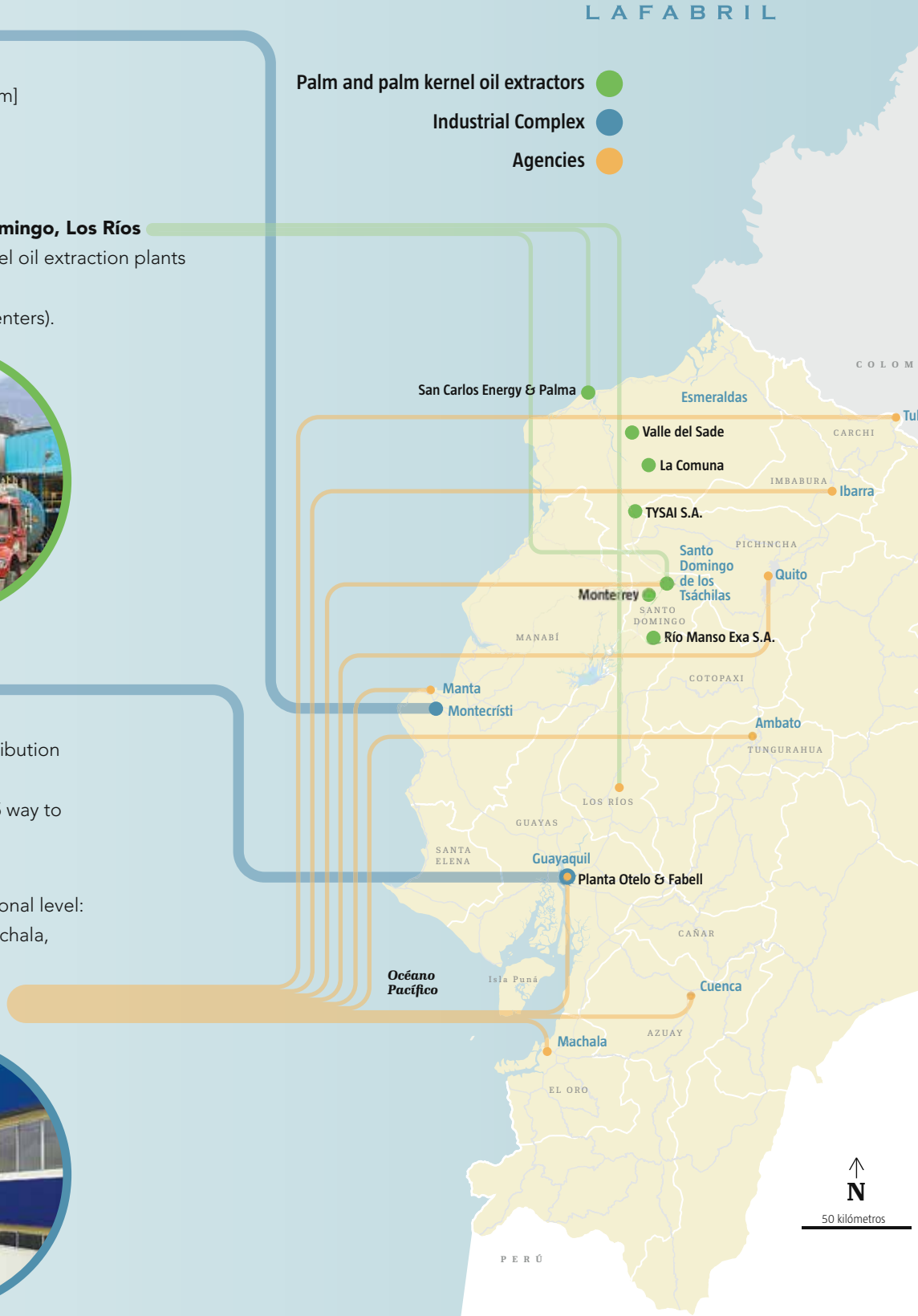
Esmeraldas, Santo Domingo, Los Ríos

- 7 Palm and palm kernel oil extraction plants
- 14 Collection centers (agricultural business centers).

Guayaquil

- Industrial Complex.
- CDG (Guayaquil Distribution Center)
- Otelo & Fabell (km 15 way to Daule, Guayaquil).

- 9 agencies at the national level: Guayaquil, Cuenca, Machala, Ambato, Manta, Quito, Santo Domingo, Ibarra and Tulcán.



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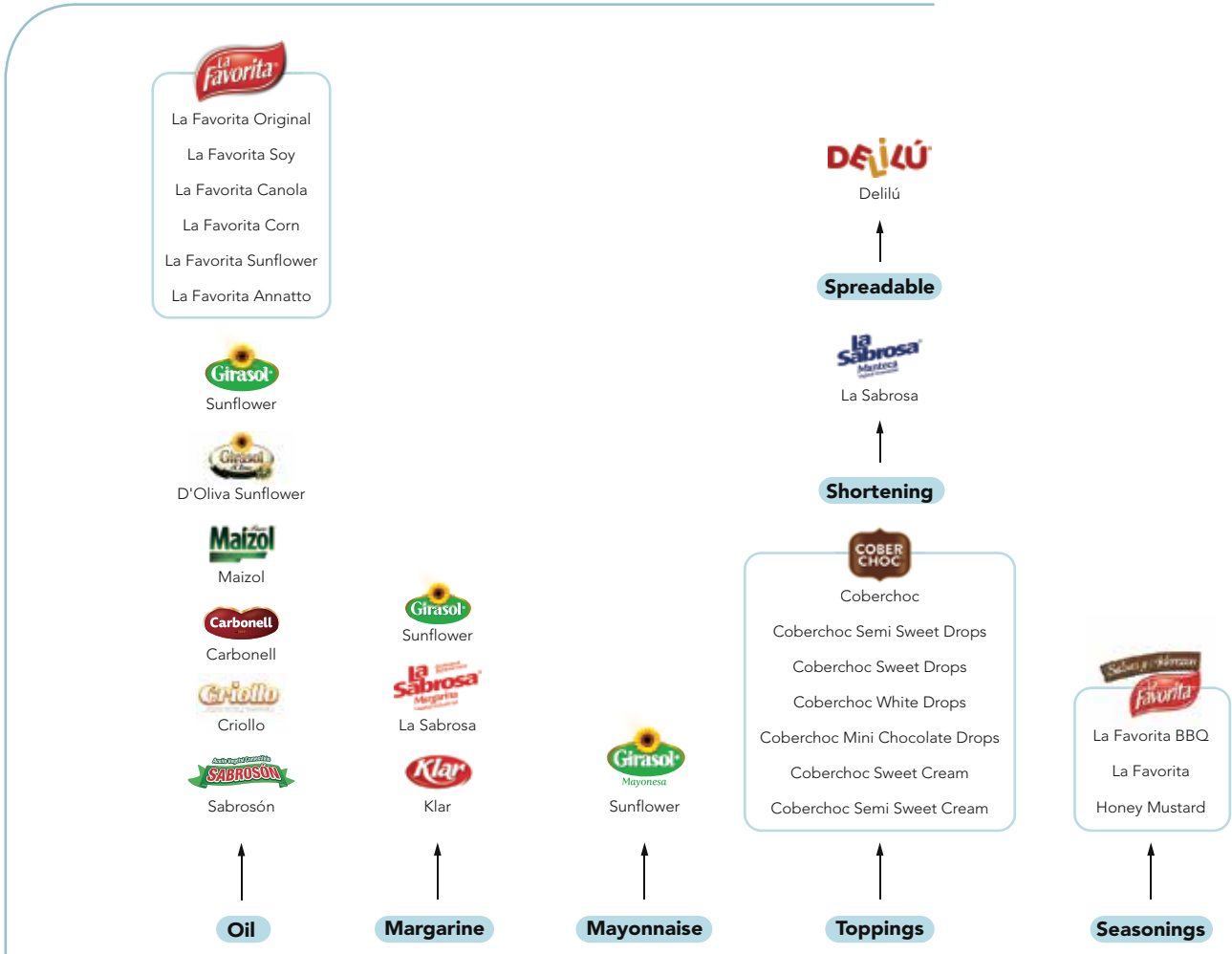

LA FABRIL PRODUCTS AND BRANDS

GRI 102-2

La Fabril group consists of several companies and business divisions in the areas of B2C (Business to Consumer and B2B (Business to Business) both in Ecuador and also in the export market.

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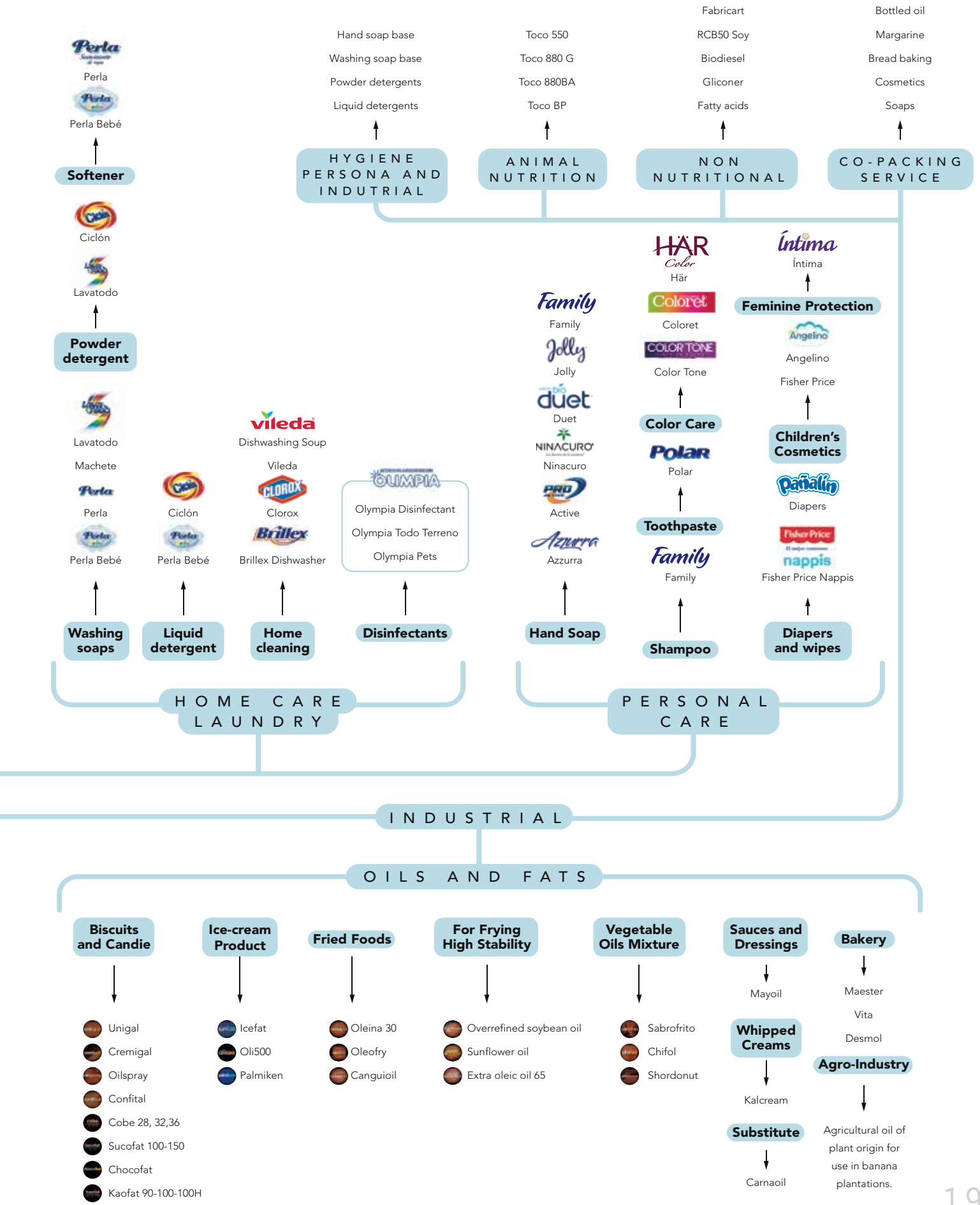

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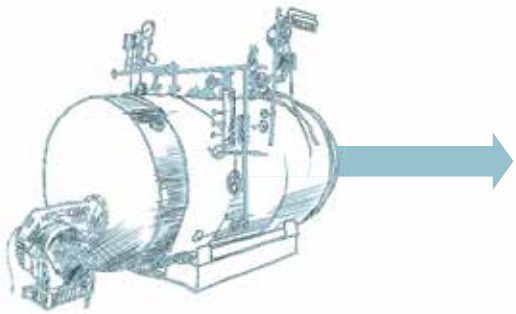
OIL PRODUCTION FROM OIL PALM

1

HARVEST AND TRANSFER

The bunches of palm oil are harvested once they are mature and are transferred to the extraction plant.

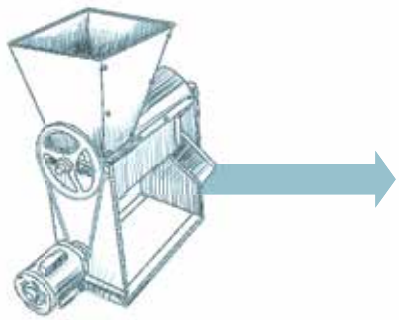


2

STERILISATION

Once the bunches have been removed, they are placed in horizontal or vertical autoclaves where they are cooked under pressure with steam generated by a boiler.

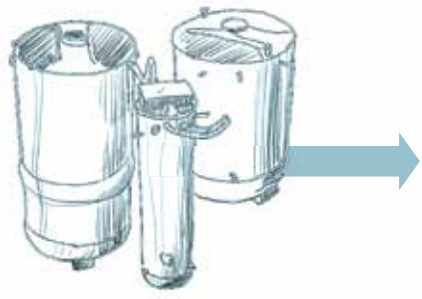
Pressure: 45 PSI
Temperature: 140° C



3

FRUIT SEPARATION

After sterilization, the fruits are passed on to the fruit separator, which is a drum that separates the grains from the rachis. The separated fruits go on to the next phase. The rachis is collected for agricultural use in the fields as a high efficiency fertilizer.



4

DIGESTION

The loose fruits are transported to cylinders with low revolution agitation called digesters.

Temperature: 90°C a 95°C
Time: 20 to 30 min

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GRI 102-2, 102-3, 102-4

The present report, in addition to the information of La Fabril, provides information of Río Manso Extraction Plant and Energy & Palma S.A.

RIO MANSO EXTRACTION PLANT

An Ecuadorian company, member of La Fabril Group, dedicated to the production and sale of red palm oil, palm kernel oil, by-products of palm kernel cake, tridecanter sludge, husk and compost based on waste from the extraction process.

Operation Data

- 5 red oil extraction plants.
- 2 palm kernel oil extraction plants.
- 10 collection centers.
- Location: Av. Quito and Rio Blanco, Santo Domingo, Santo Domingo.

CORPORATE STRATEGY

Fulfillment of commitments in all areas of the company, which makes it possible to position its image among its employees, suppliers, the environment and the community and allows it to create long-term relationships.

ENERGY & PALMA

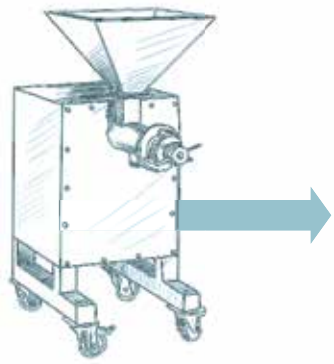
An Ecuadorian company, member of La Fabril Group, dedicated to agro-industrial activities specifically in the area of oil palm cultivation, palm oil, and by--products such as sludge, fiber and rachis.

Operation Data

- 1 32 MT RFF/HR Extraction Plant.
- Oil palm plantation with a gross surface area of 6,470 ha.
- Forest plantation with a gross surface area of 307 ha. (Gmelina)
- Location: Province of Esmeraldas. San Lorenzo Canton, Carondelet Parish.

CORPORATE STRATEGY

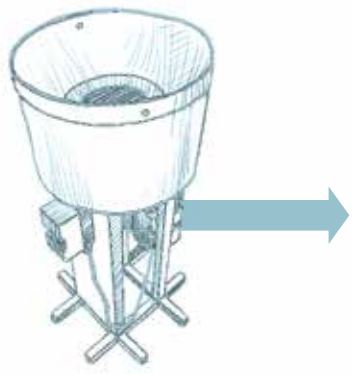
To supply crude palm oil to La Fabril Industrial Complex. Social and community development, protection of the environment, agricultural investment, health and safety of collaborators.



