



**2017
Sustainability
Report**



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GROWING WITH DIVERSITY AND EFFICIENCY

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REPORT PROFILE

Transparency and reliability

G4-18

We present our first Sustainability Report for 2017, which was prepared based on the guidelines of the Global Reporting Initiative (GRI), an entity that provides a methodology for the evolution of sustainability management in companies. In some reporting situations, we recommend reading the Management Report and the Reference Form, since these documents include information available to the public, are available on our website and in our understanding they complement this report. First, we chose to strengthen our reporting team before moving forward with the comparability method, which is why we seek to examine our company as a whole, in all the content proposed by GRI, without

highlighting material aspects that could arise from the research with our stakeholders and the creation of a Materiality Matrix. In previous years, Fras-le participated in the Sustainability Reports of the Randon Companies, which follow the GRI guidelines, because it is a subsidiary of the group. By starting the report independently, we believe that we are taking a step ahead to improve our sustainable management, aligning the indicators of Fras-le and those of its subsidiaries. We have opted for a biannual publication cycle, with a full version available at www.fras-le.com and a printed compact. ■





A WORD FROM the CEO

A year of new alliances and expansion

64, 1, 13

In 2017, we counted on the strength of sharing to grow and we faced the economic crisis with a firm management, modern control systems and tremendous commitment of the team. It was a year in which we experienced one of the greatest expansion periods of the international market in our entire history of more than 60 years. To ensure the expansion of our presence abroad, we made important acquisitions and associations involving three companies from Argentina and Uruguay in 2017; negotiations for opening in India the ASK Fras-le Friction, which will supply the markets of India, Bangladesh, Nepal and Sri Lanka, and export to other countries. In China, we implemented a bold expansion plan at our manufacturing plant, whose area and production output doubled. In Colombia, we set up a sales office and a distribution center. In our main plant in Caxias do Sul, we invested in the

expansion of our productive capacity, as well as in Controil, located in the city of São Leopoldo, both in Rio Grande do Sul. In the United States, we strengthened the local plant business by expanding the customer base and reinforcing our presence in traditional businesses.

Furthermore, in order to strengthen our operations in the Automaker Market, in the light-duty line, we entered a joint venture with the American multinational Federal Mogul, which resulted in Jurid do Brasil, located in the city of Sorocaba, São Paulo, a unit focused on the manufacture and distribution of premium brake products for original equipment manufacturers of vehicles and aftermarket customers in the light-duty vehicle markets in Brazil and South America.

Regarding innovation, an important foundation for the prosperity of our businesses, we have taken an important step

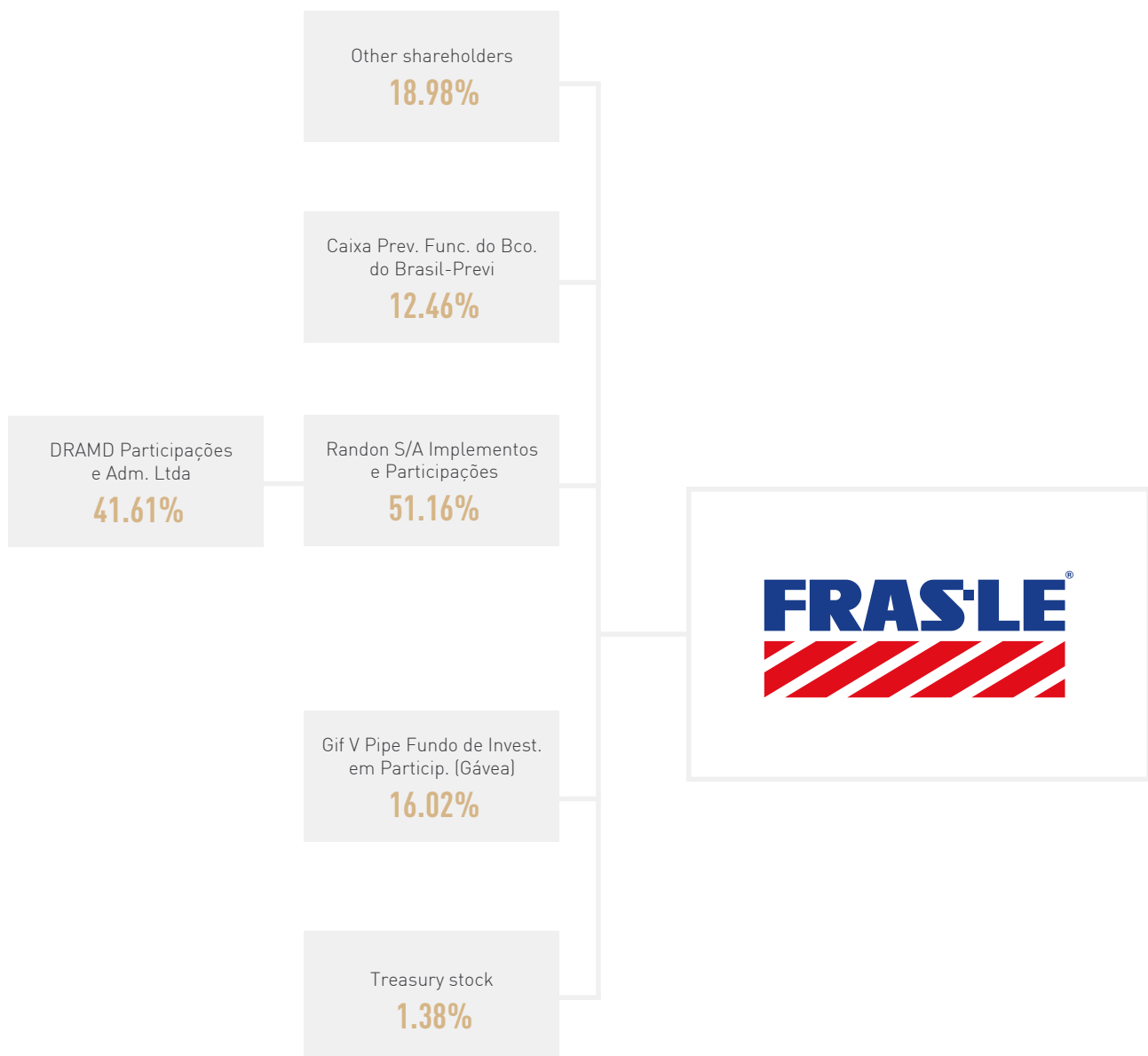


Sérgio Carvalho
Fras-le CEO

in advanced technology by establishing an exclusive license agreement with the Canadian company NUCAP for the production of brake pads with the NRS attachment technology. Our initiatives have made Fras-le close 2017 with growing revenue. We achieved significant improvements in the sales volumes contracted with the automakers. This is our way: aggressive in our ambitions. We wish to reach new markets and expand our product portfolio, respecting and appreciating the people, our employees, shareholders, suppliers, customers, governments or the communities to which we belong and where we operate. This result came from the effort of our motivated and exclusive team, whose members are individually responsible and committed with the whole organization. Together, we move forward in improving ourselves, developing our leadership and workforce, defining in a shared way the paths that will strengthen our culture. Our 11 corporate policies, approved in 2017, reaffirm our commitment and direct us in the continuous process of sustainable evolution, with a careful look to the economic, financial, social, and environmental aspects related to our businesses. Always in a genuine and determined way. ■