5

EXTRACTION

The oil is extracted from the mass by means of presses and the fiber is evacuated and used as biomass for boilers.



6

CLARIFICATION

The impurities such as water, sand and fibers, etc. are separated from the oil. This process is carried out through high-speed centrifuges known as tridecanters.

* Finally, the oil is transferred to the storage tank from where it is sent to the refineries to make it suitable for human consumption and to be distributed to either the local or export market.

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CORPORATE GOVERNANCE

GRI 102-18

La Fabril S.A. is a family business, where the governance of the company is the General Shareholders Meeting, formed by the shareholders who are legally summoned and assembled. The legal representation of the Company corresponds to the Chief Executive Officer and in his absence, to the Chief Executive Officer. The position of President is held by Mr. Carlos González - Artigas Díaz and the position of Chief Executive Officer is held by Mr. Carlos González - Artigas Loor.

By legal mandate, the General Shareholders Meeting, which is regulated by the statutes of the company, meets in ordinary form and mandatory manner once a year, with the purpose of approving the financial statements and reports of the Administrators, Commissioners and External Auditors. Extraordinary meetings of the General Shareholders Meeting are performed whenever required by statutory mandate by the General Board.

Through Executive Committees, guidelines and action plans are established for each of the areas that are related to the business. These committees are part of a structure that is designed to manage the issues, opportunities and risks of the company. The Divisions and Management have specific roles and functions that are oriented to seek operational efficiencies and management with positive results for the company.
On November 29, 2017 La Fabril increased its share capital by **US$ 2,600,000** to reach a total of **US$ 62,399,110.**

In the case of Energy & Palma S.A. the corporate governance is made up as follows: the highest authority is the company's General Shareholders Meeting, which meets regularly once a year, and extraordinarily whenever necessary. The company is operated by a Board of Directors, which executes the decisions taken by the General Shareholders Meeting and has the powers conferred to it by the company´s Statute of Incorporation.

In the case of the **Río Manso Extraction Plant Exa S.A.**, the corporate governance is made up as follows: the highest authority is the General Shareholders Meeting of the company, which meets regularly once a year, and extraordinarily whenever necessary. The company's Board of Directors meets on a quarterly basis.

The Extraordinary General Shareholders Meeting at its meeting held on May 10, 2018, resolved to approve the Company's Third Commercial Paper Program, for an amount of **US$ 2,000,000.00.** The monetary funds obtained were used as working capital.

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ORGANIZATIONAL STRUCTURE
LA FABRIL CORPORATE UNIT

GRI 102-18, 202-2

CARLOS GONZÁLEZ-ARTIGAS DÍAZ
CEGAD:
Chief Executive Officer

CARLOS GONZÁLEZ -ARTIGAS LOOR
Ghief Executive Officer

SANTIAGO TERÁN DAMMER
Corporate Finance and Planning Director

VICTOR LOAYZA YCAZA
Corporate Manager of Legal Affairs

NICOLAY ARTIEDA
Internal Auditor Corporate Manager

GUILLERMO BARALDO VICTORICA
Corporate Director of Organizational Development

JAIME GONZÁLEZ-ARTIGAS
General Manager Energy & Palm Rio Manso

PERCIVAL ANDRADE ARELLANO
Corporate Innovation Director

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RECOGNITIONS AND AWARDS

During 2017 - 2018 La Fabril obtained the following recognitions and awards for its work and business management:

"Effie is not a prize to a spot or graphic ad, but to a case of success that the company achieved through advertising with effective results."

Juan Franco
Sales Director

BASC Award 2018

X Edition as the safest company in the global trade in the category Exporter of Mass Consumption Products granted by the Umiña Chapter of this organization.

2018 Xpor Awards

First place in the category Great Exporting Company (non-traditional sector) in the ninth edition of the 2018 Xpor Awards, organized by the Ecuadorian Federation of Exporters (Fedexpor).

GANADORES PREMIOS EFFIE ECUADOR 2018

EFFIE SILVER

Category: Hygiene and personal care
Advertiser: La Fabril
Agency: McCann Erickson Ecuador
Brand: Polar Toothpaste
Bell: Real Mouths.

GANADORES PREMIOS EFFIE ECUADOR 2017

EFFIE GOLD

Category: Products Mass Consumption Products
Advertiser: La Fabril
Agency: Maruri Grey
Bell: Dirty United

EFFIE GOLD

Category: Sustainable Success
Advertiser: La Fabril
Agency: McCann Worldgroup
Brand: Criollo
Bell: Criollo and Dona Rosita

EFFIE GOLD

Category: Non-profit
Advertiser: La Fabril
Agency: Saltiveri Ogilvy
Brand: La Fabril
Bell: Arriba Manabí

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100 LEADERS AND 100 COMPANIES WITH THE HIGHEST REPUTATION

Ranked 16th among the 100 most reputable companies in the country according to MERCO (Spanish acronym for: Corporate Reputation Business Monitoring) published in the Vistazo Magazine.

FAVORITA CORPORATION

Award to the supplier with the longest trajectory in the category of "Hygiene and Personal Care" granted by Corporación Favorita, the largest retailer in the country.

BEST STAND AWARD

To La Favorita Cooking Academy´s ''Atracón" stand in the IV Edition of the 2017 ''Raíces" International Gastronomic Fair held in Guayaquil.

2018 GOLD EKOS AWARD

To the most efficient company in the oils and fats extraction and production sector, annual event organized by Ekos and Deloitte Corporation. The same publication established that La Favorita oil, ranked second among the top 5 most remembered national brands in 2018 in the product category.

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NETWORKS AND ASSOCIATIONS

GRI 102-12, 102-13

La Fabril cultivates positive relationships with organizations and institutions that share its primary objectives for economic and social development for the country, respecting the environment and ensuring a sustainable development.

PRO ECUADOR (Institute for the Promotion of Exports and Investments) gives us support in the promotion of exports, strategic consulting, as well as sponsorship in fairs and business conferences abroad. It serves as a means to promote our product portfolio and its presence in international bureaus gives us the opportunity to enter new markets.

RSPO, the Roundtable on Sustainable Palm Oil of which we are a member. This is a non-profit organization to which oil palm companies belong and which meets the objective of promoting the production and use of the palm with methods and criteria of environmental sustainability.

This initiative is well known around the world.

At the end of 2018, La Fabril Group received the RSPO MASS BALANCE international Certification, for the Energy & Palma plantation and extraction plant in Esmeraldas, the palm kernel oil extraction plant in Santo Domingo (Tysai S.A.), and La Fabril Industrial Complex in Montecristi. Up to date, La Fabril Group has certified 12,838.32 hectares.

FEDEXPOR (Ecuadorian Federation of Exporters) is a nonprofit organization that focuses on supporting its affiliates, to act as one before national public entities and achieve the stated goal. It provides technical assistance and training and allows for the internationalization of Ecuadorian companies. In addition, it provides advice on foreign trade, customs and matters of origin. It gives us the opportunity to participate in national forums and events along with the export sector such as the "National Award to the Exporter" and "National Convention of Exporters".

THE FOREST TRUST (TFT) Since March 2017, La Fabril Group became the first Ecuadorian conglomerate and the third company in Latin America to join this international non-profit organization, which works with businesses and communities around the world to promote responsible supply chains in various sectors, including oil palm. This is how we demonstrate our work and commitment to ensuring the conservation and responsible management of areas of High Conservation Value, High Carbon Reserves, from which we obtain our raw materials, implementing management models to create stronger relationships of mutual benefit with small producers and other actors that make up its value chain, as well as proposing actions for the prevention, identification and resolution of conflicts.

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RESPONSIBLE AND SUSTAINABLE MANAGEMENT

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

The Code of Ethics is based on the principles of transparency and communication. It includes the criteria of conduct as well as the anti-corruption and anti-fraud policies in a proactive manner.

The system of responsible management is updated constantly, thus, at present, the Group is strengthening its policies and mechanisms for the relationship between shareholders, corporate members and co-workers, as well as the roles and procedures of interaction, self-assessment and achievement of the objectives of the highest governance body.

Between 2015 - 2016 La Fabril Group handled transparently its policies, practices, and mechanisms that ensure the ethical behavior of the stakeholders that make up the business. No allegations of corruption were reported in the time period above mentioned.

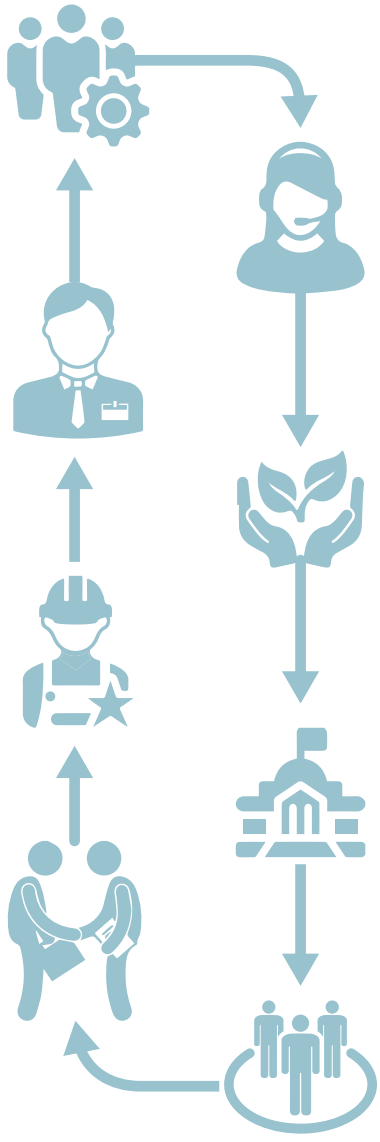
THE CODE OF ETHICS COVERS THE FOLLOWING AREAS

Corporate Governance
To lead and manage the company. It prioritizes values like equilibrium, transparency, integrity, ethics, honesty, respect, fairness, accuracy, sense of sustainability (social, environmental and economic), communication, participation, and responsibility.

Relationship of employees with the company
It promotes the principles of commitment, honesty, fairness, integrity, communication, respect, responsibility with the actions and property, ethics and good relationships between coworkers.

Relationship with suppliers
It promotes good working conditions, mutual respect for principles and ethics. Selection of suppliers by performance criteria.

Relationship of the company with the employees
It promotes adequate, safe and healthy working conditions, communication and dialogue, ethics.



Relationship with customers and consumers
To distribute healthy and quality products, to meet its commitments. To use different channels in order to provide information to the final consumer in a fluid and transparent manner regarding the company´s actions.

Relationships with the environment and future generations, sustainability
To establish a sustainable direction. Care for environmental standards and manage the operation with excellence, impact management, and proactivity in biodiversity.

Relations with civil society, government and state
To contribute to the sustainable development of the cities related to its operation. It is part of the making of public policies. It values the participation of its human talent in spaces of social projects.

Relations with the community
To foster communication and ongoing dialogue, coordination and participation with organizations and entities for the development of projects.

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PROFITABLE IDEAS

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

With the innovation that characterizes us in La Fabril, recognized internationally as the "industry of Ideas", and our continuous improvement and genuine commitment, we increase our competitiveness and added value. The acquisition of Otelo & Fabell, transaction that we completed in 2018, makes us a more attractive option for customers, suppliers and consumers, as well as the investment of more than **US$ 30 million** in production expansion projects. In 2019 we want to continue consolidating ourselves in the market placing those leading brands that characterize us in order to position ourselves as the company symbol of the new national industry for its solvency and profitability.

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ECONOMIC PERFORMANCE

GRI 201

While in other environments the productive activities are interrupted, in La Fabril we have maintained and will maintain our solidity, managing resources intelligently, spending on what is necessary, investing to maintain quality and so that in no way our market share be diminished.

We believe in the future of Ecuador and its productive development and therefore we continue to invest. With the acquisition of Otelo & Fabell, completed in October 2018, La Fabril Group consolidates its industrial and commercial leadership and shows its confidence in Ecuador.

SALES AND PROFITS*

Millions of dollars

	2017	2018
Net Sales	458.56	471.76
(-) Costs and Expenses	469.56	459.92
Profit before taxes	16.00	11.83
(-) Taxes and workers	5.76	5.41
Net profit	10.23	6.43

PROFIT*

Distributed to workers

YEAR	MILLION DOLLARS
2017	2.40
2018	1.78

INCOME TAX

Caused and paid

YEAR	MILLION DOLLARS
2017	3.37
2018	4.25

* The Financial Statements correspond to La Fabril S.A.

In the last three years (2016 - 2018) we have focused on enhancing our production capacity of edible oils and fats, as well as personal cleansing products.

PROJECT	INVESTMENT Million dollars
Expansion of the industrial margarine production plant	7.00
New storage center of chemical materials	3.00
Expansion of hand soap production plant	2.00
Supply chain projects (in progress)	5.00
New plant of powder detergent	5.00
Expansion of the chocolate coating production plant	2.50
New production line of containers for table margarines	3.00
New plant for the production of organic products for export	1.50
TOTAL:	29.00

Our projection is that Otelo & Fabell will add **US$ 30 million** to the group's sales in the first year after subsequent to its acquisition and that sales will grow to **US$ 50 million** over the next 5 years.

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MANAGEMENT AND CONTRIBUTION TO THE COUNTRY´S DEVELOPMENT IN FIGURES

As an innovative company, the goal is to achieve sustained growth, being a reference for the contribution to the country´s economic, social and environmental development.

So between 2017 - 2018 La Fabril experienced an economic growth that resulted in the generation of new sources of employment, both direct and indirect, investment, technological development, payment of taxes and duties to the Ecuadorian government throughout the entire value chain.

During this period the sales of hygiene and personal care products increased, which were historically imported from abroad. Such change in the market has prompted the company to diversify its portfolio in order to have greater presence in this business line.

As a result of a growth strategy in the domestic market, the group acquired the company Otelo & Fabell with which it entered into the segment of wet wipes and capillary care products.

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SITUATION AT RIO MANSO

The increase in revenues in Río Manso until 2017 is due to Company´s strategies that allowed it to acquire a greater amount of palm fruit, which meant an increase in production and therefore in our sales volume and in dollars.

In 2018, the production of palm fruit in the market decreased, which is reflected in a decrease in our revenues during this period, as we acquired a lower volume of raw material.

In addition, there was a reduction in the price of red palm oil from **US$ 705.65 per Mt** in 2017 to **US$ 649.80 per Mt** in 2018, causing a decrease of 7.91% in the revenues of this product, which translated into absolute values, reaches the amount of **US$ 5.6 million**. The price of palm kernel oil also dropped from **US$ 1,205.52 per Mt** in 2017 to **US$ 911.35 per Mt** in 2018, causing a decrease of 24.40% in the revenues of this product, which in absolute values amounts to **US$ 3.4 million**.

SITUATION AT ENERGY & PALM

As for Energy & Palma, the increase in revenues is due to the continuous entry into production of areas replanted with hybrid material, overcoming problems caused by bud rut disease in the guineensis variety, added to the recruitment of new suppliers of palm fruit from the area.

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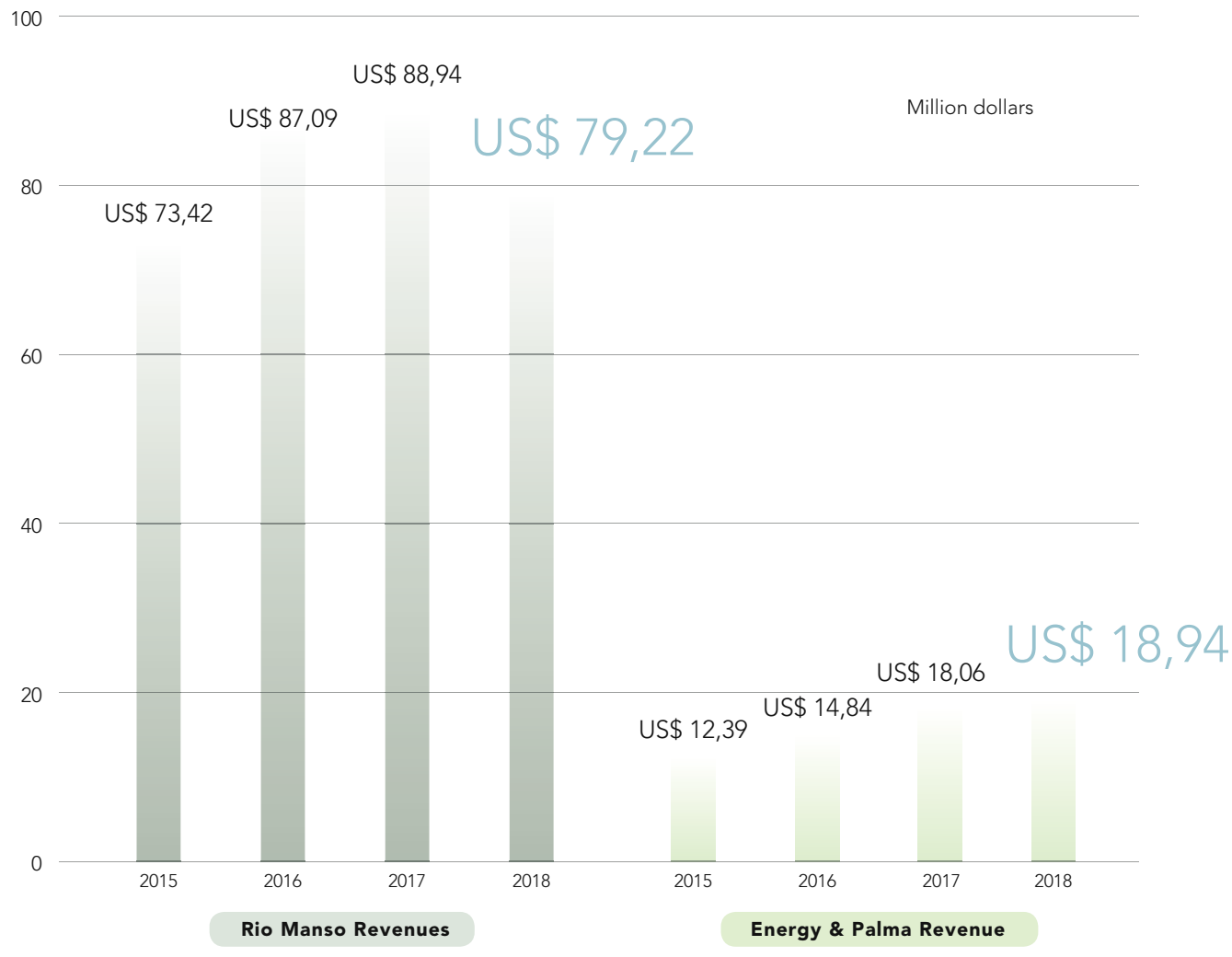

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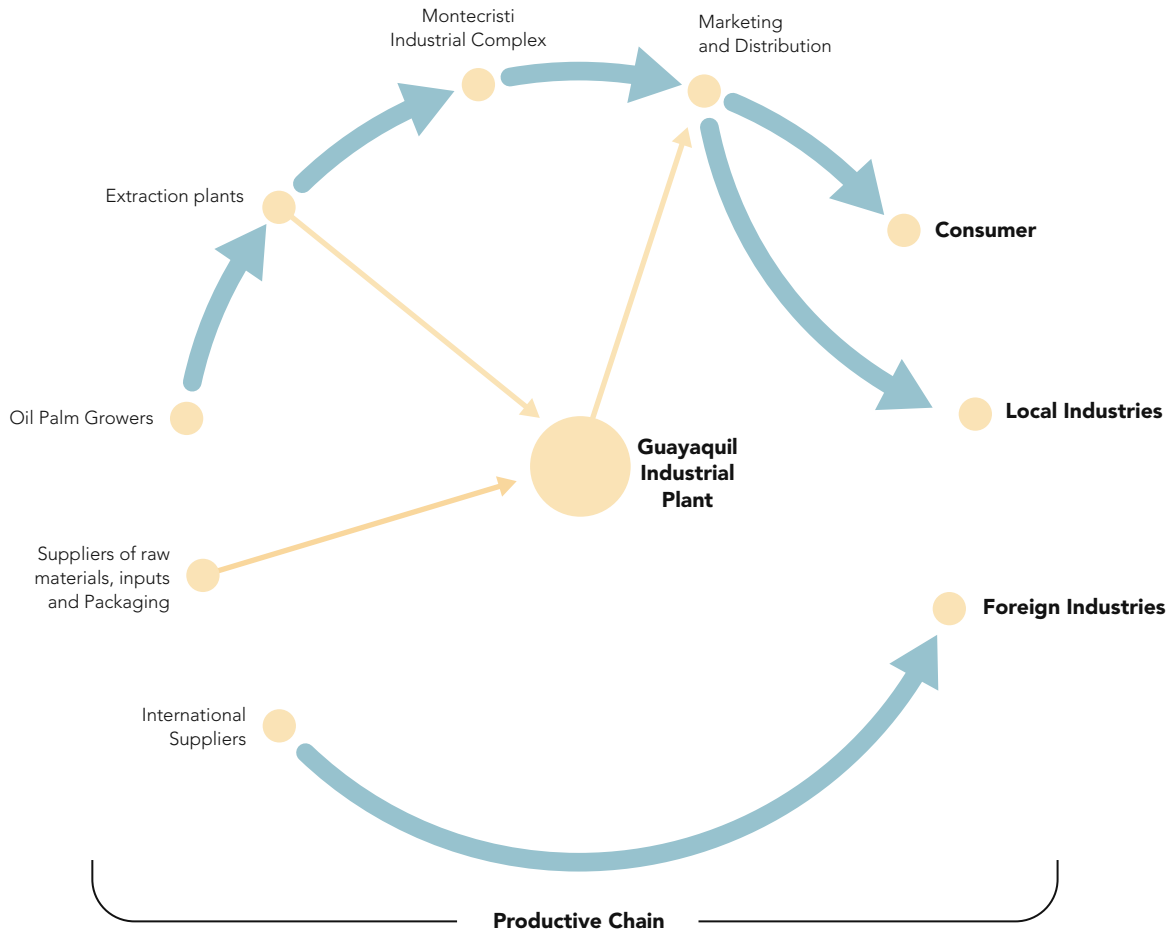
ADDING VALUE TO THE PRODUCTION CHAIN

GRI 102-9, 203-2, 204,1



ETHICAL BEHAVIOUR OF SUPPLIERS

GRI 414-1

The suppliers of La Fabril receive an official communication where they are invited to ensure that their conduct and that of all the participants in the value chain responds to and complies with the Code of Ethics, which sets the values, objectives and policies that govern the relationships that the company maintains with each of the stakeholders. In addition, in 2018, the e-mail buzondedenuncias.sugerencias@lafabril.com.ec was made available to suppliers to report any activity that violates the Code of Ethics, Internal Labour Regulations, Values, internal procedures and human rights.

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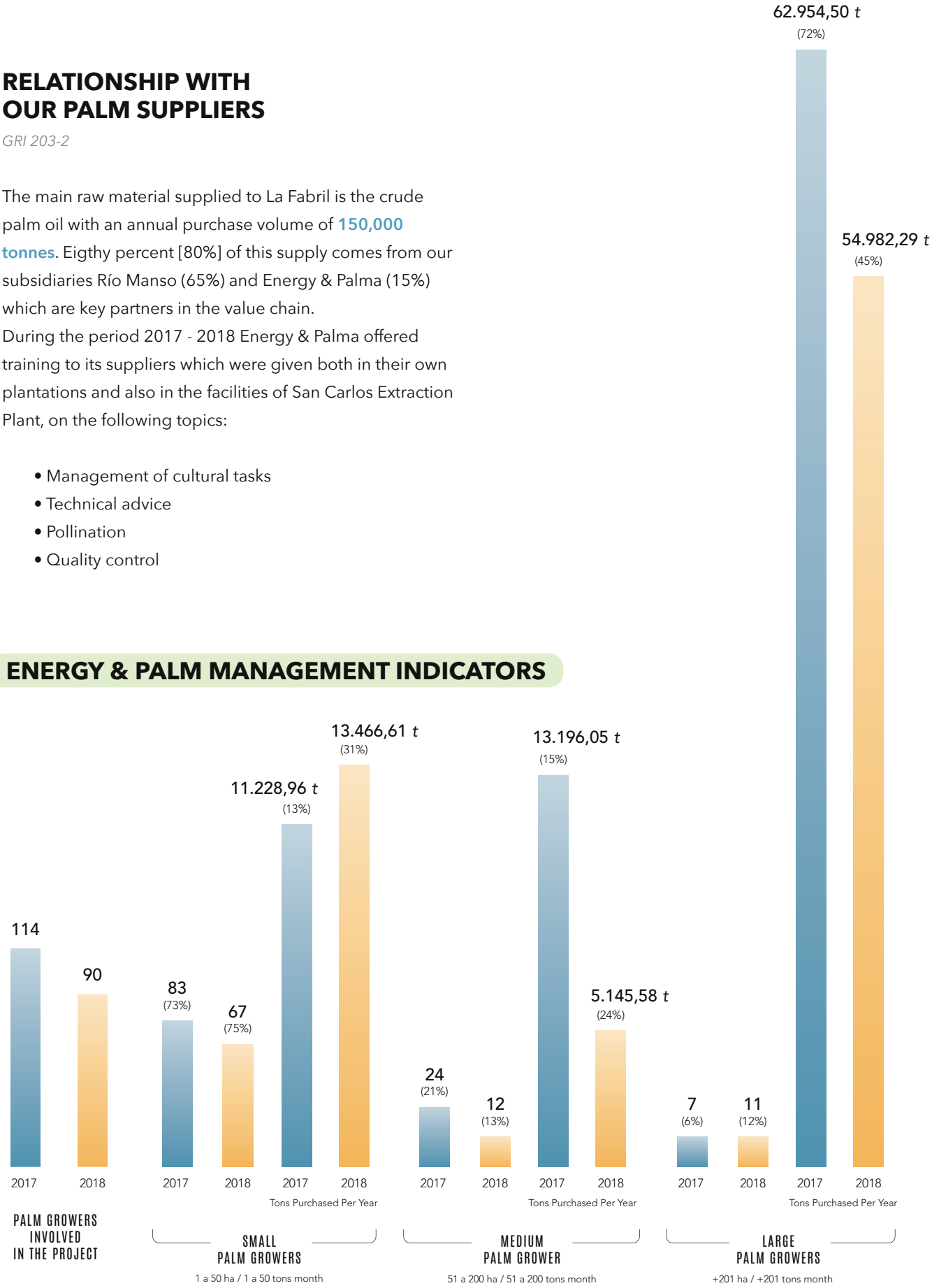
RELATIONSHIP WITH OUR PALM SUPPLIERS

GRI 203-2

The main raw material supplied to La Fabril is the crude palm oil with an annual purchase volume of **150,000 tonnes**. Eigthy percent [80%] of this supply comes from our subsidiaries Río Manso (65%) and Energy & Palma (15%) which are key partners in the value chain.
During the period 2017 - 2018 Energy & Palma offered training to its suppliers which were given both in their own plantations and also in the facilities of San Carlos Extraction Plant, on the following topics:

- Management of cultural tasks
- Technical advice
- Pollination
- Quality control

ENERGY & PALM MANAGEMENT INDICATORS



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ENERGY & PALMA

MANAGEMENT INDICATORS	2017	2018
Hectares planted with palm growers	10,500 ha	9,200 ha
Average productivity (t/ha/year)	13.0 t	14.5 t
Sales (thousand USD)	US$ 18,062	US$ 18,908

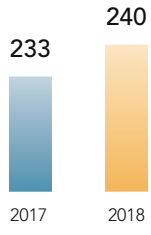
Energy &Palma
Energy that evolves

TECHNICAL ADVICE

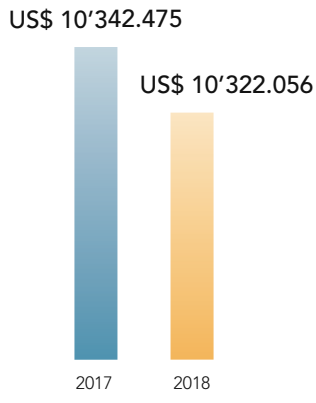
AREAS	SUBJECTS	PLACE	2017	2018	RESPONSIBLE
Operation	Cultural Tasks	Plantations/suppliers	-	15	Javier Caicedo
Operation	New materials and nutrition	Plantations/suppliers	10	25	Francisco Orellana
Technical Advice	Assisted pollination	Plantations of suppliers and facilities of San Carlos Extraction Plant	50	60	Javier Caicedo y Hugo Carvajal
Quality control	FF quality parameter, Cultural Tasks, meeting service and input requirements, control of compliance with fruit deliveries.	Plantations of suppliers and facilities of San Carlos Extraction Plant .	36	60	Javier Caicedo y Camilo Tovar
Total			96	160	-

EMPLOYMENT GENERATION
directly

INVOLVED FAMILIES



PAYMENT TO SUPPLIERS
of palm fruit



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A SUCCESS CASE

Energy & Palma

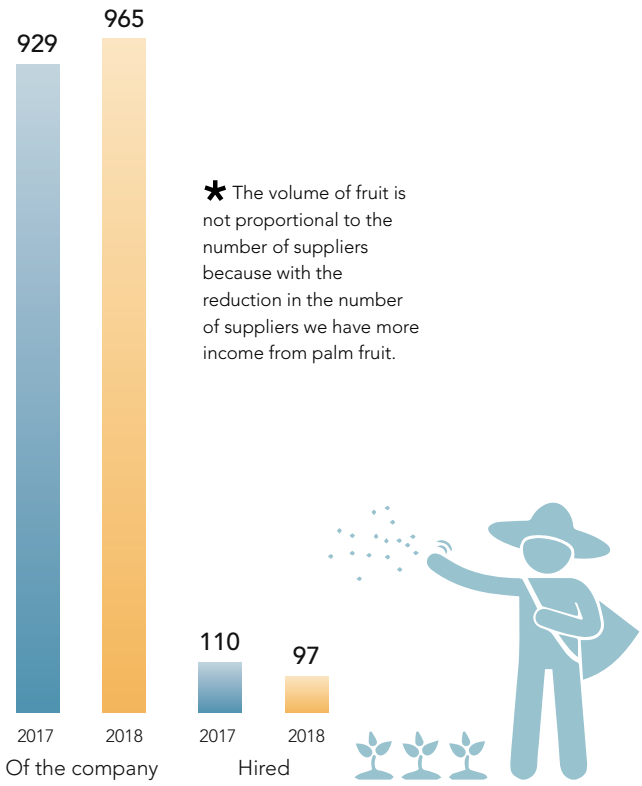
Between 2017 and 2018, there was a continuous entry into production of areas replanted with hybrid material, due to the problems caused by bud rut disease. In addition to the recruitment of new suppliers of palm fruit from the area, the **OxG** hybrid material (a mixture between *Elais Guineensis and Oleifera*) with resistance to the desease was introduced. At Energy & Palma we remain confident in the crop, therefore, in 2017 **263.42 gross hectares** were replanted and in 2018 another **156.52 hectares,** reaching a total of **6,548 gross hectares**. With the planting programs executed, we have generated employment and our environmental commitments are met. The foregoing is reaffirmed by obtaining on November 22, 2018 the International Certification named Roundtable on Sustainable Palm Oil (RSPO) International Certification after three years of compliance with the criteria and requirements established by this entity (also in the supply chain). In April, 2017 the company also received, the organic certification for its oil palm crop granted by Ecocert, for 660 hectares. Thus, within to years of the transition to organic farming there are already 763 certified hectares.

Río Manso

The competitive strategy of Río Manso consists in the immediate payment of the fruit at the time of delivery and the establishment of long-term relationships with its palm fruit suppliers by offering an array of services that seek to increase productivity, such as agricultural advice, the provision of inputs at competitive prices, and credit for the application of better technologies in their crops.

PALM TREE GROWERS

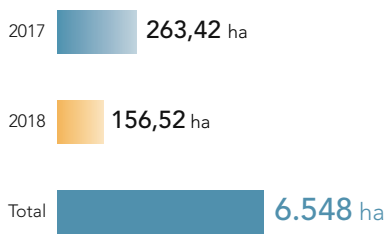
Energy & Palma



★ The volume of fruit is not proportional to the number of suppliers because with the reduction in the number of suppliers we have more income from palm fruit.

REPLANTING OF CROPS

Gross hectares replanted by Energy & Palma

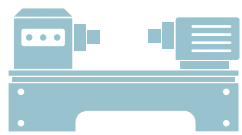


EXTRACTOR

Energy & Palma

2017

Installation of a **Rachis Press**, which allows for the reduction of oil losses and improves the conditions of the empty fruit bunches for the composting process.



2018.1

In 2018 a second **Tricanter**, Fast brand, was implemented, which maximizes the efficiency of the production process, thus increasing production capacity.