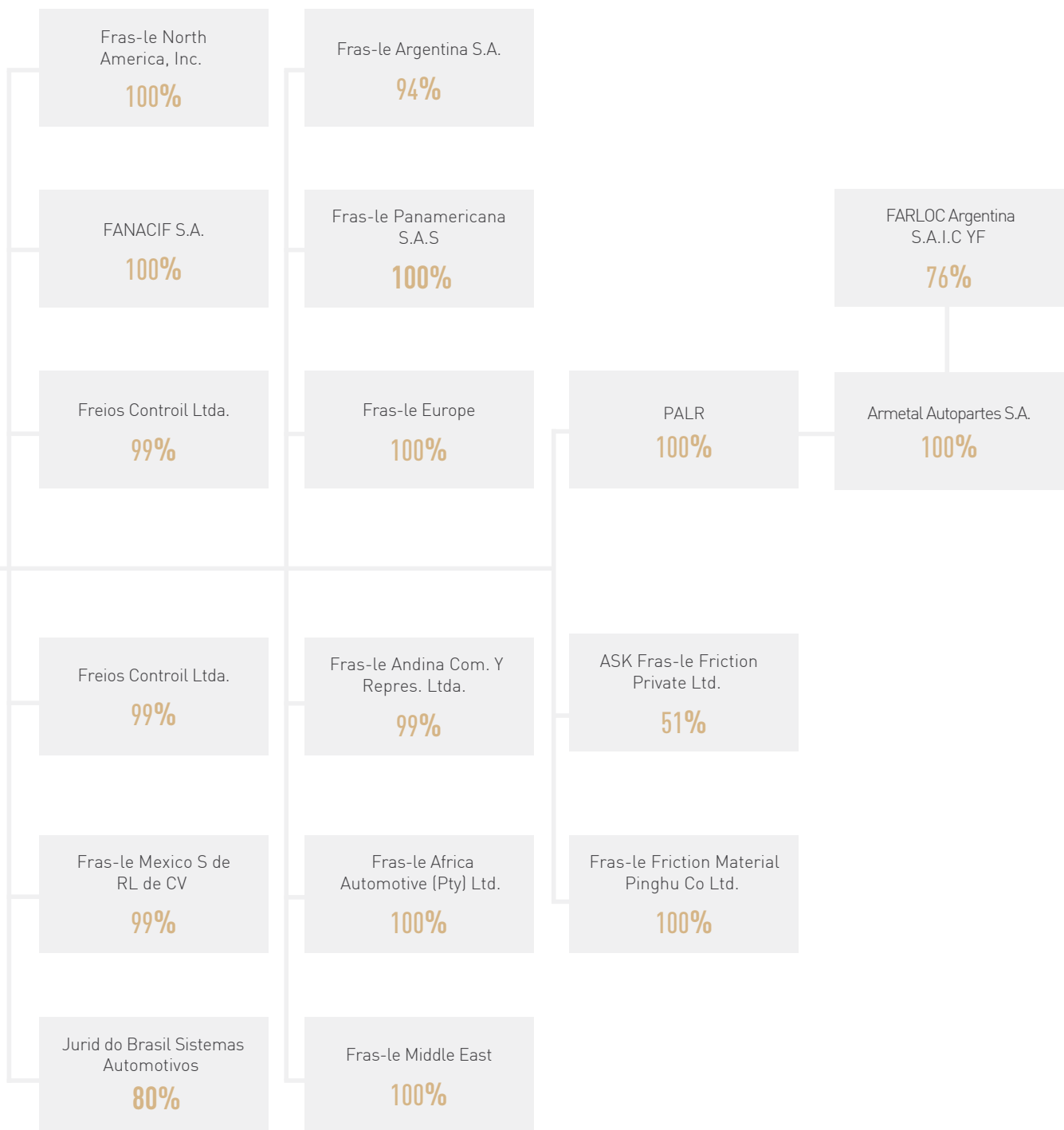
STRUCTURE

corporate and operational



Read the Management Report to learn about the acquisitions and partnerships of our Global Expansion process, on pages 32-36:





WE ARE COMMITMENT, WE ARE FRAS-LE

About us (page 14)

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ABOUT US

Seven decades on the market

A FRAS-LE

G4-4, 6, 8, 9 | PR6

We are a Brazilian company belonging to the Randon Companies, a seven-decade conglomerate that employs more than 8,000 employees, composed of leading companies in Latin America in the segments of vehicles and road implements, auto parts and financial services.

We are in the
business of safety
in movement
control.

We manufactured more than

14 thousand auto-part items

in our

9 plants,

we operate in

12 countries

and in 2017 we had

3,138 employees,

in addition to

81 professionals

from outsourced surveillance, food and cleaning companies.





Over the last few years, we have invested in establishing new strategic geographical positions from which we operate, with distribution centers and teams dedicated to logistics and sales of high quality

products, developed through expert research and advanced testing. Fras-le's plants are strategically distributed in Brazil, the United States, China, India, Argentina, and Uruguay, and we also

have distribution centers in Argentina, Europe, and Colombia, and commercial operations in Chile, Europe, Mexico, the United Arab Emirates, and South Africa. South, which allow the company to meet the international demand

quickly and efficiently. Production and employees are largely concentrated at our headquarters, located in the city of Caxias do Sul, state of Rio Grande do Sul, Brazil.

» 65 years in the market

» Among the top 5 manufacturers of friction materials in the world

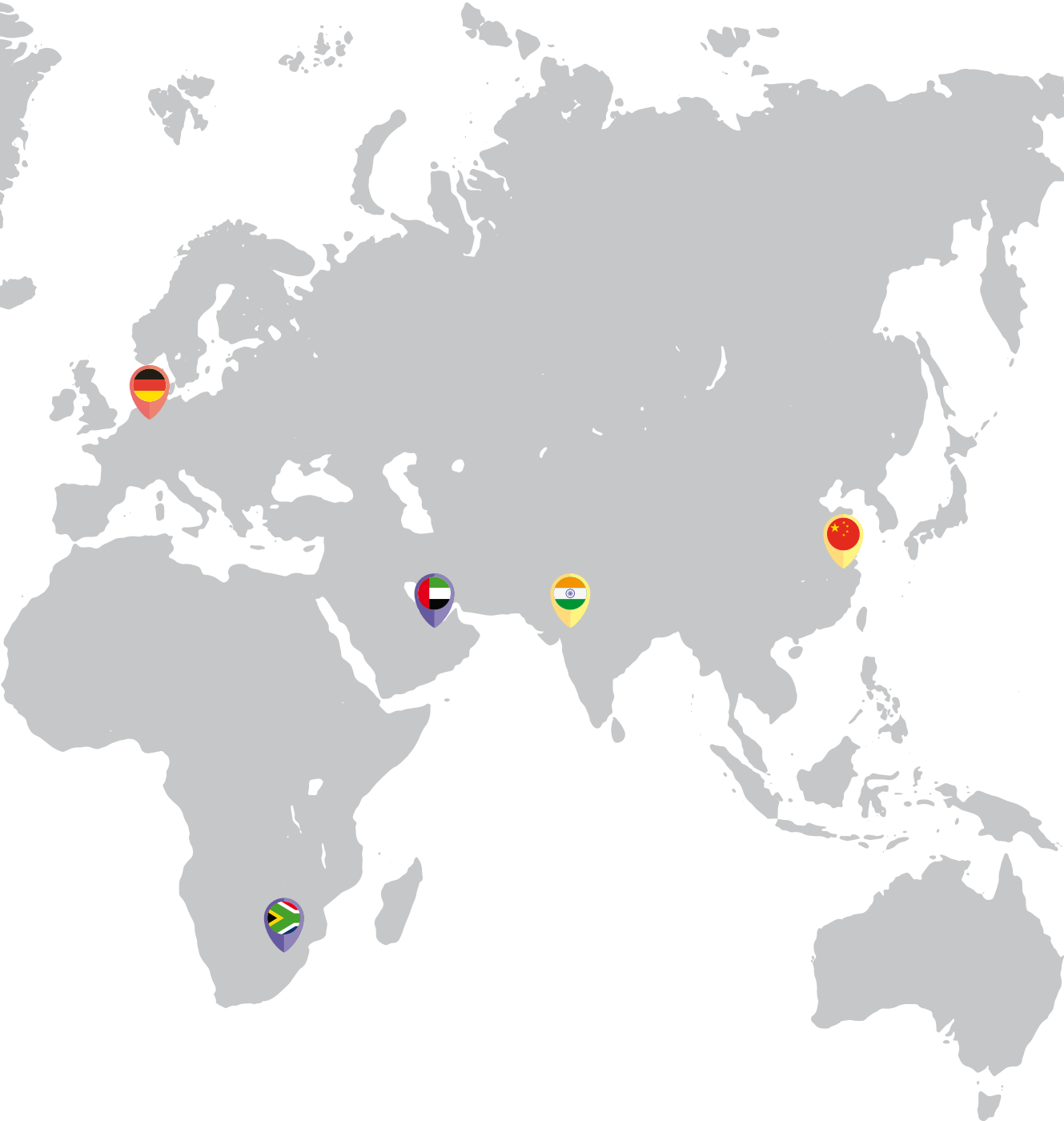


FRAS-LE IN THE WORLD

INDUSTRIAL
PARK

DISTRIBUTION
CENTER

COMMERCIAL
OPERATION





MAIN BRANDS AND PRODUCTS



With the Fras-le brand, we sell linings and pads for heavy-duty vehicles; pads, linings and shoes for light-duty vehicles; brake discs and drums; clutch facings; shoes and pads for motorcycles; shoes for trains and subways; aircraft pads; and industrial products for special applications.