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INNOVATING FOR DEVELOPMENT

GRI 102-11

Expansion is not the only element that warrants the sustainable development achieved by La Fabril, which has based its business strategy since 1968 on innovation as a means to diversify its offer, proposing new products and versions to the public. La Fabril has developed more than 100 projects under a structure that is based on permanent innovation, optimization of resources, care for its human capital and the protection of the environment. Several of these projects and dozens of internal ideas that are born from employees themselves have led us to optimize the consumption of steam and electricity, to reduce the use of certain materials by maximizing their utilization, to increase by 16% the revenue generated by the sale of sub-products and inventories in the distribution centers, to reduce by 14% hazardous waste and by 13% ordinary trash, thus making evident our commitment to become a sustainable business.

SUSTAINABLE FIGURES

La Fabril

↑16%
Increase in revenues from sale Of by-products

↓14%
Reduction of Hazardous waste

↓13%
Reduction of Common rubbish

2018.2

The same year, a **P15 Press** is implemented, enabling increased press capacity and plant production.

2018.3

At the end of the year2018 the **RSPO Certification** is achieved for the extraction plant through P&C and the Supply Chain

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INTERNATIONAL MARKET

GRI 102-6

Our goal for 2018 was to give greater attention and strength to Permanent Businesses, that is to say to those businesses of value-added products and businesses with sales under contract or closed biddings in the medium and long term.

To this end, in the 2017-2018 period, tons sold went from **65,000** to **55,000 tons**, but with greater profitability per ton sold, thus managing to keep practically the same total margin for the export business during the transition year. With regard to the invoicing, it ranged from **US$ 65 million** to **US$ 51 million**, however such decrease was due to a fall in the price of international raw materials and therefore in the negotiated prices that are established based on the former; however, that did not influence the company´s profitability concerning this business.

Along these lines, in 2018, we achieved a significant growth of **31%** in permanent sales, in terms of exported tonnage and of **18%** in turnover compared to 2017. That is to say, we increased sales from **23 thousand tons** exported in 2017 to **30 thousand tons** exported in 2018.

The categories in which we experienced higher growth are baking, bottled oils and CBS, reaching now 17 countries; Chile, Colombia, the United States and Argentina currently being our main markets.

We are now serving 21 countries in all our business lines. Our main interest is to maintain and strengthen our presence in the markets in which we participate. By 2022 we seek to double the export figures.

From the opportunity to what is permanent

For La Fabril, the Industrial and export business represents **43%** of volume and **30%** of net sales. Up to 2015, our exports of commodities accounted for much more in volume and net sales (more than **70%** of total exports) than those of added or permanent value. Since 2016 commodities have declined as opposed to permanent and added value businesses. Added value exports represent **60%** of volume and net sales and **90%** of the export margin.

EXPORT SALES AND VOLUME

	KILOGRAMS 2017	2017 SALES	KILOGRAMS 2018	2018 SALES
SPOT Total	41,950,253 kg	US$ 39,057,764	25,536.,40 Kg	US$ 20,325,280
PERMANENT Total	22,671,750 kg	US$ 25,820,468	29,643,610 Kg	US$ 30,561,593
General Total	64,622,003 kg	US$ 64,878,231	55,179,950 Kg	US$ 50,886,874

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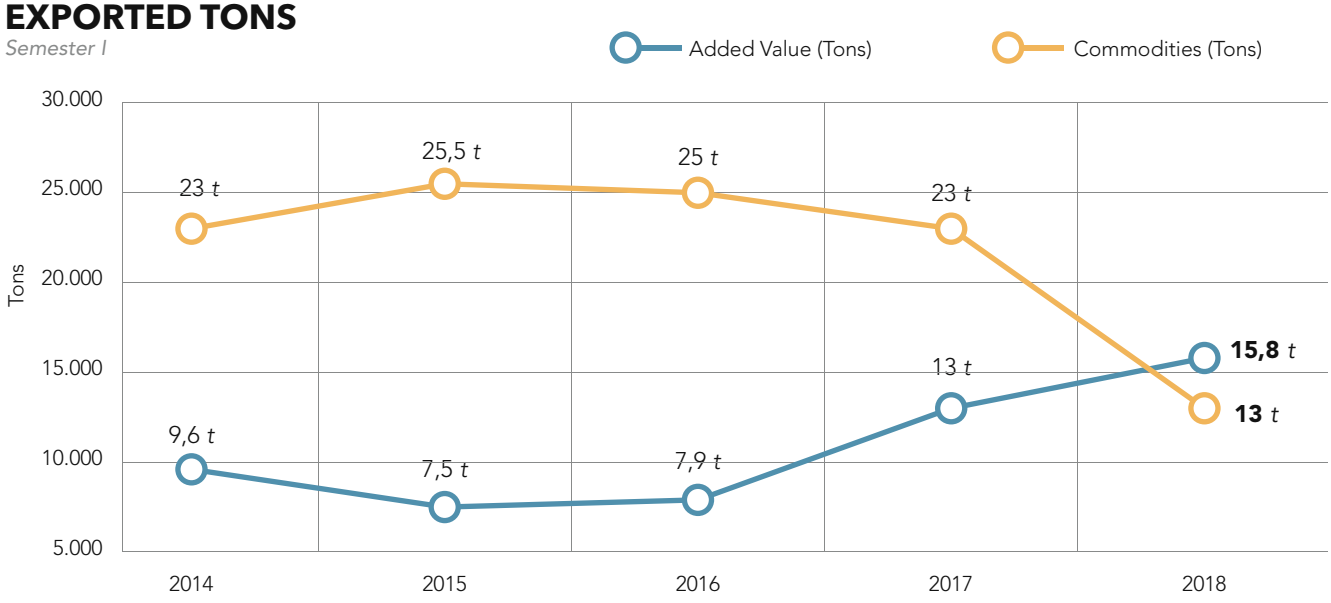
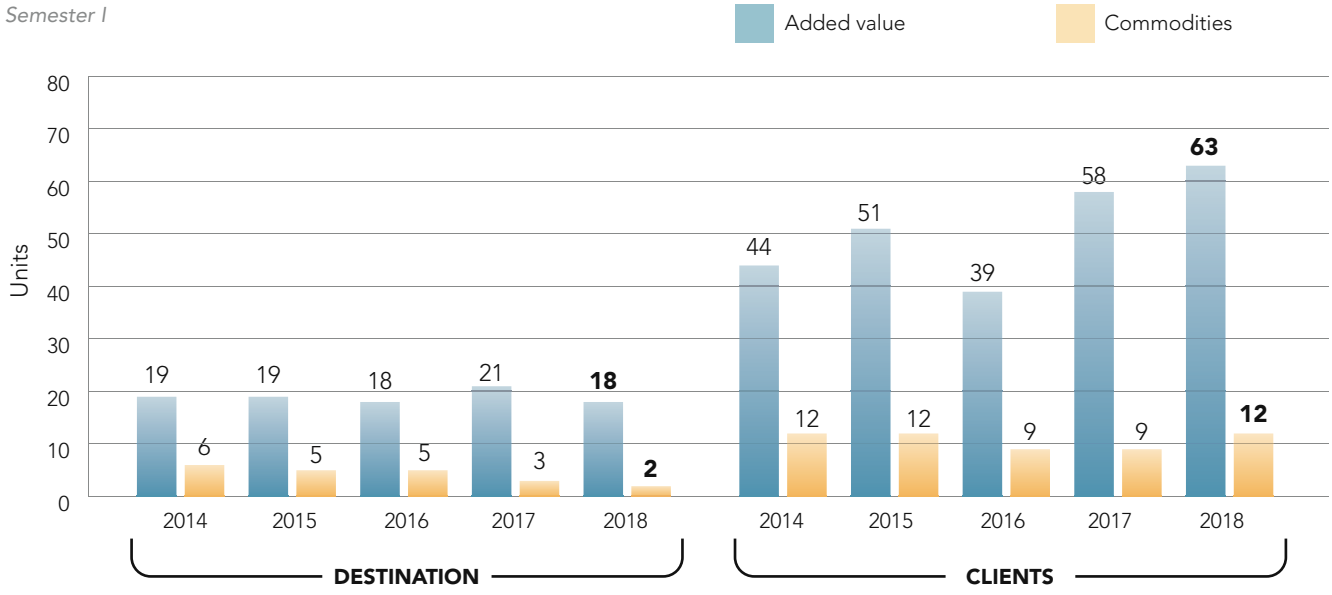
EXPORTED TONS

Semester I



EXPORTS

Semester I



"The company maintained its presence in international markets despite the complications generated by the drop in the price of oil as well as the devaluation of the currency in multiple countries with which we do business."

Francisco Salinas Jaramillo
Industry and Export Commercial Director

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DOMESTIC MARKET

GRI 102-6

La Fabril has products that are intended for the Ecuadorian households and other products that are industrial in nature and go to businesses and companies that use them to produce their own final goods.

Within that framework, it has four main business lines: **Foods** that includes oils, margarine, butter and shortening; **Home Care**, meaning housecleaning and supplies; **Personal Care** including soaps, shampoos and other similar products; bakery for which we have created a special business line called **Maestro** that includes specific products, in addition to counseling and services for individuals, businesses and families that are dedicated to this activity. We have also developed the **SERVEI** division that meets the needs of the **HORECA** business unit (Hotels - Restaurants - Cafeterias & Catering).

With the acquisition of **Otelo & Fabell**, the product portfolio currently consists of 45 brands and entered to compete in new categories such as wet wipes and diapers, feminine protection, hair products, baby care products.

"The main achievements were to gain relevant market share in the category of liquid detergents and fabric softeners through a strategy of focusing on presentations to massify these categories through lower consumer spending; to aggressively enter the toothpaste market, which has been historically dominated by an absolute leader; to and enter into new categories like spreads and mayonnaise".

Susana Calero
Marketing Manager

La Fabril launches new products on a quarterly basis. The most outstanding during this period were:

Ciclón
Its new formula with a touch of fabric softener that provides efficient cleaning, greater softness and long-lasting fragrance in your clothes, has quickly conquered Ecuadorian households looking to save time and money, contributing to the growth of the Ciclón brand share.

Perla
To innovate in the category of fabric softeners, we launched the first fabric softener designed especially for babies with a hypoallergenic formula that prevents skin allergies. The only one endorsed by the Ecuadorian Society of Pediatrics. This release strategically contributes to the sustained growth of the Pearl brand in the fabric softener category.

Jolly
Brand relaunch with new benefits of superior protection, not just against bacteria.

Delilú
Delicious spreadable cocoa cream, prepared with Ecuadorian ingredients of the highest quality. Soft and creamy texture that allows easy spreading.

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Nappis

Disposable diapers brand under the license of Fisher Price with absorption of up to 12 hours so that your baby feels free to play and learn!

Pañalín

Relaunch of the Pañalin brand with new benefits and new image.

Family

Family Minidoyk of 180 ml is launched to compete in mom and pop stores, with 10 times more content than a regular sachet, only $ 0.50".

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CUSTOMERS AND CONSUMERS

Cuadro de textoCustomer segmentation is essential for the company to serve them with quality products and according to their needs.

Traditional Trade

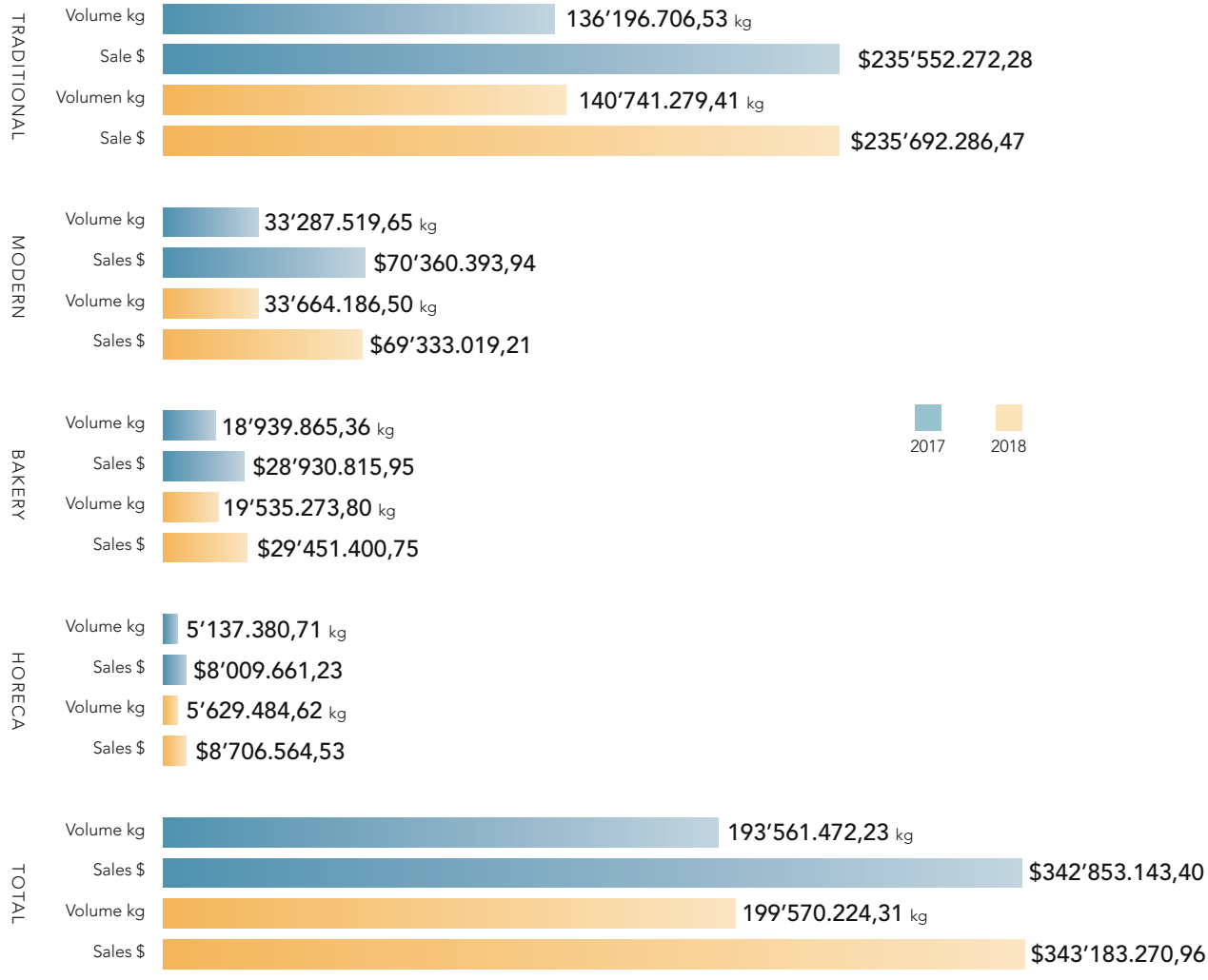
The traditional trade made up by shops, wholesalers, retailers, mid size retailers etc., represents **69%** of sales. During the period of analysis, the development phase of the project called United was concluded, which will allow for the supply of our **Go-To-Market** to all points of purchase with greater potential. In addition, we began to work on the implementation of a special channel to create the necessary conditions to enhance the portfolio of **Otelo & Fabell** in specific points of purchase, in addition to the successful implementation of loyalty schemes. Traditional trade customers increased to **41,450** by the end of 2018.

Modern Trade

The modern trade made up by supermarkets, Supermaxi, Mi Comisariato, Almacenes Tia, Mega Santa Maria, Coral Group (Gerardo Ortiz), Comercial Kywi and pharmacy chains, accounted for **20%** of sales.
Meanwhile, Bakery and Horeca business units constitute **8.5%** and **2.5%** of the company's sales at the national level, respectively

FIGURES

Volume of kilogramsand net sale in millons of dollars



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La Fabril Memoria 2018 EnglishL.indd 45 9/2/20 12:41

COLLABORARTIVE PARTNER OF THE NATIONAL GASTRONOMY

GRI 416-1

Since 2016 and following the line of innovation that characterizes us, we created a new business unit called **SERVEI,** which would address and promote the **HORECA** segment, consisting of Hotels, Restaurants and Catering businesses in the country.
For us, the priority goes beyond the sale of products. We focus on meeting the demands of the industry with a value proposition based on a culture of service, training and differentiated distribution required for the **Business to Business model (B2B)**.
Ecuador is a unique country in terms of gastronomic culture, due to the the existence of its four regions. It is estimated that the Horeca segment is made up of for more than **50,000 businesses,** of which about **25,000** are registered in the Ministry of Tourism as service providers of **Accommodation and Food Services.** Of this amount, **80%** is represented by small and micro enterprises.
It is estimated that, by the end of 2018, the Accommodation and Food Services sector accounted for **2%** of GDP within the national economy and ranked sixth in terms of employment generation in the country. **SERVEI** points out to the real needs of its more than **3,000** customers and therefore one of its main pillars is the provision of technical training focused on raising Good Manufacturing Practices in the **HORECA** business sector as follows:

Technical Advisory Service - SAT *[Spanish acronym]*

- **Advice on ideal frying:** Proper use of our oils and fats as well as recommendation for their treatment, control of temperature, oxygenation and measurement of oxidation levels for compliance with the requirement of polar components of the NTE INEN 2678 Standard.