With the Lonaflex brand, we sell brake pads and linings and clutch facings for trucks, semi-trailers, trailers, buses and cars.

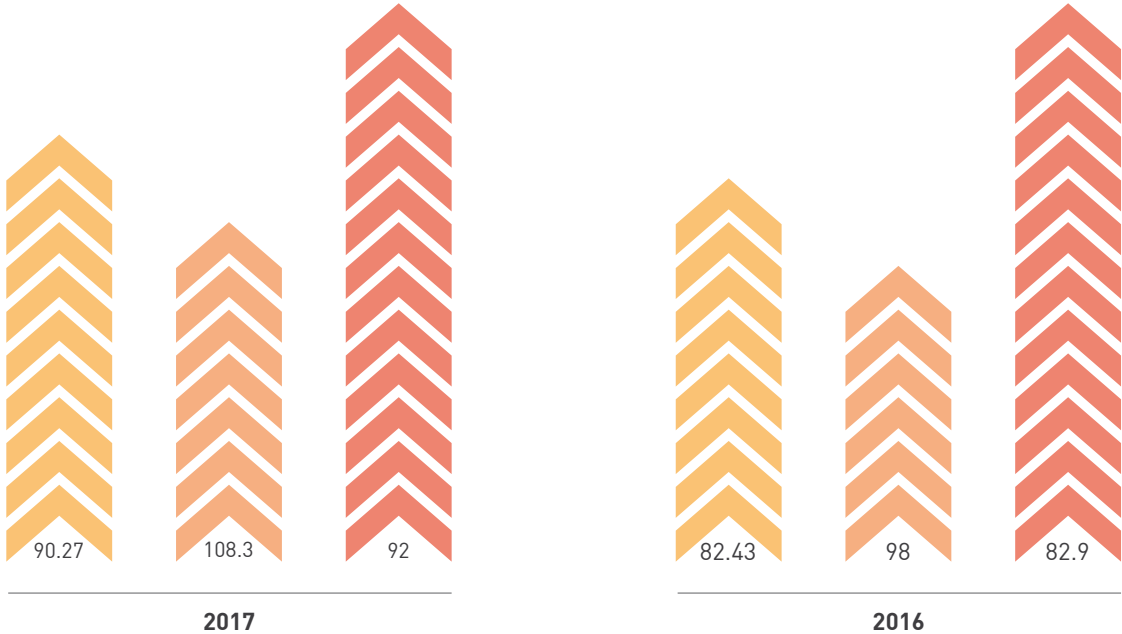


With the Controil brand, we sell master cylinders, assistant cylinder, concentric actuator, automotive filters, master cylinder with reservoir, wheel cylinder, brake servos, complete repair kits, brake fluids, and reservoirs.

PRODUCTION CAPACITY X PRODUCTION VOLUME

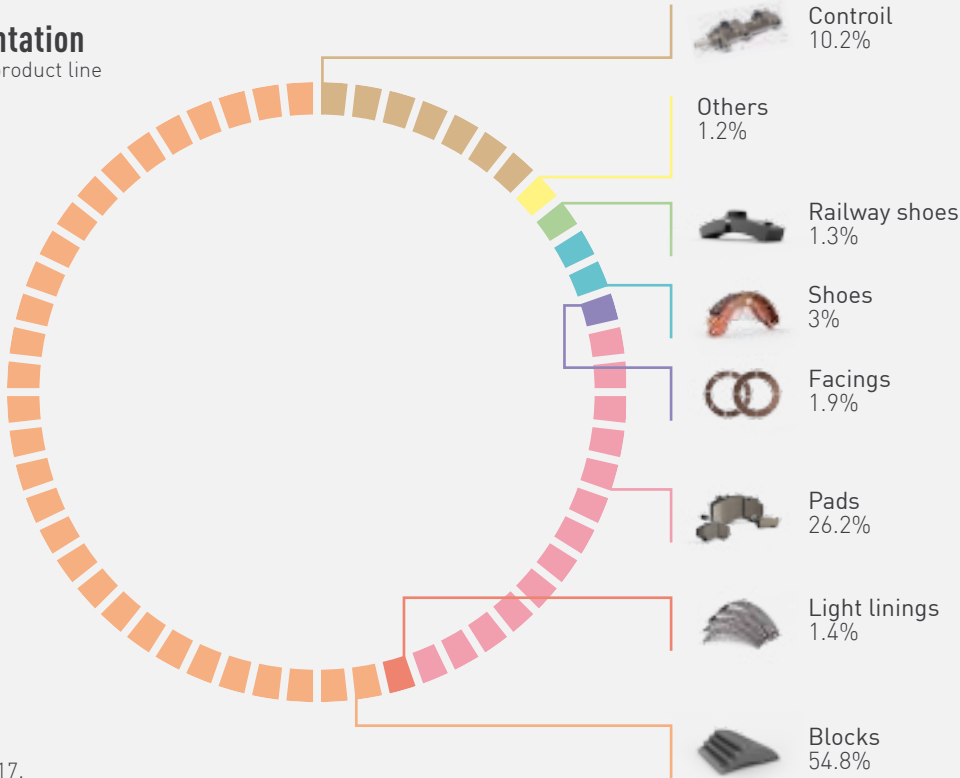
In 2017, the new acquisitions and JVs were added to the production capacity, but the production volumes will only be updated at the year end of 2018.

- Parts production (millions)
- Parts sales (millions)
- Production capacity in parts (millions)



PRODUCTS X SALES

» Representation
% Sales by product line



Performed in 2017.

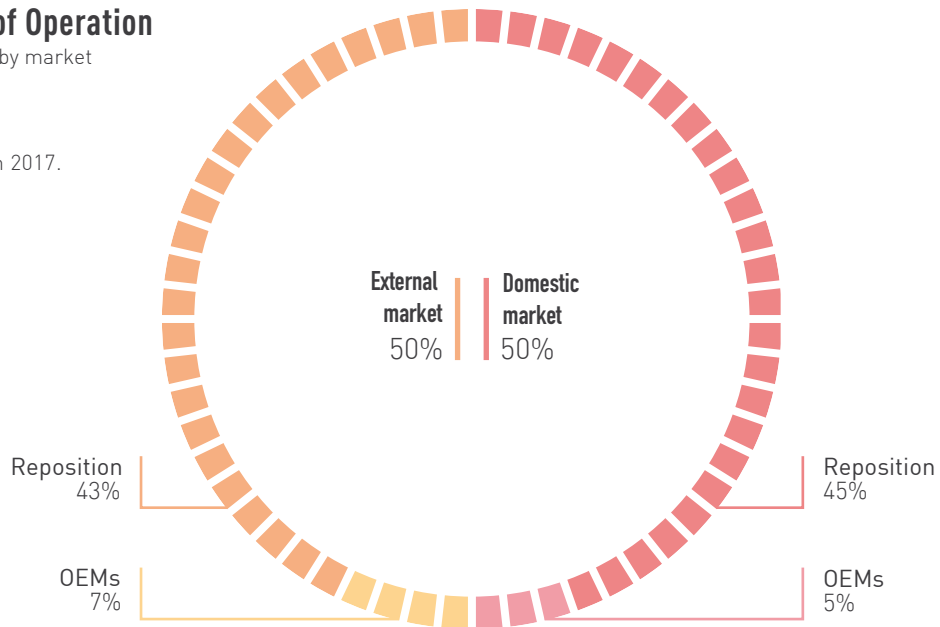
MARKET PARTICIPATION

Our customers are automakers and spare part distributors located in more than 100 countries.

» Markets of Operation

Net revenue by market segment.

Performed in 2017.