- **Advice on ideal cleaning:** proper use of our specialized products for professional kitchens and compliance with health regulations according to the Organic Health Law.

Our technical advice contributes to the development and/or improvement of internal processes and management of our clients' businesses, thus offering a quality final product as a way of ensuring traffic and frequency of visits.

- **Academic advisisng:** Thanks to the strategic alliances with catering schools and entities focused on promoting tourism in the country, **SERVEI** will offer training sessions to its customers on issues related to the management of businesses, such as standard recipe setting, customer service management, gastronomic marketing, among others, thus contributing to the ongoing training required to encourage compliance with quality standards that make possible the permanence and profitability of **HORECA** businesses in the market.

HORECA

Business Unit

50.000
Integrated businesses

+25.000
Businesses registered in the Ministry of Tourism

80%
80% represented by small and micro enterprises

3.000
SERVEI clients

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"SERVEI, the new collaborative partner of the HORECA segment Cuadro de texto in Ecuador".

Holger Aguirre
National Commercial Manager
Baking segment – Maestro
Horeca segment - Servei
La Fabril

LEGAL REGULATIONS

The work of **SERVEI** to accompany the country´s gastronomic development is based on the current legal regulations:

Article 52 of the Ecuadorian Constitution establishes the right to have high quality goods and services and to demand them freely, as well as to accurate and not misleading information on their contents and characteristics.

Good Manufacturing Practices Regulation for Processed Foods. Executive Decree 3253. OR 696, of November 4, 2002.

Law No. 2007-76 reformed in the **Organic Code of Production, Trade and Investment**. OR of December 29, 2010 that constitutes the Ecuadorian Quality System.

Ecuadorian Technical Regulation RTE INEN 232 "Oils and fats used during the frying process" which establishes the requirement of polar components of the NTE INEN 2678:2013 Standard and prohibits the commercialization for further use of oils and fats that have already been used in the elaboration of food products for human consumption.

Substitute Regulation to grant operating licenses to establishments subject to sanitary surveillance and control. Accord No. 00004712 that establishes sanctions in accordance with the Organic Law of Health. accordance to the Organic Law of Health.

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CUSTOMER CARE AND SERVICE

GRI 416-2, 417,3

Communication with our customers and consumers to meet their requirements either asking for information about the company, products or promotions, as well as their complaints, is ongoing and is channeled through the **1800 La Fabril** line. During the time period being anayzed there was a reduction of calls received compared to the previous period; **622 calls** were received compared to the **2,263 calls** received between 2015 and 2016. One hundred per cent (**100%**) of the requirements was managed. In 2019 there are plans to hire the services of a Call Center with the aim of increasing the volume of calls from our customers and consumers.

2017 CONSOLIDATED CALL REPORT

NEW CLIENT REQUEST	COMPANY INFORMATION	COMPLAINTS	PRODUCT INFORMATION	INFORMATION ON	TOTAL CALLS
236	142	45	32	20	475

2018 CONSOLIDATED CALL REPORT

NEW CLIENT REQUEST	COMPANY INFORMATION	NEWS	PROMOTIONS	TECHNICAL ASSISTANCE	TOTAL
106	18	20	2	1	147

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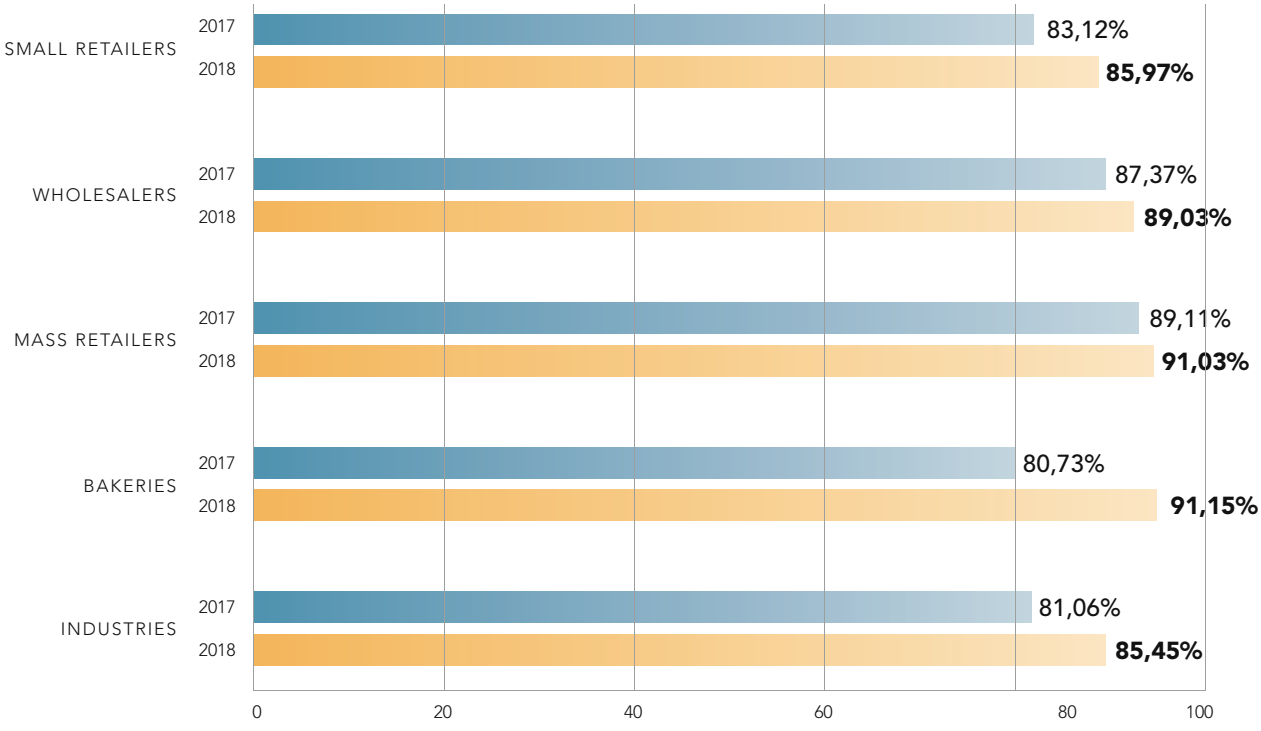
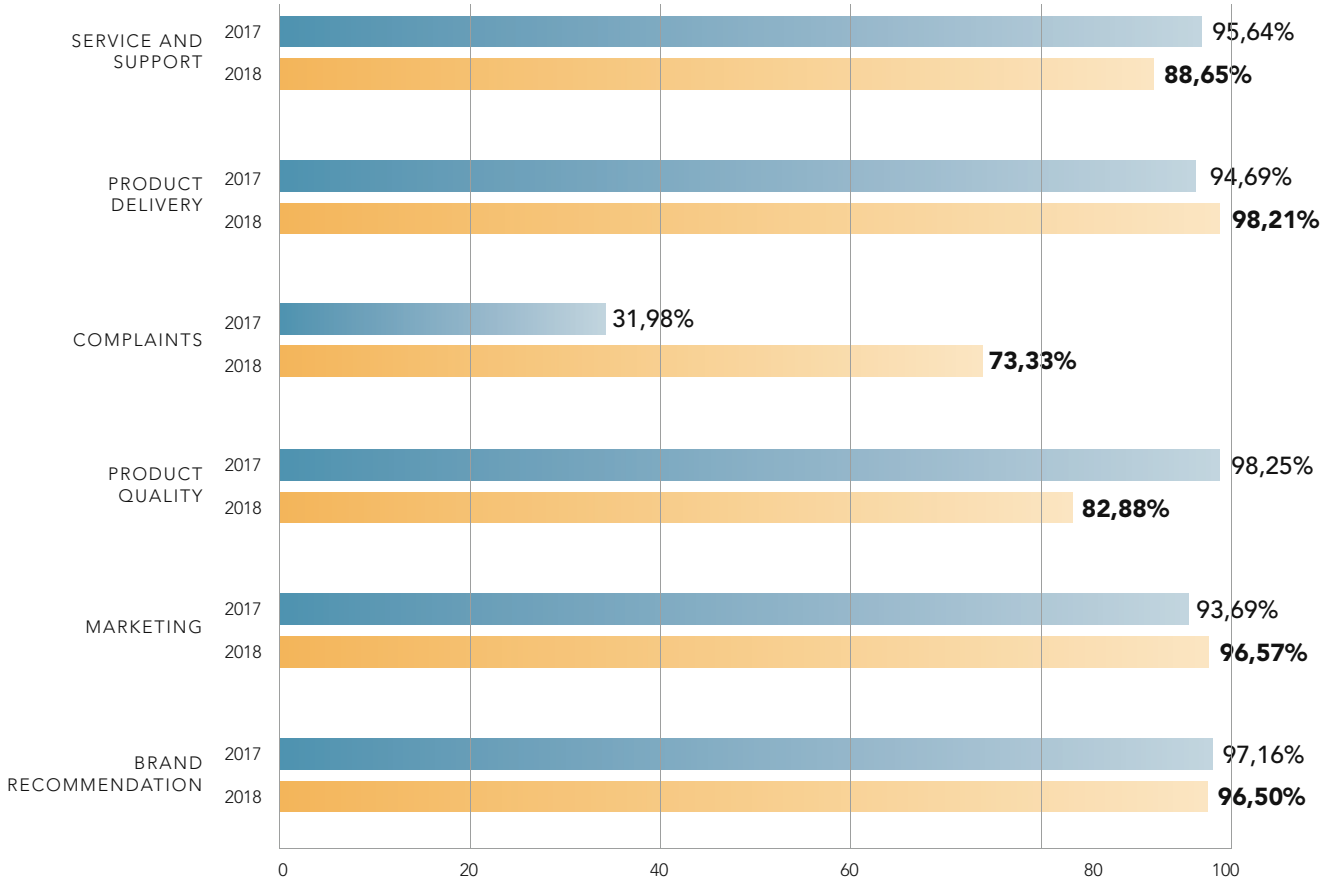
SATISFACTION RATE BY TRADE CHANNEL

Annual comparison 2017 - 2018



SATISFACTION RATE BY ATTRIBUTE

Annual comparison 2017 - 2018



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GOOD MANUFACTURING PRACTICES

GRI 417-3

For La Fabril Group, ensuring the safety and satisfaction of its consumers is a top priority. Therefore, the company is subject to rigorous international standards that guarantee the quality of the products placed on the market.
On April 25, 2018 La Fabril received the Good Manufacturing Practices certification issued by the National Agency for Regulation, Control and Health Surveillance (**ARCSA**, Spanish acronym) for Home and Personal Care plants, with which it became the second industry in the country and the first company in the province of Manabí to receive this endorsement. The certification was granted by ARCSA's zonal coordinator, Sergio Palomeque.
This certification guarantees compliance with GMP standards set out in Annex 2 of Decision **516** of the Andean Community (**CAN**) and in the Annex to the Andean Technical Regulations, described in Decision **721** of the Andean Community.
La Fabril currently has more than 10 national and international certifications in processes and products that have the highest quality, safety, security and environmental standards required worldwide, which make us a benchmark in the Ecuadorian agribusiness.
In addition, we achieved the re-certification of the Montecristi Industrial Complex in the **BASC** *Control and Security Management System*, which was also successfully implemented in La Favorita Plant in Guayaquil, strategic site where the production of organic products for international markets will take place.

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LA FABRIL S. A. CERTIFICATIONS

TYPE OF CERTIFICATION	CERTIFICATION CRITERIA	CERTIFIER	VALIDITY
HACCP (Hazard Analysis Critical Control Point)	Codex Alimentarius	SGS	2019
Food Safety System Certification FSSC 22000	ISO 22000:2005. ISOTS22002-1, FSSC22000	SGS	2019
GMP (Good Manufacturing Practice)	Codex Alimentarius CAC/RCP 1-1969. Rev. 4 (2003)	SGS	2019
Quality Management System	ISO 9001:2015	SGS	2019
Environmental Management System	ISO 14001 -2015	-	2020
International Sustainability and Carbon Certification (ISCC)	(ISCC) ISCC 201, 202, 203, 204, 205	SCS	2019
Organic Certification	US National Organic Regulation Program NOP 7 CFR Part 205, Section 1 of Regulation (CE) No. 834/2007	BCS	2019
Kosher seal	Kashrut, the code of Jewish Dietary law	Orthodox Union	2019
Certificate of Conformity with INEN Quality Label	NTE INEN of the respective product	INEN	2019-2021
BPM Food ARCSA	Unified health technical regulations for processed foods, food processing plants, distribution, commercialization, food transportation and catering establishments.	ARCSA	2019
BPM Cosmetics and Cleaning Products Arcsa	Sanitary regulations for Cosmetic products, products of domestic hygiene, personal hygiene absorbent products.	ARCSA	2021
BPM Animal Food Agrocalidad	Resolution No. 318	AGROCALIDAD (Ecuadorian Agency for Agricultural Quality Assurance).	2019
Roundtable on Sustainable Palm Oil (RSPO)	RSPO Principles and Criteria	IBD	2023

5s

A methodology that organizes work so as to minimize waste, ensuring that work areas are systematically cleaned and organized, improving productivity, security, and providing the basis for the implementation of efficient processes.

ISO 9001

An international standard based on a series of quality management principles that include focusing on the client, the motivation and involvement of senior management, a process-oriented approach and continuous improvement. Obtaining consistent and good quality products and services is the purpose of the ISO 9001:2015 standard.

GMP

Good Manufacturing Practices (GMP) are an essential tool for obtaining products that are safe for human consumption, focusing on hygiene and handling. They are used for the design and operation of the premises, as well as for the development of food-related processes and products.

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PRODUCT QUALITY, SAFETY AND LIABILITY

GRI 416-1, 416-2, 417-3

REGULATIONS / INEN LABELS

CATEGORÍA	NORMA
Food	**Organic Health Law and its Regulations .**
	Resolution arcsa-of-067-2015-ggg, unified technical health regulation for processed foods, food processing plants, distribution facilities, commercialization, food transportation and catering establishments.
	Official Registry N° 134 - Friday, November 29, 2013 To set maximum levels of trans fat in edible oils and fats, margarines and supplies for food industries, bakeries, Restaurants or food services (catering) / **Accord 4439**.
	Alternative Health Regulation for the Labeling of Processed Foods for Human **Consumption Regulation N° 5103 Official Registry N° 318** (August 25, 2014).
	Ecuadorian Technical Regulation RTE INEN 022 (1st) "labeling of processed, and packaged food products".
	Operating License Regulation N° 4712.
	INEN Standard 1334-1; INEN Standard 1334-2 ; INEN Standard 1334-3.
	Official Registry N° 167 22-01-2014 guidelines for the implementation of traceability.
	Ecuadorian Technical Regulation RTE INEN 064 (1st) "edible oils and fats".
	Organic Law on Consumer Protection.
	Regulation concerning the authorization and control of advertising of Processed Foods. **Accord N° 00000040**.
Cosmetics	**Resolution 006-2017-CFMR** Technical Health Regulation for cosmetic products, domestic hygiene products, absorbent personal care products.
	Harmonization of legislation regarding Cosmetic Products **DECISION 516-CAN** of the Andean Community.
	Decision 706-CAN of the Andean Community. Harmonization of legislation regarding domestic hygiene and absorbent personal care products.
	Instructions for the control and health surveillance of cosmetic products. **Accord 00002434 (Official Registry 850, Dec-13-2012)**
	Resolution No. 1333. Addenda to the **Resolution 797** - Criteria for approval of codification in the field of cosmetics.
	Resolution No. 1482 - Amendment to Resolution 1418: Microbiological content limits for cosmetic products.
	RTE INEN 093 - Cosmetic Products.
Domestic Hygienet	Harmonization of legislation regarding domestic hygiene products and absorbent personal care products, **Decision 706**.
	Andean Technical Regulation, **Decision 721-CAN** of the Andean Community.
	Resolution No. 1370 - Format for the NSO of domestic hygiene products.

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With the acquisition of Otelo & Fabell in 2018, La Fabril must comply with the following standards and regulations when entering new segments.

COSMETICS STANDARDS AND REGULATIONS

Resolution 006-2017-CFMR Technical Health Regulation for cosmetic products, domestic hygiene products, absorbent personal care products.