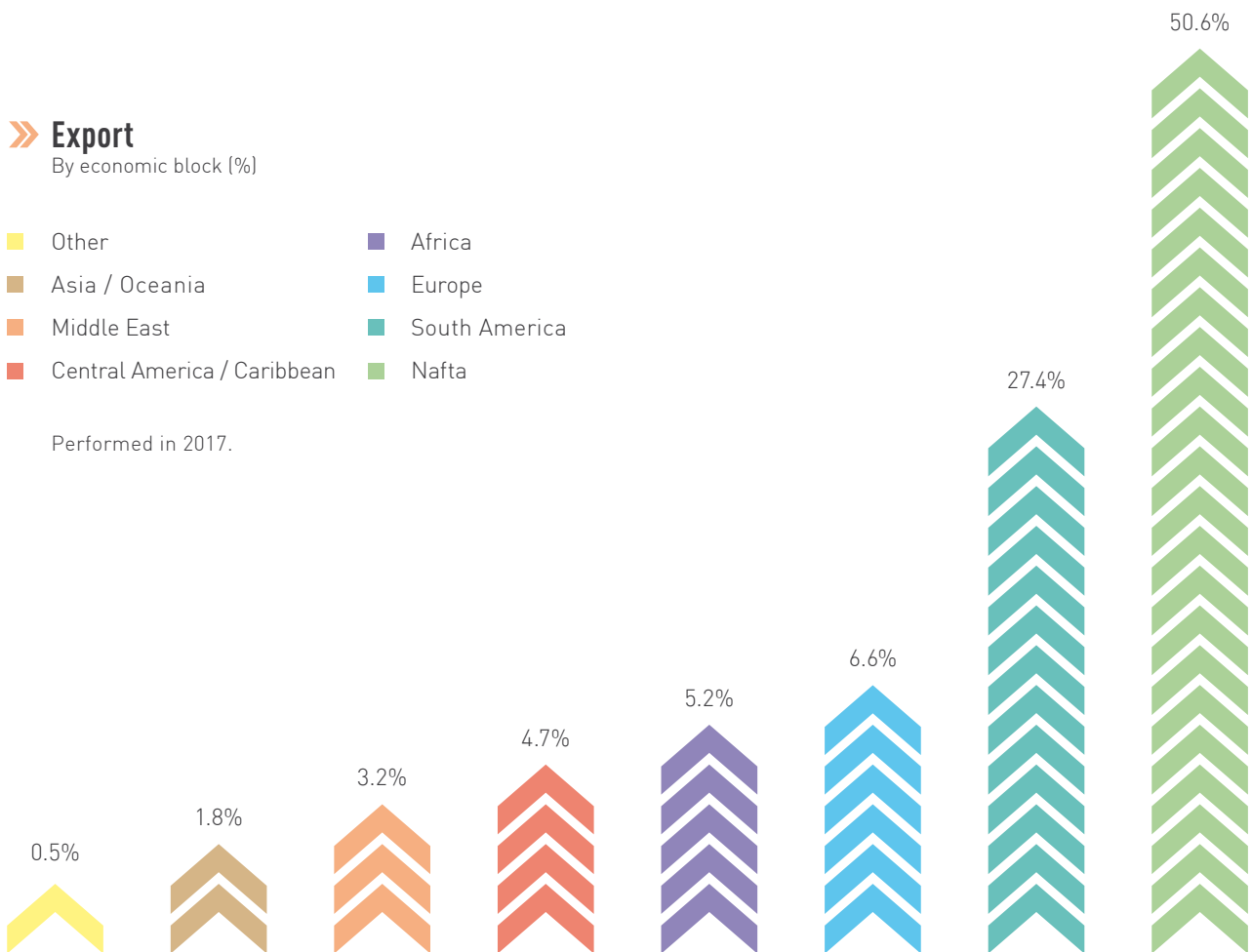


» Export

By economic block (%)

- Other
- Africa
- Asia / Oceania
- Europe
- Middle East
- South America
- Central America / Caribbean
- Nafta

Performed in 2017.





» **Global market share**
Heavy linings

National spare parts (base year 2017)



International spare parts (Estimated by Fras-le Market Intelligence)



National automaker (base year 2017)



International automaker (Estimated by Fras-le Market Intelligence)



» **Global market share**
Pads

National spare parts (base year 2017)



International spare parts (Estimated by Fras-le Market Intelligence)



National automaker (base year 2017)



International automaker (Estimated by Fras-le Market Intelligence)



2017 AWARDS

Acknowledgments that make us proud

oficinabrasil.com.br



PREFERRED BRAND

We won 1st place in market share and share of mind in the Brake Pads Category in the survey conducted by the Automotive Intelligence Center (CINAU) and Jornal Oficina Brasil.

exame.abril.com.br



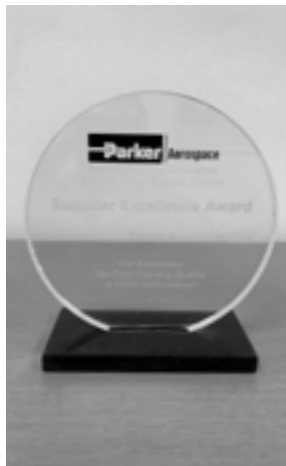
BEST COMPANY

We won 1st place in the Auto Industry category in Exame Magazine's Best & Largest (Melhores & Maiores) Survey. The highlight was granted in recognition of our constant pursuit of competitiveness and productivity in the domestic and foreign markets. The award considered the economic and financial indicators of the 1,000 largest Brazilian companies.



EXPORT AWARD

We were classified among the largest exporters in the 45th RS Export Award, promoted by ADVB-RS (Association of Sales Directors of Brazil). The award was granted in the Market Diversification Category.



SERVICE EXCELLENCE

Our customer Parker Hannifin, USA, has awarded us for our excellence in service, delivery time, product quality and continuous improvement in the delivery of aircraft brake pads.

Photographer: Alexandre Andrade



BEST TRUCK

We won the Brake Systems category, after being selected by the magazines "O Carreteiro" and "Transporte Mundial", and by the viewers of the show "Programa Pé na Estrada".



SUPPLIER EXCELLENCE AWARD

We received the trophy "Melhores & Maiores do Transporte" (Transport Best & Largest) in the category Parts for Trucks and Buses, from OTM Editora, who publishes the magazines "Transporte Moderno" and TechniBus.

CERTIFICATIONS AND commitment to quality

We are certified in the norms ISO 9001 and IATF for the factories located in Caxias do Sul, São Leopoldo, China, and the United States; ISO 14001 for plants located in Caxias do Sul, and the United States; OHSAS 18001 for the factory of Caxias do Sul. Our integrated management system policy is called SGF - Fras-le Management System Policy, which is the result of a long-term investment in improvement and compliance with standards.



INTEGRITY PROGRAM

our way

G4-14, 41, 42, 43, 56, 57, 58 | S03 | S04 | S05 | LA16 | EN32 | EN33



Our Integrity Program, also known as ID, was developed at corporate level by the Randon Companies in order to guide our coexistence and support our actions in an organized work environment, conducive for continuous improvement and achievement of results. It is based on our Principles, which reveal our way of doing things, of belonging to a group, of relating to all our audiences and the way we are recognized.

It is a continuous movement backed by top management. The follow-up and bimonthly report from the Integrity Program is given to the Ethics and Compliance Committee, whose current agenda is: evaluation of the reports from the Ethics Channel, and monitoring of the main incidents; review of the Corporate Policies; review of the Ethical Conduct Code; execution of seasonal and targeted campaigns in support of Ethics; e-learning training; evaluation of the Due Diligence processes; corporate risk mapping and management and definition of the scope of the international units.

OUR PRINCIPLES

APPRECIATION AND RESPECT FOR THE PEOPLE

Respecting human beings as the final recipients of everything we do.



QUALITY AND SAFETY, EVERYONE'S COMMITMENT

Make quality and safety in all activities be our strength.



ETHICS, ISSUE OF INTEGRITY AND RELIABILITY

Develop, absorb, and establish creative, competitive, and innovative technology.



COMPETITIVE TECHNOLOGY

Developing and preserving our good image are everyone's commitment, at work, in our social lives, and in relation to the environment.





IMAGE, AN ASSET TO BE PRESERVED

Developing and preserving our good image are everyone's commitment, at work, in our social lives, and in relation to the environment.



SATISFIED CUSTOMERS

Attract and maintain new customers, anticipating and meeting their expectations.