Harmonization of legislation regarding Cosmetic Products

Decision N° 516-CAN of the Andean Community.

Decision 706-CAN of the Andean Community - Harmonization of legislation regarding domestic hygiene and absorbent personal care products.

Instructions for the control and health surveillance of cosmetic products.

00002434 Accord (Official Registry 850, Dec-13-2012)

Resolution No. 1333 - Addenda to **Resolution 797** - Criteria for approval of codification in the field of cosmetics

Resolution No. 1482 - Amendment to **Resolution 1418** - Microbiological content limits for cosmetic products.

RTE INEN 093 - Cosmetic Products.

In the animal nutrition segment we detail the standards it meets.

AGRI-QUALITY STANDARDS AND REGULATIONS

Decision N° 483
Standards for registration, control, commercialization and use of veterinary products.

Resolution DAJ - 20143940201.0318
Legislation that helps control the application of Good Manufacturing Practices (GMP) for establishments that manufacture, formulate, develop, commercialize, import or export food for veterinary use.

Resolution N° 0066
Instructions for BPM and BPA certification audits of veterinary products.

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During external certification audits, non-compliance with the requirements of specific standards was found, which were analyzed with customers responsible for the processes involved.

2017 QUALITY AND CUSTOMER SAFETY AUDIT

COMPANY	AUDIT DATE	SCORE	PURCHASED PRODUCT
Burger King	03/21/2017	Approved	200 BK Extraoleic
Seafman	05/24/2017	Approved	Soybean and sunflower oil
Pronaca	05/01/2017	Approved	93.8% Soybean and sunflower oi
Bimbo Colombia	06/07/2017	Approved	-
México Turin Chocolates Mars Group	07/04-05/2017	Performance	Acceptable Lacto 350
Tecopesca	07/26/2017	Approved	Soya, Girasol
Clorox	08/01-02/2017	Approved	Chlorine and Bleach
Extranatu S.A.	08/15/2017	Approved	Habiwax
KFC	08/31/2017	Quality: 93	OLEOFRY 30
Pronaca	09/26/2017	Approved	OLEOFRY 30
Nestlé	10/18/2017	Approved	Kaofat 200 Hl, Extraoleic 70
Unilever	10/24/2017	Qualified toiletries and dishwashing soap	Possible maquila of soaps
Papa John's Papizzecsa	10/30/2017	Approved Superior 99.79	Sabrosalsa Soybean oil

2017 QUALITY AND CUSTOMER SAFETY AUDIT

COMPANY	AUDIT DATE	SCORE	PURCHASED PRODUCT
SWEETS	03/27/2018	Approved Superior 98.50	Coberchoc
KFC	05/14/2018	Level 3 Category	OLEOFRY 30
KFC	06/21-22/2018	Level 1 Category	OLEOFRY 30
Marvelize	06/26/2018	Approved	Soybean and sunflower oil
SEAFMAN	07/17/2008	Approved	Soybean and sunflower oil
Natural Habitats	07/11/2018	Approved	Habiwax
Natura	10/09/2018	Disapproved	65 N Extraoleic
Extranatu S.A.	10/22/2018	Approved	All products
	11/09/2018	Approved	All products

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ECOLOGICAL IDEAS

We understand and we assume our commitment to environmental sustainability, evidencing our actions in each of our processes. The wastewater treatment system implemented in 2010 with the goal of becoming a **Zero (0) Effluent Plant**, constant waste reduction and waste reutilization allow us to work towards reducing our ecological footprint.

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CORE AREAS OF ENVIRONMENTAL MANAGEMENT

GRI 103-2

Residues | Water | Energy | Infrastructure and technology | Sustainability in Agriculture

ENVIRONMENTAL INVESTMENT AND EXPENDITURES

in thousands of US dollars

YEAR	ENERGY & PALMA	MONTECRISTI INDUSTRIAL COMPLEX
2017	$ 730,200	S 189,000
2018	$ 640,900	S 187,000

EMISSIONS GENERATED

GRI 305-7

POLLUTANT	FUEL	MAX. ALLOWANCE	2017
Total particles	Diesel	3 mg/Nm³	150
NOx	Diesel	3 mg/Nm³	550
SO_2	Diesel	3 mg/Nm³	1,650

The parameters highlighted in red are based on bunker, This fuel is currently not consumed. Attached is a table with the permissible parameters applicable.

Regarding environmental management, Energy & Palma carried out the following actions with a total investment of **US$ 138,129**.

- Construction of three pools of 5000 m³ as a sedimentation phase and redesign of the effluent treatment system.
- Competed Environmental Compliance Audits of the Plantation and the Extractor Plant.
- Record keeping as Hazardous Waste Generators.
- Conservation of the SENAGUA Permit.
- Duly labeled company areas and better preserved environmentally.
- The implementation of the second Tridecanter implies a more simplified treatment of the effluent treatment system, reducing the use of water and total effluent to the system.

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CONTROL OF POLLUTANT EMISSIONS IN STEAM GENERATORS

GRI 305-7

YEAR 2017

POLLUTANT EMITTED	FUEL	UNIT	Max Allowable Limit **	Measurement I Jan 31 2017	Measurement II Aug 22 2017	Legal Compliance (Analysis)
STEAM GENERATOR SERIES 25.287						
Totale particles	diesel	mg/Nm³	180	2,6	18,1	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	92,9	251,0	
SO_2	diesel	mg/Nm³	2.004	93,9	139,4	
STEAM GENERATOR SERIES 25276						
Totale particles	diesel	mg/Nm³	180	3,7	17,3	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	90,8	242,9	
SO_2	diesel	mg/Nm³	2.004	89,9	270,9	
STEAM GENERATOR SERIES 25.259						
Totale particles	diesel	mg/Nm³	180	14,2	50,3	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	83,9	111,0	
SO_2	diesel	mg/Nm³	2.004	91,5	49,5	
CAULDRON ACUATUBULAR						
NOx (2)	diesel	mg/Nm³	670	135,3	170,4	Measurement 1: Complies
SO_2	diesel	mg/Nm³	2.004	329,9	272,0	Measurement 2: Complies

YEAR 2018

POLLUTANT EMITTED	FUEL	UNIT	Max Allowable Limit **	Measurement I Jan 25 2018	Measurement II Aug 13 2018	Legal Compliance (Analysis)
STEAM GENERATOR SERIES 25.287						
Totale particles	diesel	mg/Nm³	180	<33	<33	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	212.0	280.0	
SO_2	diesel	mg/Nm³	2004	341.0	253.0	
STEAM GENERATOR SERIES 25.276						
Totale particles	diesel	mg/Nm³	180	<33	3.5	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	225.0	281.0	
SO_2	diesel	mg/Nm³	2004	334.0	380.0	
STEAM GENERATOR SERIES 25.259						
Totale particles	diesel	mg/Nm³	180	<33	9.5	Measurement 1: Complies Measurement 2: Complies
NOx	diesel	mg/Nm³	670	215.0	269.0	
SO_2	diesel	mg/Nm³	2004	309.0	394.0	
CAULDRON ACUATUBULAR						
Totale particles	diesel	mg/Nm³	180	-	-	Measurement 1: Complies Measurement 2: Complies
NOx (2)	diesel	mg/Nm³	670	136.0	173.0	
SO_2	diesel	mg/Nm³	2004	333.0	499.0	

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BIOMASS STEAM GENERATION

1 The 25 ton per hour boiler works from **PKS** (African Palm Husk) biomass.

2 The PKS is received in a **32 ton** capacity hopper.

3 From the hopper it is directed to 4 silos by means of a chute elevator.

4 From the 4 silos it is led to the boiler by means of a carrier to the feeding bunker.

5 In the boiler the PKS is processed in 5 zones formed by grids: the degassing zone, the ignition zone, two burning zones, and the ash removal zone.

The 25 tons per hour Vyncke Boiler works with all its software driven systems.

On March 8, 2019 the implementation of the Enerbmass project was carried out, which allows for **biomass** steam generation and has environmental, economic and social advantages such as the reduction of gaseous pollutants to the environment, the non-provocation of the acid rain phenomenon, in addition to contributing to forest cleaning and fire prevention.

Among its economic advantages are the reduction of the number of boilers and savings from fossil fuel purchases (diesel and/or bunker). The new plant also generates employment throughout the supply chain and encourages investment in rural areas.

Energía de Biomasas Enerbmass was constituted on August 22, 2017 to join La Fabril group and be responsible for the production, acquisition and distribution of energy and other purposes.

The plant has an installed steam production capacity of **25 tons per hour** and at the time reaches a utilized capacity of **19** to **20 tons per hour**. It is projected to reach **23 ton/hour**.

The Enerbmass operation offers environmental benefits.

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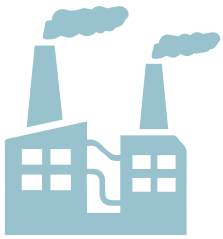

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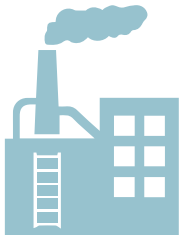
Two types of ash are obtained from the boiler: one wet and the other dry.



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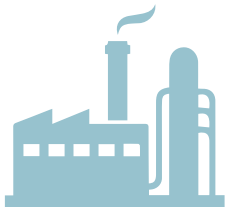
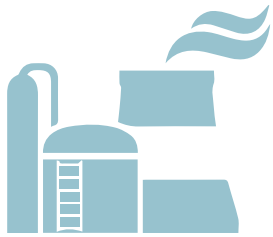
The boiler has 4 steps: three in t the radiation body and one in the pyrotube.



8

The boiler was designed to work as Tubular Acua-Piro at **15 bar** pressure.



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From the internal combustion process the gases are routed to an economizer wherein water coming from the deaerator to the boiler, **221 °F** to **338 °F** (**105 °C** to **170 °C**) is preheated. Then the gases pass through a cyclone separator and then to the filters in order to reach the chimney and comply with environmental regulations.

PKS - The African palm husk is a granular product, obtained through the physical breakage of the palm nut. The main advantage of this product is its caloric value, which allows it to generate a great amount of energy.

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WATER MANAGEMENT

GRI 303-1, 303-3

La Fabril continually makes improvements in its production processes so as to minimize the impact of its operations on the environment, in compliance with its policy of preservation and care of nature.

The company has a wastewater treatment system constantly being improved since its establishment in 2010, which allows it to meet the parameters required by law.

In line with its principles of social and environmental responsibility, and aligned with the legal regulations in force for the operation of oilseed industries, since 2005 La Fabril has implemented clean production practices and reengineered manufacturing processes to radically reduce the effluents generated by its industrial activity.

During the 2017-2018 period, the achieved percentage of reused water in the Montecristi Complex was maintained; i.e. **20%** of the treated wastewater conducted into the cooling systems.

Although no investments have been made, our greatest strength has been keeping control of critical parameters such as fat, ph, TDS, SS through prevention at source.

	2017 en m³	2018 en m³
Recycled water	-	-
Reused water	7.330,53 m³	6.572,32 m³

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WASTE WATER

GRI 306-1

To ensure the efficiency of its environmental processes, the treatment process was designed exclusively for the industrial plant of La Fabril and consists of the following:

- In La Fabril's Treatment Plant, the effluents are collected from areas that have presented a polluting load whose parameters are outside the requirements established in the Environmental Legislation.

- There is a Fat Recovery System to which the effluents arrive once they have completed the industrial activities.
At this point, excess fat is retained and neutralized if necessary.

- Later, it passes on to the CMF system (Crossed Micro Filtration) where fats and sludge are separated, and finally the CPM permeate is treated in the Reverse Osmosis system.

Prevention related activities are applied in other companies of the group that make it possible to work for the reduction of polluting effluents. At Energy & Palma the volume of non-polluting effluents intended for composting and plots grew.

WATER CONSUMPTION AT ENERGY & PALMA

	2017 m³/hour	2018 m³/hour
Surface water	12,60 m³/h	14,63 m³/h

EFLUENTS ENERGY & PALMA

2017 Ton	2018 Ton	DESTINATION
65.856 *t*	74.631 *t*	Composting and Plots

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RESIDUES

306-2

Two collecting centers receive the waste generated in the industrial process, which arrive previously classified according to their risk.

TOTAL WASTE AND RESIDUES (in tons)

10.063,86 *t*
2017

9.761,13 *t*
2018

HAZARDOUS WASTE (in tons)

	MONTECRISTI COMPLEX	
	2017	2018
Mineral oils used or worn out	10,18 *t*	3,50 *t*
Used lead-acid batteries	1,30 *t*	1,26 *t*
Alkaline solution waste	2,91 *t*	2,28 *t*
Chemical waste from analysis and quality control laboratories	13,15 *t*	16,29 *t*
Containers contaminated with hazardous material	1,09 *t*	1,33 *t*
Contaminated or damaged personal protective equipment	0,98 *t*	0,94 *t*
Used mineral oil filters	0,74 *t*	0,735 *t*
Compressed gases, disused refrigerated gases	0,23 *t*	0,57 *t*
Dirty hydrocarbons or contaminated with other hazardous substances	1,31 *t*	2,89 *t*
Sludge from gas purification treatments containing hazardous materials	0,16 *t*	0,17 *t*
Luminaries, fluorescent tubes, energy saving light bulbs containing mercury	0,50 *t*	0,70 *t*
Oily mixtures of hydrocarbons, water and waste of emulsion	8,31 *t*	5,89 *t*
Expired or out-of-spec chemicals	1,49 *t*	0,391 *t*
Residues of inks, paints, resins, with hazardous substances	0,32 *t*	2,84 *t*
Worn out organic solvents and solvent mixtures	0,52 *t*	0,37 *t*
Soils contaminated with hazardous materials	0,11 *t*	0,16 *t*
Used ink or toner cartridges	0,53 *t*	0,61 *t*
Electronic equipment in disuse not disassembled or repaired	0,32 *t*	0,74 *t*
Other waste	10,41 *t*	5,057 *t*
TOTAL	**54,56 *t***	**46,717 *t***

WASTE GENERATED AND DESTINATION

Río Manso / Type of waste (quantity in tons)

NON-HAZARDOUS	2017	2018	TYPE OF TREATMENT
Scrap	190,18 *t*	227,466 *t*	Recycling - Adelca Environmental Waste Management
Plastic	0,281 *t*	0,624 *t*	Recycling - Artisan waste management
Cardboard	0,539 *t*	1,426 *t*	Recycling - Artisan waste management
Organic	na	na	-
Annatto draff	na	na	-
Soil	na	na	-
HAZARDOUS			
Used oil	10,63 *t*	8,954 *t*	Co-processing - Recolube Environmental Waste Management
Contaminated containers	0,04 *t*	0,051 *t*	Final Disposal - Armas Environmental Group
Other (samples of laboratories, batteries, fluorescents, toners)	na	na	-
Metal filters	0,51 *t*	0,742 *t*	Final Disposal - Armas Environmental Group
Fluorescent lamps	0,07 *t*	0,113 *t*	Final Disposal - Armas Environmental Group

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NON-HAZARDOUS WASTE (in tons)

TYPE OF WASTE	MONTECRISTI COMPLEX 2017	MONTECRISTI COMPLEX 2018	ENERGY PALMA 2017	ENERGY PALMA 2018	TREATMENT
Scrap	132,90 *t*	162,31 *t*	36 *t*	106,25 *t*	Recycling
Plastic	382,40 *t*	384,83 *t*	0,060 *t*	0,62 *t*	Recycling
Cardboard	937,73 *t*	1.055,52 *t*	0,345 *t*	1,340 *t*	Recycling
Organic	634,71 *t*	533,97 *t*	13,7 *t*	32,7 *t*	Sanitary landfill San Lorenzo
Annatto draff	512.81 *t*	429.22 *t*	-	-	-
Soil	7.829,26 *t*	7.698,99 *t*	-	-	-

During the year 2018, La Fabril increased the luminaries generation system by going to the LED system in order to reduce energy consumption, as other items were augmented, simultaneously the plant managed to reduce other types of waste; as result, there was a noticeable reduction of hazardous waste in 2018 compared to 2017.

Environmental awareness programs resulted in reducing the amount of waste and the taking of full advantage of waste, by an appropriate classification of it according to its category and locating storage modules according to the type of waste generated in each plant.

TREATED HAZARDOUS WASTE (in tons)

TYPE OF WASTE	2017	2018	TREATMENT
Used oil	9,2 *t*	9,9	Co-processing
Used filters	1,58 *t*	1,90 *t*	Incineration
Used luminaries	0,097 *t*	0,058 *t*	Shredding - Extraction - Encapsulation
Lead batteries	2,408 *t*	3,285 *t*	Co-processing
Contaminated containers	0,169 *t*	0,431 *t*	Incineration
Agrochemical containers	0,483 *t*	0,431 *t*	Incineration
Bio-hazardous waste	0,036 *t*	0,013 *t*	Incineration

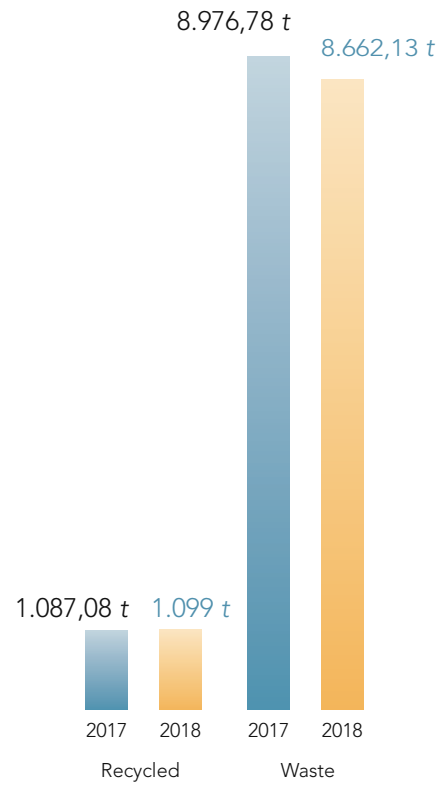
TREATED SPECIAL WASTE (in tons)

TYPE OF WASTE	2017	2018	TREATMENT
Scrap tires	1,791 *t*	1,220 *t*	Recovery of materials
Electronic scrap	0,283 *t*	0,472 *t*	Breakage, disassembly, incineration of plastic and metal parts; recovery

A record of items considered as being Generators of Hazardous Waste was kept at Energy & Palma in 2018 (SUIA-11-2016-MAE-DPAE-00013).

WASTE AND RESIDUES

in tons



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ELECTRIC POWER MANAGEMENT

GRI 302-1

The efficient use of energy leads us to improve every day and soon we will be able to replace non-renewable energy by renewable energy.

LUBRICANTS

(in tons)

2017	2018
22,64 *t*	21,12 *t*

ELECTRIC POWER CONSUMPTION

La Fabril – Montecristi Plant

	2017		2018	
	KW/H	GJ	KW/H	GJ
Acquired electricity	50'980.503,25	183.529,81	49'746.341,20	179.086,82
Internal thermoelectric generation	30.821,05	110,95	23.096,04	83,14
Total	51'011.3240,3	183.640,76	49'769.437,24	179.169,96

ELECTRIC ENERGY CONSUMPTION

Energy & Palma

	2017 kWh/ Mt RFF	2018 kWh/Mt RFF
Consumption from January to December	20,79	19,86
Biomass burning	*t*	t
Fibers	5.670,2	6.425,77

FUEL CONSUMPTION

Energy & Palma

	2017 Gallons	2018 Gallons
Diesel	184.016 gal	171.748 gal
Gasoline	5.791 gal	6.093 gal
Total	189.807 gal	177.841 gal

MATERIAL USE

GRI 301-1

We keep track of all those materials used in our processes by weight and volume, both of raw materials, and also of those required for the elaboration of our products.

Energy & Palma

MATERIAL	2017	2018
Processed palm fruit	105.555 *t*	118.578 *t*
Palm kernel obtained	4.579 *t*	8.329 *t*
MATERIAL	**2017**	**2018**
Fertilizers	1.835,5 Mt	2.079,1 Mt
Agrochemicals	75,7 Mt	52,6 Mt
MATERIAL	**2017**	**2018**
Nursery plastic covers	17.085 units	57.590 units

La Fabril

MATERIAL	IN THOUSAND	2017	2018
Fuel	Gallons	4.942,31	4.290,43
Covers	Units	5.250,97	6.562,02
REF Raw Material	Kilograms	255.457,08	257.465,58
Margarine Additives	Kilograms	5.997,34	6.248,82
Chocolate Inputs	Kilograms	597,72	687,83
Plant Inputs	Kilograms	31.854,66	33.562,85
Interesterification Inputs	Kilograms	50,77	37,66
Caustic soda	Kilograms	10.875,46	8.781,62
Caustic Potash	Kilograms	-	15.625,00
Fragrances	Kilograms	349,93	342,86
Plastic Sheets and Rolls	Kilograms	134.754,43	124.739,51
Silicone	Kilograms	10,83	9,94
Silicate	Kilograms	319,40	252,3
Hypochlorite	Kilograms	6.464,19	6.349,81
Packing Tape	Meters	19.128,58	19.549,46
Preforms	Units	26.055,81	21.450,58
Coloring Agents	Kilograms	1,36	0,93
Packaging material (cartons, containers, tanks,Taps, tubs, beans)	Unidades	229,19	221.728,21

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SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 308-1, 308-2

Until 2016 there were 22 contractors with environmental and safety evaluations; 77.27% have compliance rates from 81 to 100% in the required standards. The remaining contractors are in the process of evaluation.

ASSESSMENT

Compliance with security and environmental aspects

La Fabril has highly committed staff in terms of resource utilization efficiency, preservation of the environment and its interrelationships. We live and do our work responsibly; we innovate in product manufacturing and technology acquisition in processes that promote sustainable development.

SEEDS
(kilograms)

17.085 kg	57.590 kg
2017	2018

ENVIRONMENTAL CLAIMS

GRI 103-2, 419-1

During the years 2017 and 2018 there were no fines for breaches of environmental legislation.
Below are the complaints received during this period:

MIES - Soapy rain

Filed on September 4, 2017 at about 9:20 am, it generated internal and external alarm because its origin was unknown in the first place. The claim was filed by the Ministry of Economic and Social Inclusion that ran one of the community service facilities located near La Fabril and through written statement demanding clarifications and a corrective action plan.
The event was caused by problems detected in the area by the company's personnel and was immediately communicated to the Safety, Occupational Health and Environment Division and assistance was requested to external entities (Fire Department and Traffic Authority) to control vehicle and pedestrian traffic.
The above-mentioned event did not cause any damage to the environment nor to people related or unrelated to the activities of La Fabril. At the site, the affected area was cleaned and the corresponding corrective actions were taken to prevent recurrence.

Provincial Government of Manabi, Red-toned water discharge

Written complaint for the discharge of red-toned water from the water storage tank of the packaging plant of La Fabril on December 18, 2018, as reported by a representative of Manta's Public Water Company (EPAM, for its Spanish acronym).

Immediate response was given indicating that the red water came from the tank which was being cleaned as part of its maintenance process, and that the subcontracted personnel had ignored the procedures that indicate that effluents must go through a process of prior treatment before its final disposal, either for reuse or discharge to the sewerage system.

The procedures were reviewed and updated to prevent such situations from recurring. An internal non-conformance report was filed and complementary actions were taken.

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IDEAS WITH HEART

Compliance with Human Rights and legal regulations in terms of equality, occupational security, labor rights, anti-corruption and family relationship by promoting favorable conditions for the professional growth of our employees is reflected in our sustainability commitments set for the period 2016 - 2020.

We believe in teamwork and continuous improvement, so our human talent is motivated to be not only more numerous, but more efficient and productive.

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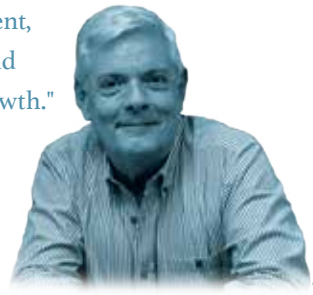
DEVELOPING TALENTS

GRI 102-8, 401-1, 401-2

For us, the importance of human resources is indisputable, as they underpin the success of the company. Our selection process guarantees the incorporation of the best talents in the market. The most important thing is to define an ideal position profile (hard and soft profile) with the internal customer (boss/ manager), depending on the business needs. La Fabril has evaluation tools of greater recognition in the market that gives us clarity of the candidate in terms of personality, multiple intelligences and emotional intelligence.

"Believing in work teams drives the development and growth of any company; therefore, La Fabril has become an attractive place for new professionals, who perceive in it seriousness, a good working environment, transparency, stability and great possibilities for growth."

Guillermo Baraldo
Corporate Director of Organizational Development.



SKILLS AND CRITICAL INCIDENT INTERVIEWS

Assessment Center
To assess competencies (knowledge, abilities and skills).

Security Check
Validates issues of integrity and that the information provided by candidates is transparent, and validates candidates' job references.

Induction to the company
It includes holding meetings with areas of Management Systems and important macro processes.

Induction to the position
It consists of handing over responsibilities and for that purpose meetings are scheduled with the areas with which the position interacts.

Once the candidates become part of the group, there are projects for their personal and professional development.

EMPLOYEES

Energy & Palma

EMPLOYEES	2017	2018
Agriculture	672	672
ADM	261	290
Total	933	962

Río Manso

EMPLOYEES	2017	2018
Of the company	435	389
Hired	19	19
Total	454	408

BY GENDER

Río Manso

2017

EMPLOYEES	MALE	FEMALE
499	457	42
	91,58%	8,42%

2018

EMPLOYEES	MALE	FEMALE
518	466	52
	89,96%	10,04%

TRAINING

	2017	2018
Labor/hours	13:62 h	19:34 h
Job rotation (%)	2,17%	1,9%

Projects developed during 2017 and 2018

- School for Operators
- Conversational Skills - To be Leader
- Theory of Contrains - TOC
- Ontological Coaching
- Engagement Championss

YEAR	PEOPLE
2015	2.505
2016	2.527
2017	523
2018	2.571

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DIVERSITY AND EQUALITY OF OPPRTUNITIES

GRI 102-7, 102-8, 405-1

La Fabril is a benchmark of equal participation and opportunities for women, example of this is the adherence of the company in 2017 to the Corporate Pact in favor of gender equality in Ecuador, which aims to promote best practices and principles of gender equality. The signing of this Pact together with other eighteen Ecuadorian companies, which was attended by Bibiana Aído, Representative of UN Women in the country, seeks to position and to increase gender diversity within job positions, as well as to engage these companies in promoting the incorporation of a greater number of women in managerial positions and in the board of directors.

BY GENDER

La Fabril

GENRE	2015	2016	2017	2018
Masculine	2.039	2.037	2.026	2.071
Feminine	466	490	497	500
Total	2.505	2.527	2.523	2.571

BY GEOGRAPHIC LOCATION

La Fabril

LOCALIDAD	2015	2016	2017	2018
Ambato	55	56	53	57
Cuenca	45	46	45	45
Guayaquil	253	273	276	313
Ibarra	16	19	20	19
Machala	27	27	29	31
Manta	55	56	36	36
Parent Company	1.761	1.759	1.753	1.750
Quito	142	144	65	80
Santo Domingo	73	75	150	151
Tulcán	22	20	77	73
Favorita Plant	56	52	19	16
Total	2.505	2.527	2.523	2.571

BY JOB TYPE

Energy & Palma

DETAILS	EXECUTIVES	OPERATIONAL	ADM	INTERNSHIPS
2017	12	672	249	4
2018	11	674	278	6

BY GENDER

Energy & Palma

2017		2018	
MAN	FEMALE	MAN	FEMALE
793	140	832	130

ANNUAL ROTATION

	2017	2018
Energy & Palma	2,62%	1,86%

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CONSTANT TRAINING

GRI 404-2

The company has the following development projects for its employees.

School for Operators

The School for Operators aims at providing technical training to employees in the different process areas, enabling them to develop their knowledge and acquire new skills, generating development plans that lead to internal promotions within their own work areas or in other areas of the company, in job positions at the operational level but with greater responsibilities or hierarchical level.

In 2017 we completed the third edition of the School for Operators. It was a six-month period, during which dozens of employees, chosen through a selection process, participated in this program, which allowed them to enhance their technical knowledge, skills and professional abilities.

The educational structure applied is the result of a joint work of the company´s Department of Human Development and the Maintenance division, which through a process of theoretical and practical training provided the required knowledge to the staff.

Trainer of trainers

Develops the capacities to manage teaching and learning processes in such a way that allows them to act as internal facilitators in induction, training and knowledge increase projects within the organization.

To Be Leader *(Leader of High Performance Teams)*

It is a high impact leadership development program that generates and reinforces the culture of the organization. The company seeks to maximize results, for which it needs executives that, demonstrating their leadership, drive change processes and create teams that are aligned with the organization´s achievements.

Current leaders do their job by talking, coordinating actions, listening attentively to situations and problems, providing instructions, presenting projects and ideas, inspiring and taking decisions to make easier the performance of work teams. The LEAD certification gathers all these elements to focus on visibly increasing the leaders´ conversational assertiveness and thus cause a positive impact on the team´s productivity.

To Be Coach

Training and certification program in ontological coaching that allows for the acquisition of skills and competences inherent to this practice.

TOC *(Theory of Contrains)*

Program that allows to improve the managerial capacity of the participants to make reliable, effective and efficient decisions based on Throughput Accounting, which generate significant and rapid impacts on growth and stability indicators with low stress levels. It is based on convergence, win - win and respect, resulting in communication between the management team and the participants.

SAT *(Spanish acronym, Technical Assistance Service)*

Aimed at customers of Maestro in the bakery division, with the objective of perfecting their baking techniques and accompanying them in the development of areas related to the growth of their businesses.

The training team is made up of eight technicians who hold international certifications from the AIB (American Institute of Baking), an organization that certifies worldwide food safety and bakery sciences. Moreover,

they have a long-standing experience in baking, teaching, product development and the preparation of teams and participation in baking, pastry and artistic chocolate competitions.

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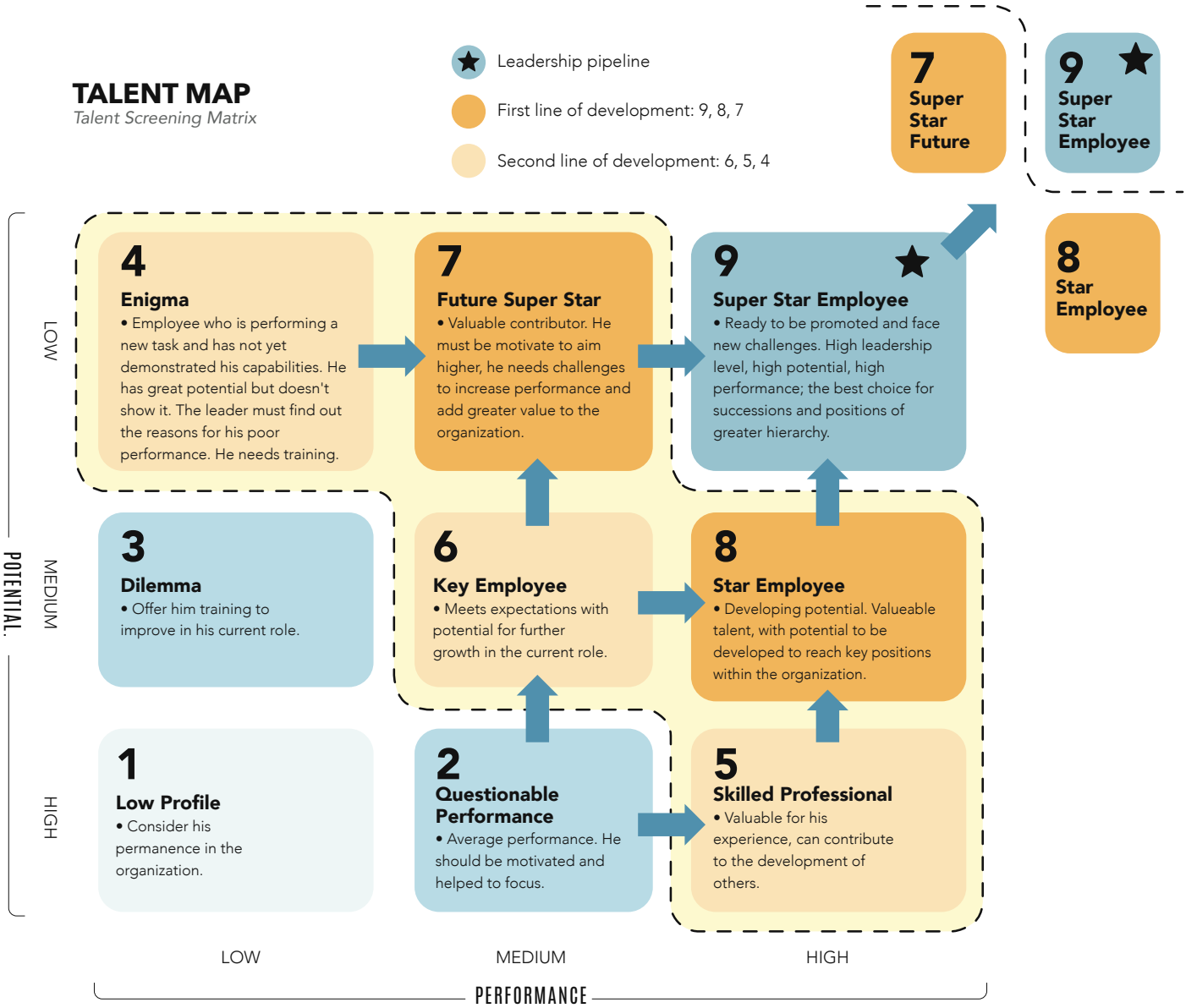
FROM EMPLOYEE TO SENIOR EXECUTIVE

Training leaders in the **TOC** (Theory of Constrains) methodology in the chapters of finance and key performance indicators, thought processes, projects, operations, supply chain - distribution, marketing, sales, strategy and tactics opens up possibilities for identifying talents that could become top executives.