PROFITS WITH SUSTAINABILITY, MEANS OF PERPETUATION

Profit is the basis for job and wealth creation that benefit the whole society.



RANDON ARE ALL OF US

Working together, being dedicated, creative, competent, and having the spirit of a single organization.

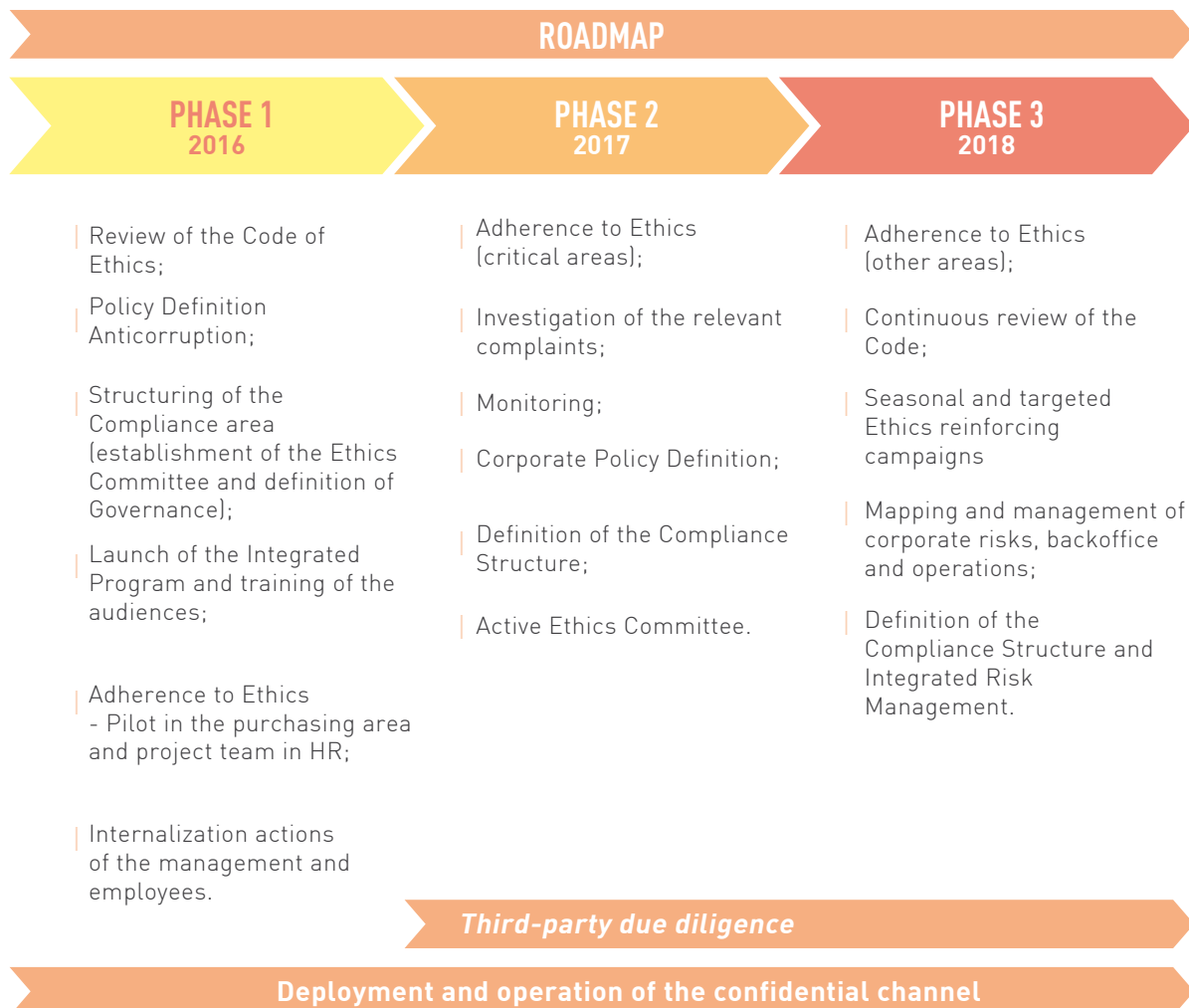
PLANNING AND OPERATION

The Ethics and Compliance area develops permanent actions for our internal audience and other stakeholders, as can be identified in a summarized way in our

ID deployment roadmap. Although it is a recent program, it has recovered USD 70,000 and prevented more than USD 100,000 in illegal operations in the Randon

Companies. The Ethics Committee is composed of the Vice President, CIOs and HR and Controllershship Offices.

» Integrity Program Roadmap

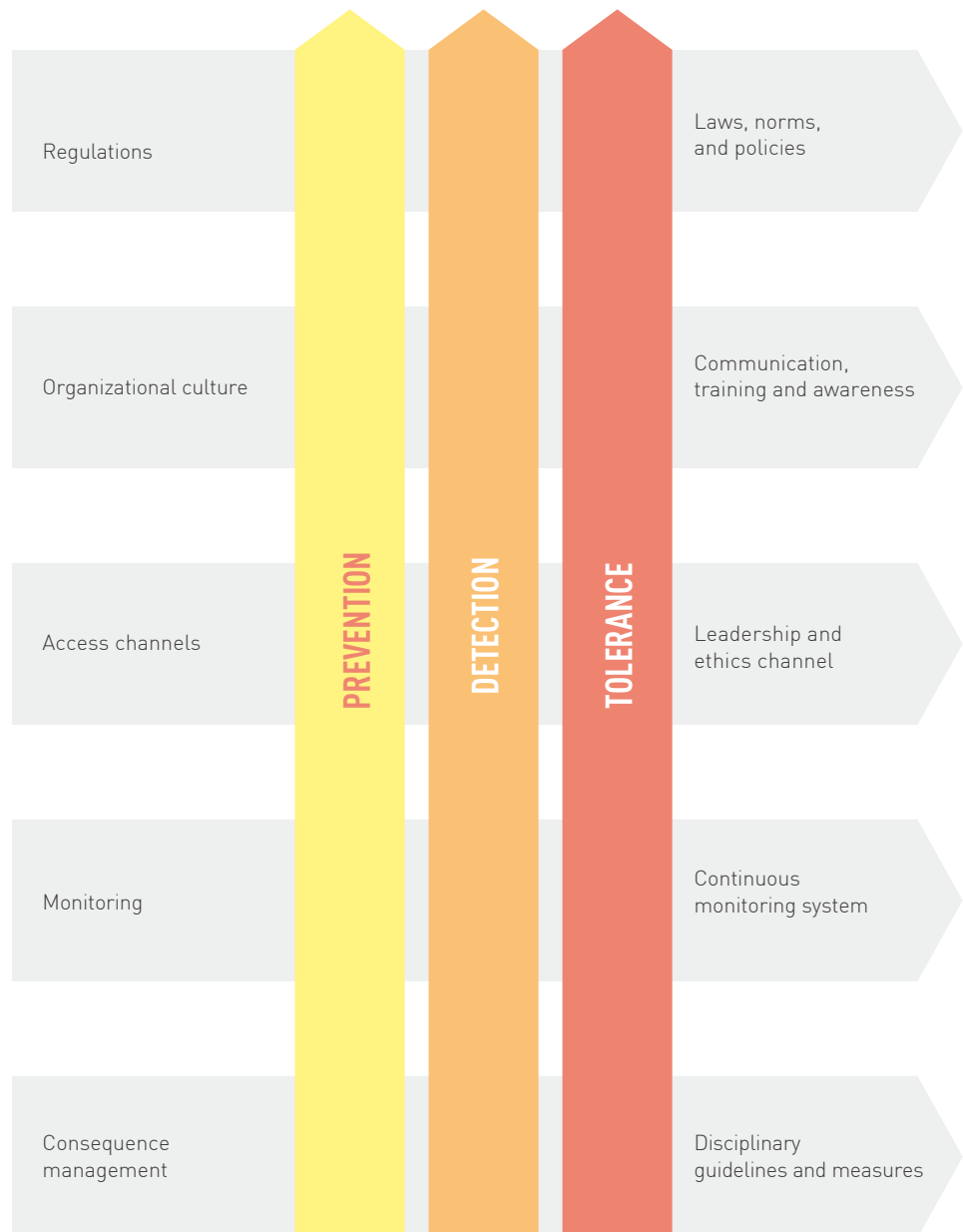








» The 3 pillars of the Integrity Program



ACTIONS PERFORMED IN 2017

- | We have developed an endomarketing plan to advance the internalization of the ID program, through which we promote information sharing and awareness raising regarding a mindset oriented to the Principles.
- | We started to have an online training on ID through an application in 2018, after the development of the project in 2017. We accessed it and answered questions based on the chapters of the Code of Conduct.
- | In the first quarter, our entire workforce participated in the presentation of the Strategic Planning, occasion when we approached the Principles and ID as relevant for the business strategy.
- | Our Ethics Committee, directors and managers receive reports every two months on the actions and results of corporate governance performed by the ID Program, with indicators.
- | Our workforce also had access to the theme in our traditional "Via de Mão Dupla" (Double Way Street), with an emphasis on the Code of Conduct and Ethics Channel, when the Principles were translated clearly. The video presenting the Randon ID can also be accessed by the audience through information available on the Company's website, <http://www.empresasrandon.com.br/pt/programa.de-integridade>:
- | Several quarterly workshops were held with our coordinators, leaders and HR to address issues related to the statements presented in the Ethics Channel, in order to prepare the leadership to unfold the Principles with our employees: 24/08 – Risk Management; Oct/11 – Money Laundering Prevention and Combat; Oct/06 and Oct/18 – ID for HR and Secretaries; Oct/22 – Information Security; Nov/29 and Dec/06 – Sexual and Moral Harassment, and Discrimination.





DUE DILIGENCE PORTAL

Everyone's Responsibility

We use the integrity criteria enforced by the Randon Companies and, with the new Brazilian anticorruption law (Law 12,846/2013), we are more attentive to our Company's liability to corruption acts committed by third parties in their interest or benefit. The Randon Companies performed Due Diligence in 4,991 suppliers with an average corruption rate of 13%. To communicate our integrity program we held meetings with suppliers and called

them to be respect and act in accordance with the law, the ID Program, Ethical Conduct Code, and Internal Policies. We asked our suppliers to inform us of inappropriate behavior whenever they observe it, and if they are not comfortable to share a specific situation in an open way, they can do so through our Ethics Channels.



ETHICAL CONDUCT CODE

Our actions reflect our commitment

G4 | HR1

Our Code of Conduct has been revised with the participation of a representative group of employees, from each sector, and delivered to our workforce in 2016. Its format was designed to encourage the reflection and deep consideration of what is Ethics and how it plays out in our day to day.

Several deployments are carried out with our employees to ensure they understand the content, and the tool is reviewed annually.



Learn more about our Ethical Conduct Code here.



The Code of Conduct provides **guidance** on how to deal with situations of **conflicts of interest**.

It is the **primary driver** and **relies on the policies and procedures** to bring the necessary breakdown.

CORPORATE POLICIES

The foundations the guide us

In 2017 we adopted the 11 Corporate Policies of the Randon Companies, which support our principles and our work philosophy. They state our guidelines for providing consistency to the strategies of our company and are adopted as a guide to support the decision making process and to promote a uniform behavior.

- » The policies govern Fras-le's decisions in accordance with the decisions of senior management.
- » They act as guidelines for decision-making in the Company.
- » Ensure that the operational tasks meet the legislation requirements relevant to the Company.
- » And provide consistency with the values of the Company and a framework for evaluating the audit processes.



| ANTICORRUPTION POLICY

Strengthens the commitment to maintain the highest standards of integrity, ethics and governance in the conduction of business by establishing anticorruption guidelines.



Learn more about the anticorruption policy here.

| PROPERTY SAFETY POLICY

Guides all safety actions to reduce risks, guarantee the physical integrity of people and protect the property of Randon Companies.

| RISK MANAGEMENT POLICY

Establishes the guidelines, strategies and responsibilities for Risk Management, as well as the conceptualization, identification and analysis of risks that may affect the company.



Learn more about the risk management policy here.

| COMPLIANCE POLICY

Guides the compliance practice in line with the Integrity Program, demonstrating the importance of understanding and executing the legal and regulatory decisions.

| INFORMATION SECURITY POLICY

Establishes guidelines to protect the information and the intellectual property belonging to the Randon Companies, in order to preserve the company's business, competitiveness and image.

| CONTROLLERSHIP POLICY

Establishes the guidelines that promote the compliance of the accounting and tax records with the current legislation and the Brazilian and international accounting standards.

| FINANCE POLICY

Provides guidance for obtaining the best market conditions, contracting loans, investments and financial instruments through a centralized and coordinated approach to the banking and capital markets, in order to ensure compliance with the financial obligations.

| CORPORATE PURCHASE POLICY

Establishes the premises and strategies related to all purchases made by the Randon Companies.

| HUMAN RESOURCES POLICY

Establishes guidelines in order to develop and consolidate professionals based on the values and principles of the Randon Companies.

| HEALTH, SAFETY AND ENVIRONMENT POLICY

Establishes the corporate guidelines regarding Health, Safety and Environment (HSE), concentrated on preserving the integrity of people and protecting the environment.

| CONSEQUENCE POLICY

Determines the application of disciplinary measures in the event of deviations from our values, policies or execution of acts of legal and/or contractual infractions.



ETHICS CHANNELS

We guarantee confidentiality

We have a corporate Ombudsman and an Ethics Channel so that the complaints can be brought to the responsible instances, including any information on the facts, data and situations that could harm the Company. Each person who works or is involved with Fras-le propagates respect for the ID Program and must understand the need for placing complaints, whether related to acts of employees, administrators or other stakeholders of the company. The process that we use guarantees confidentiality and anonymity.



Learn more about our ethics channel here.