They have gone through a high potential evaluation process that allows them to map out their growth plan towards senior executive positions and allows the company to have its strategic employees identified in the succession plans for such positions.

TOC training contributes to develop the capacity to lead based on the true value paradigm, which is generated when customers' needs are identified and satisfied in a competitive way, and to improve their capacity to identify cause-effect solutions with a methodology that allows to synchronize the parts of an organization, to achieve greater benefits for the organization as a whole. It focuses on global performance rather than on local performance.



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ENGAGEMENT ASSESSMENTS

GRI 404-3

La Fabril, which has an innovative approach to management, also has an innovative assessment system, seeking to have employees evaluate their bosses, bosses evaluate their managers, managers evaluate their directors, and directors evaluate the Chief Executive Officer.

This process is called Engagement Champions. The leadership quality in each area is reflected in the satisfaction and self-fulfillment of those who work with the boss by answering questions such as: Are the employees properly understood and recognized? Are the instructions clear? Are suggestions well received? etc. The previous evaluation of this type was carried out in 2016 and the result was very good. La Fabril´s management system and head offices obtained a score of **4.22 out of 5**.

In the recent survey carried out in 2018, the situation improved, our score reached **4.31 out of 5**. Although this result is very good, it is still not enough, as we want to work in an environment where each of the employees who make up the company is 100% committed. We are confident that with the results obtained we will be able to generate new improvement plans for achieving such goal.

The increase of every hundredth in this process may seem small but it involves a great effort, taking into account that we are a company with more than 2,500 employees, where each individual action generates a positive or negative impact for the company´s administration and image.

With the results obtained, each of the employees having staff under their responsibility should develop new **Action, Training and Development Plans**, which include finding again those opportunities for improvement, growth or rectification that strengthen our work, becoming the protagonists of the construction of an organization where engagement is that emotional connection between the employees and the company that will allow us to become a more productive and safe industry.

In July 2016 we implemented the Recruitment Form for performance that is oriented towards a meeting between the individual-employee and his/her immediate boss with the aim of helping the immediate superiors to lead coaching discussions with their team members. These initiatives are designed to promote employee participation and increase job performance.

This contract helps identify what would be the ideal recognition for employees and talk about their preferences with their immediate superior. It makes it possible to know how the employees would like to be recognized within their role as well as their short-term expectations regarding their professional development, which accompanied by a defined career plan, will enable them to get executive positions.

INTERNAL PROMOTIONS

LOCATION	2017 PEOPLE	2018 PEOPLE
Ambato	2	3
Cuenca	2	6
Guayaquil	30	31
Machala	8	9
Manta	1	3
Parent Company	65	38
Favorita Plant	1	6
Quito	13	9
Santo Domingo	2	6
Tulcán	2	1
Total General	129	112

PRODUCTION AWARDS

Monthly average

2017 PEOPLE	DOLLARS	2018 PEOPLE	DOLLARS
900,83	US$ 9.155,50	852,50	US$ 8.378,31

TRAINING

	HOURS	PARTICIPANTS
2017	73.217	25.443
2018	72.080	27.972

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FREEDOM OF ASSOCIATION

GRI 102-41

The company has two worker associations and one work council. There are also associations in Guayaquil, Ambato and Quito. On March 2, 2018, the members of the Employee Association of La Fabril re-elected Mr. Gonzalo Mejía as its president. In Río Manso and Energy & Palma, workers have not constituted any association or work council despite the fact that these rights enshrined in the labor law are set out in the internal rules of procedure. During 2017 and 2018, La Fabril had one main and occupational health and safety committee and 8 subcommittees.

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OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1, 403-2

In 2016, 16 "in itineri" accidents (going to or coming from the workplace) were registered. In 2017, 20 "in itineri" accidents were registered, which resulted in 80 workdays lost due to rest and a cost of lost hours of approximately **US$ 47,349.73**. In 2018, "in itineri" accidents reduced to 9 cases, which resulted in 30 workdays lost due to rest and a cost of lost hours of approximately **US$ 29,971.48**. Taking into consideration the results of the years 2016 and 2017, in the middle of 2017 an improvement idea related to work clothes was established by implementing high visibility stripes on the work clothes of employees who carry out their activities in rotating shifts or extended working hours with the aim of avoiding accidents on the road or when getting out of their shifts at night, considering the dangers on the street. This proposal resulted in the reduction of in itineri accidents in 2018. In addition, in May and June, defensive driving training was provided to company personnel who drive vehicles (cars and motorcycles). This activity was held in the multipurpose room and was dictated by the National Police and the Municipal/National Transit Agency, with support in terms of logistics from the human resources department. Horizontal signaling was also improved on the internal roads to define the areas of pedestrian traffic.

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Energy & Palma: The staff with responsibilities of management received a training on leadership in conversational skills between March 14 and July 17, 2017.

Prevention Programs

La Fabril has health and safety prevention programs led by the EHS department and the medical department, both in the main plant and in the Favorite Plant, as well as in the North and South regional plants. At the national level, La Fabril complies with the legal requirements in labor issues, declares the activities of the committee and subcommittee on an annual basis, as well as the indicators of Frequency and Severity of accidents to the Ministry of Labor and Occupational Risks. It has disseminated and registered its Health and Safety Regulations with the Ministry of Labor, approved in 2017 by the latter.
In 2018, training in the **ISO 45001:2018** Occupational Health and Safety Management System was conducted for internal auditors. The first internal audit will be conducted in 2019 and the certification is expected to be granted by 2020.

On December 2018, the **SMETA v.6.0** social responsibility audit was carried out at the main plant in order to maintain the certification in force since 2015.
The Favorite Plant, located in Guayaquil, received **SMETA v.6.0** certification in May 2018, meeting the requirements of the standard; the certification will remain in force until 2021.

In the Northern Region (Quito, Ambato, Santo Domingo, Tulcán and Ibarra agencies) there is an effectiveness rate of **68%** in internal audits of the Occupational Health and Safety Management System. A monthly evaluation mechanism has been implemented for safety and health sub-committees, with a performance increase of **81%** from 2015 to 2016, rising from **48%** in 2015 to **86%** in 2018.

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FIRE DETECTION AND ALARM SYSTEM

GRI 102-11

La Fabril has a fire detection and alarm system in its main plant with display screens that makes it possible to identify any warning, in addition to the fire extinguishing system that has been in operation since 2014. The fire protection systems were designed and built in accordance with the requirements of the **NFPA** standard and their operation is guaranteed under the same guidelines. To date, no significant events involving material losses or working days lost have been detected.

On November 26, 2017 there was a fire in the warehouse of the agency located at kilometer 14.5 of the Vía a Daule in Guayaquil, which was controlled thanks to the company´s fire control system and the support of the Guayaquil Fire Department. The fire did not affect the industrial processes, as it was produced at a location independent of the other production operations.

Drills and Industrial Brigades

There are approximately 485 industrial brigade members at La Fabril. These workers have been selected for their skills, responsibility, and compliance with the company's values. Brigade personnel has been trained and skilled in the areas of: Industrial Fire Control, Advanced First Aid and CPR, Hazardous Material Spill Control and Evacuation, Search and Rescue. In the main plant there are 320 brigade members, in the Northern Region there are 75 brigade members and in the Southern Region there are 90 brigade members. In addition to the above-mentioned emergency staff, the administrative personnel are also trained for emergency situations. Based on the emergency and potential risks plan, annual drills are held in the company´s nationwide locations. In 2017 fifty (50) drills were scheduled with a compliance rate of 80%. Likewise, in 2018 another 50 drills were scheduled with a compliance rate of **86%**.

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ENERGY PALMA TRAINING

Regulation, life insurance, work motivation

YEAR	PEOPLE TRAINNED	HOURS	LABOR-HOURS
2017	561	563	1
2018	953	953	1

Employees assessed on psychosocial risks

YEAR	APPLICATION	ASSESSED
2017	400/933	42,9%
2018	400/963	41,5%

OCCUPATIONAL HEALTH AND SAFETY

ABSENTEEISM/HOURS	2017	2018
Results	1,9 %	2,5 %
ACCIDENT RATE	2017	2018
Results	0,26 %	0,81 %
DAYS LOST/WORKPLACE ACCIDENT	2017	2018
Results	3,63 %	3,86 %
OCCUPATIONAL DISEASES	2017	2018
Results	0%	0%

PERSONAL PROTECTIVE EQUIPMENT

YEAR	HANDS	FEET	HEAD	FACE	EYES	MOUTH/NOSE	EARS
2017	141	139	76	106	170	360	64
2018	154	152	78	108	172	367	63

WORKER BENEFITS

Energy & Palma

BENEFITS	EXECUTIVES	ADM	OPERATIONAL
Mobilization	x	n/a	n/a
Rent	n/a	n/a	n/a
Travel expenses and others	x	x	n/a
Uniform and/or endowment	x	x	x
Mortuary assistance	n/a	n/a	x
Private life insurance policy	x	x	x
Credit in supermarket chains	x	x	x

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COMMITTEE AT ENERGY & PALMA

Energy & Palma S.A. has an Assistant and a Head of Industrial Security. During the period considered for this Report, the Occupational Safety and Health Management System was implemented and continued with the PPE (Personal Protective Equipment) training program and delivery.
Since 2017 the company has had an ambulance provided with all the necessary supplies to take care of emergencies.
Energy & Palma keeps updated the conformation of this team of experts that, besides being a requirement established in **Art. 14 of Executive Decree No. 2393**, is of great importance in our Occupational Safety and Health Management System.

OCCUPATIONAL HEALTH AND SAFETY

Energy & Palma

ABSENTEEISM RATE/HOURS	2017	2018
Results	1,9%	2,5%

ACCIDENT RATE	2017	2018
Results	0,26%	0,81%

LOST DAYS / WORKPLACE ACCIDENT	2017	2018
Results	3,63%	3,86%

OCCUPATIONAL DISEASES	2017	2018
Results	0%	0%

SAFETY COMMITTEE

			2017		2018	
			MEMBERS	EMPLOYEES	MEMBERS	EMPLOYEES
No. 1	Montecristi	Committee	12	1.789	12	1.786
No. 2	Guayaquil	Subcommittee	12	276	12	313
No. 3	Guayaquil	Subcommittee	12	65	12	80
No. 4	Cuenca	Subcommittee	12	45	12	45
No. 5	Ambato	Subcommittee	12	53	12	57
No. 6	San. Dom.	Subcommittee	12	77	12	73
No. 7	Quito	Subcommittee	12	150	12	151
No. 8	Tulcán	Subcommittee	12	19	12	16
No. 9	El Oro	Subcommittee	12	29	12	31
No. 10	Imbabura	Delegate	1	20	1	19
Total			109	2.523	109	2.571
%			4%		4%	

TRAINING

In environment, safety and occupational health

YEAR	PEOPLE TRAINED	HOURS	LABOR/HOURS
2017	116	4.641	1,9
2018	220	7.257	1,5

PERSONAL PROTECTIVE EQUIPMENT

YEARS	HANDS	FEET	HEAD	FACE	EYES	MOUTH/NOSE	EARS
2017	141	139	76	106	170	360	64
2018	154	152	78	108	172	367	63

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POSITIVE STAKEHOLDER RELATIONS

GRI 413-1

Social action

In accordance with the Code of Ethics, we are committed to implementing non-profit programs aimed at supporting the communities in which the company operates. In this context, for more than 15 years La Fabril has periodically made donations to foundations, churches, public entities, hospitals and various civil organizations that carry out solidarity work, particularly in Manabí.

The places where the company contributes benefit children, teenagers, mothers, the elderly, the sick, people in situations of economic vulnerability, among others.

We carry out social awareness and philanthropic activities. Our social responsibility goes beyond product donation; we have programs focused on environmental care, protection of our employees, and support to our surrounding communities.

Green areas

With a **US$ 50,000** investment financed by Girasol oil and margarine, which contributed with part of the registrations to the Giratlón race held in Guayaquil, Quito and Manta, La Fabril renovated completely the children´s area of La Madre park in Manta, improving the green areas and installing wooden floors, infantile games and new benches.

This initiative was among the activities made to assist victims of the earthquake that took place on April 16, 2016 and is aligned with the company´s commitment to actively contribute to the economic recovery of the affected provinces.

Bakers

On October 21, 2018, thanks to a strategic alliance between the Decentralized Autonomous Government of the Municipality of Santa Elena, Emuturismo EP and the sponsorship of La Fabril´s Línea Maestro, the Cadeate Pan Fest was held with the participation of more than **50 bakers** to promote the quality, creativity and ingenuity of the baking segment in this town called ¨La República del Pan¨ (*The Bread Republic*).

In addition, 15 bakers had their graduation ceremony after months of study where they developed skills in accounting, customer service and good manufacturing practices aimed at improving their business.

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Entrepreneurship

In 2018, La Fabril started a new series of courses in bakery, pastry, beauty, barbershop, handcrafts and sewing targeted to employee wives and family members in order to encourage new businesses.

Nearly 500 people were registered in the courses that were dictated for three months in the facilities of the Montecristi Industrial Complex and in the classrooms of the Maria de Los Angeles Chapel, located on the back end of the company.

Access routes

Energy & Palma opened the road going to Rocafuerte in 2017 and a year later took care of its ballasting.

Likewise, in 2018 it repaired and gave maintenance to the streets of Ricaurte and held meetings with the communities and the Municipality to carry out new social projects. Currently, 90% of the company's employees come from surrounding communities.

Sports

In February 2018, through its Polar Toothpaste brand, La Fabril renewed its sponsorship of the *Dolfín Sporting Club* of the city of Manta.

DEVELOPMENT OF FARMERS AND THEIR FAMILIES

Social conflicts

On September of 2017, 350 inhabitants of 5 de Junio Parish, located in San Lorenzo, invaded land owned by Energy & Palma. After filing a complaint to the Ministry of Agriculture and Livestock (MAGAP), the institution sent technicians to verify the situation, ratified ownership by Energy & Palma and issued an eviction order.

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IDEAS FOR THE FUTURE

A company that does not care for its surroundings has no life. We are a strategic partner for the development of the country, mainly in our impact areas. This commitment motivates us to seek better lifestyles and quality of life for all those sectors with which we relate.

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COMMITMENTS FOR 2019

La Fabril

To obtain the *RSPO MASS BALANCE* international certification for more than **21,000 tons** of palm oil and more than **1,500 tons** of palm kernel oil. The amounts will increase annually.

Environmental area

- Continue using resources effectively at source and as waste.
- Implement environmental campaigns to reach the homes of employees (environmental challenge).
- Reduce the generation of emissions using clean technologies and decreasing fossil fuel consumption.

Marketing

- To make our brands not only sales leaders but also purpose leaders.
- Constant innovation that contributes to a nutritional, hygiene and personal care lifestyle.

Traditional trade clients

- Consolidation of the *Special Channel* with focus on the Otelo & Fabell Portfolio.
- Implementation phase of the United pilot project and service provision to store tears 3 and 4 indirectly through distributors.
- Strengthening of the *VDI Sub Channel* and *Medium Retailers* through generation of *Sell In/Sell Out* differentiated activities.

Energy & Palma

- To increase our productivity and our suppliers' productivity in terms of *fresh fruit tons (FFR)* by **10%**.
- Completion of the oil palm replanting program.
- Maintaining organic certifications.
- Maintaining the RSPO certification.
- Reducing the consumption of agrochemicals by 5%
- Supporting *Chillavi del Agua* community with the construction of a basic medical clinic.

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COLOR INDICATORS

- La Fabril S.A.
- Otelo & Fabell
- Rio Manso Extraction Plant
- Energy & Palma
- 2017
- 2018

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