0800 777 0768

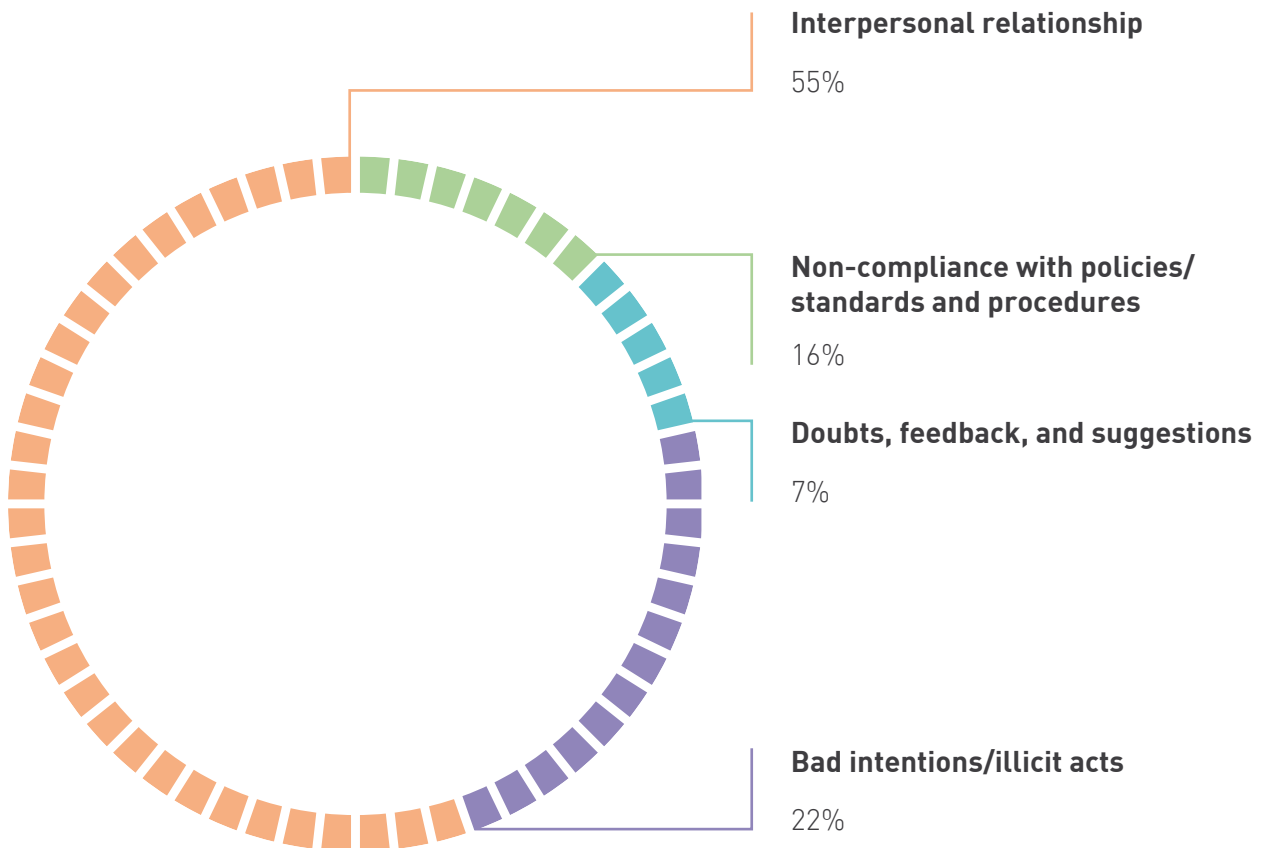


Ethics and Compliance Portal



www.canaldeetica.com.br/empresasrandon
compliance@empresasrandon.com.br

» Category of the complaints



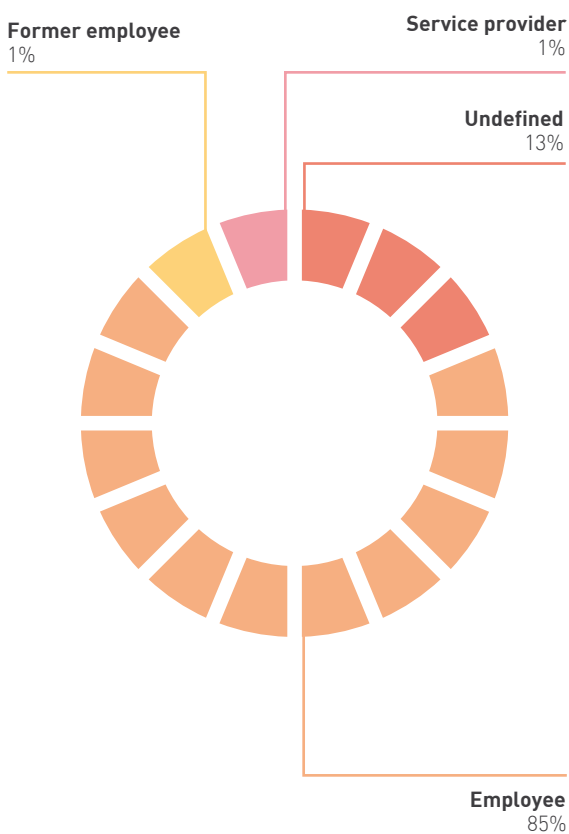
INDICATORS OF THE ETHICS AND COMPLAINTS CHANNELS OF FRAS-LE

2017 basis

» Origin and identification of the reporting individual

The preferred form of communication is the **website**.
Most contacts are **anonymous**.

» Complainant classification



» Ethics channel

STATISTICS

Use profile

Fras-le Units

36 days » average closing time

» 82 reports per business unit, 100% closed.

» Average Monthly Complaints of 7 reports.

COMPARATIVE REFERENCES BY SECTOR

Energy	76%
Construction	22%
Retail / Wholesale	2%

ECONOMIC PERFORMANCE

Global trajectory and portfolio growth (page 42)

Main indicators and values distributed (page 50)



GLOBAL TRAJECTORY and portfolio growth

G4-2, 7, 13

2018 started as challenging and unpredictable as the previous year, with the Brazilian economy and the heavy-duty commercial vehicle market showing signs of recovery and improvement, while we continued advancing our expansion projects. We started the year at full capacity in the Brazilian plant, because both the new vehicle and spare parts market had a higher demand than in 2017. The result seen in the first semester confirms the indicators that showed an increase in sales of trucks: the first half of 2018 alone showed a 56% growth in relation to the same period of last year. The good performance of sales of original

vehicles drives the future spare parts market, our main source of revenue, and also expands the current sales of the automakers, especially in the truck line, where our leadership reaches a level above 90%. In addition, foreign market sales are expected to operate with a growth trend. Latin America has been increasing its importance in our business and the acquisition of the Armetal group companies should offer us a broader portfolio to increase sales throughout the region.





In the first half of 2018 alone, there was a 56% growth in the domestic automakers segment, compared to the same period last year.

After a more stable period, the US market showed robust growth rates in the economy. We also did our homework in that market and we should start to see sales growth after the projects with new clients come into effect, which are in the final development stages, guaranteeing

important launches throughout the year. The recent contract renewal with Meritor for the next 10 years and the new alliances with other players should also drive sales in this market. We are prepared for the powerful Chinese and Indian markets, which we intend to prospect and service through our

new Chinese and Indian plants. They are ready and operational, able to promptly serve the new businesses that that can be expected based on the operation of the local commercial areas. This intense movement will come with the challenge of meeting the whole of

the demand. We are already at full capacity, which has required investments so that we do not miss this good opportunity. At the same time, inflationary pressures on the raw material prices will require a lot of flexibility and capacity for innovation from our teams.

We are prepared for the powerful Chinese and Indian markets, which we intend to prospect and service through our new plants.



The integration of our acquisitions and partnerships has the full attention of the management teams without losing focus on the new moment and its increase in volume. Accordingly, we are prepared to maintain and/or increase the teams in the acquired companies, avoiding risks and guaranteeing gains and good results with the synergies. The cycle of acquisitions and new partnerships has not ended. The recent successful moves allow us to prospect new business in 2018, following our global trajectory and increasing product portfolio, without losing focus on our business.

The recent successful moves allow us to prospect new business in 2018, following our global trajectory and increasing product portfolio, without losing focus on our business.





PROJECTIONS

On February 15, 2018, we announced our Guidance to be followed throughout the year. These indicators were validated in the Strategic Planning process, and are supported by the evaluation of the domestic macroeconomic scenario and of the countries with which we have commercial relationships. We have also observed

sector indicators of the automotive industry, and the market behavior in the segments in which we operate.

Total Gross Revenue¹
BRL 1.6 billion

Consolidated Net Revenue
BRL 1.1 billion

Foreign revenue²
USD 170 million

Imports
USD 20 million

Investments
BRL 42 million

¹ (No Intercompany eliminations)
² (Brazil Exports + Foreign Operations)

2017 RESULTS

Net Revenue 2017
**BRL 832,8
million**

2017 was a very positive year for our businesses, and represents a milestone in our growth, expansion and consolidation of our presence in several markets. Net revenue totaled BRL 832.8 million, an increase of BRL 20.2 million, or 2.5% in relation to the fiscal year ended December 31, 2016.





In the Automaker segment, there was an increase of BRL 5.9 million, or 6.0%, from BRL 98.3 million in 2016 to BRL 104.2 million in 2017. The contributing factors were an increase in sales volume due to a better performance of the domestic economy and a growth in new vehicles exports to other countries; increase of manufacturing of new vehicles in Brazil, mainly the truck category, in which we lead the friction materials supply.

In the Replacement segment, there was an increase of BRL 14.2 million, or 2.0%, from BRL 714.4 million in 2016 to BRL 728.6 million in 2017. This growth is mainly the result of net revenue growth in the domestic replacement market, driven by the price repositioning; improvement of the national economy and the ensuing expansion of the vehicles fleet in

circulation, which leads to an increase in vehicle maintenance, for example the brake system and the replacement of parts such as friction materials.

Sales performance for NAFTA and for South America was also important for the revenues composition in this segment.

Even showing a modest growth rate, it is the result of the challenges overcome by a 8.5% lower exchange rate in the annual average. In addition to exporting, we have our units abroad, and our revenue from the foreign market is close to 50%. In the domestic market we achieved excellent performance.

MAIN INDICATORS and values distributed

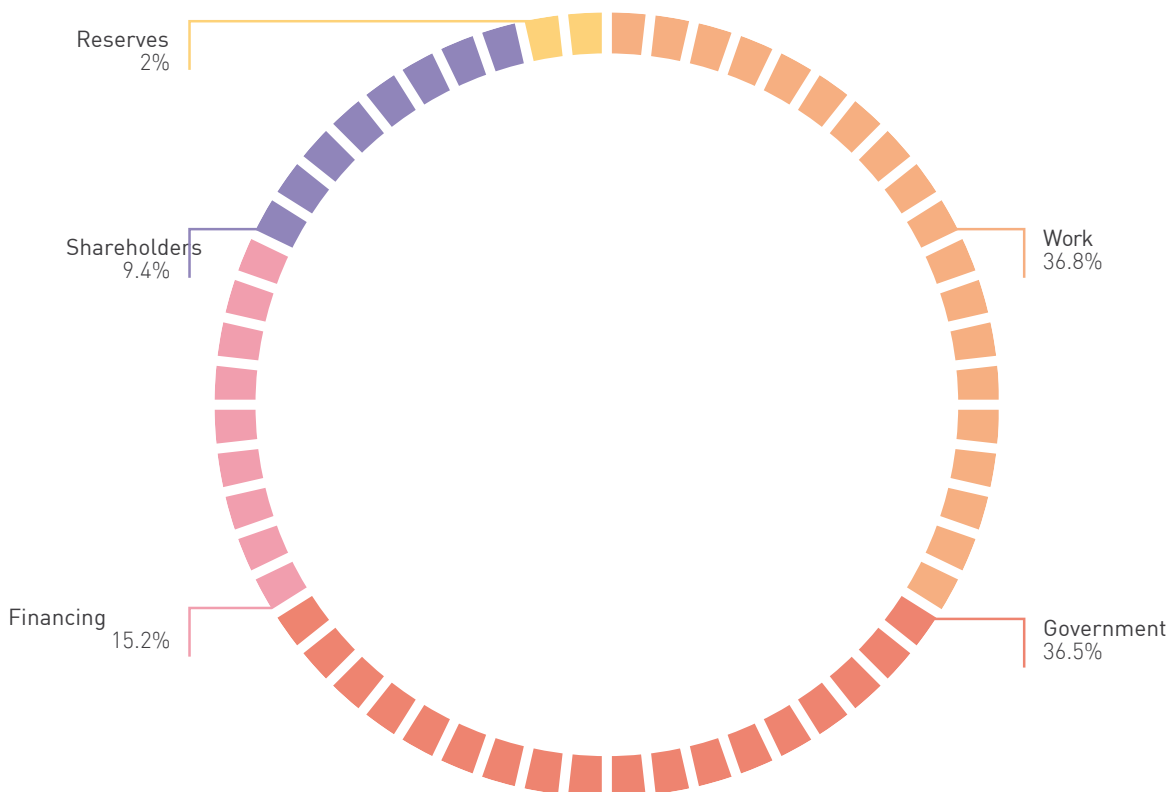
ADDED VALUE

G4 | EC1

With revenues¹ of BRL 1.1 billion after provisions and other income, our company generated a consolidated net added

value of BRL 564.5 million in 2017, distributed as follows:

Find here the complete information on our economic performance:



1- Consolidated gross revenue - sales canceled and returns.

MAIN INDICATORS

In millions of BRL, unless indicated otherwise.

	2017	2016	Δ %	2015	2014	2013
Net Revenue	832.8	812.7	2.5%	875	764.7	717.3
Internal market	418.1	369.7	13.1%	428.8	406.6	398
External market	414.7	443	-6.4%	446.2	358.1	319.2
External market (USD MM)	129.5	126.8	2.1%	135.2	152	147.5
Brazil Exports (USD MM)	74.2	79.6	-6.8%	73.7	94.2	93.6
Gross profit	217.2	232	-6.4%	255.6	204.6	195.2
Gross margin	26.1%	28.5%	-2.4 pp	29.2%	26.8%	27.2%
EBITDA	106.4	123.7	-14%	122.5	104.7	104.5
EBITDA margin	12.8%	15.2%	-2.4 pp	14%	13.7%	14.6%
Net profit	64.2	64.5	-0.5%	52.2	45	40
Net Margin	7.7%	7.9%	-0.2 pp	6%	5.9%	5.6%

INDEPENDENT AUDITOR

In order to comply with the CVM (Securities Commission) Instruction 381/2003, we hired the audit services of KPMG Auditores Independentes (KPMG), for a special review of our quarterly information and auditing of the financial statements for the year ended 12/31/2017.

During the course of 2017, KPMG was also hired to perform other services related to tax compliance. In addition, KPMG was also hired during the year to perform additional services related to the revision of the Tax Regularization Program and tax consultancy ON technology transfer.



SMART MANAGEMENT



Corporate Governance (page 54)

Risk Management (page 58)



CORPORATE GOVERNANCE

We are listed on Level 1

64-34, 35, 36, 38, 39, 40, 41, 42, 43, 45, 49

Our Company is listed on Level 1 of Corporate Governance, in the IGCX - Special Corporate Governance Stock Index, from B3.

We apply best practices that strengthen the corporate rights of minority shareholders, and also confer transparency regarding the financial information of Fras-le and its subsidiaries. Our goal is

to facilitate the monitoring of our performance and maintain a trust relationship with the market. Our management structure is composed of a Board of Directors and Board of Executive Officers, whose responsibilities are specified in the Bylaws. The Board of Directors is composed of three to nine members, who can be shareholders or not,

elected at the General Meeting. Currently, the Board of Directors is composed of five members, three of whom are appointed by the controlling shareholder and two by minority shareholders. The Board of Executive Officers is composed of at least two members and at most nine members, who can be shareholders or not, residing in the Country,

being a Chief Executive Officer, a Superintendent Officer, an Investor Relations Officer and others, without specific designation, elected by the Board of Directors. The CEO is responsible for approving the information published in the Sustainability Report.

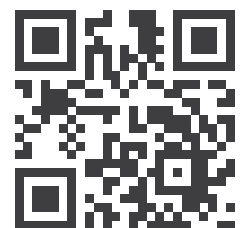
Board of Directors	Position	Member	Election date	End of term
David Abramo Randon	Chairman	Controlling	Apr/26/2018	2 years
Astor Milton Schmitt	Vice-Chairman			
Daniel Raul Randon	Member	Independent		
Carlos Alberto Araujo Netto				
Bruno Chamas Alves				

Fiscal Council	Position	Member	Date of election	End of term
Rogério Luiz Ragazzon	Member	Controlling	Apr/26/2018	1 year
Carlos Osvaldo Pereira Hoff				
Fernando Barbosa De Oliveira		Independent		



Executive Board	Position	Date of election	End of term
Sergio Lisbão Moreira de Carvalho	Chief Executive Officer, Superintendent and Investor Relations	May/08/2018	May/7/2019.
Paulo Ivan Barbosa Gomes			
Anderson Pontalti	Officer		

Access Fras-le's
Bylaws:



BOARD OF DIRECTORS

Guides the business and makes decisions regarding strategic issues to achieve the corporate purpose of Fras-le and its subsidiaries; watches over the interests of the shareholders, without losing sight of the other stakeholders; ensures the continuity of the Company, on a long-term sustainable perspective, incorporating economic, social, environmental and good corporate governance considerations in the definition of businesses and operations; prepares guidelines for management; prevents and manages conflicts of interest and divergences of opinion in order to ensure that the interests of the Company always prevail above others.

FISCAL COUNCIL

The Fiscal Council is the supervisory body of the Company and its attributions are also set forth in legislation and the Bylaws. Even though the Company's Bylaws do not establish the existence of a permanent Fiscal Council, it has been installed since 2000, uninterruptedly, at all ordinary general meetings. The Fiscal Council is currently composed of three members, two of whom are appointed by the controlling shareholder and one by the minority shareholders, with an equal number of alternates, elected at the General Meeting.





RELATED PARTIES COMMITTEE

Non-statutory advisory body which advises the Board of Directors, ensuring that the transactions with related parties are done with Company's interest in mind, under normal market price conditions, through a transparent and ethical process, in compliance with current legislation.

It is composed of three members from the Board of Directors, two of whom are appointed by the controlling shareholder and one by a minority shareholder, as set forth in a Shareholders' Agreement filed at the Company's headquarters.

BOARD OF EXECUTIVE OFFICERS

Has general management powers, being able to fully exercise the direction, coordination and control of the activities in general, executing all necessary actions necessary for its effective operation, observing the legislation and the Bylaws, as well as the general guidance, in accordance with the guidelines established by the Board of Directors. Prepares and proposes annual budgets and investment plans, implements the plans approved by the Board of Directors and keeps them informed about their activities and actions.

RISK MANAGEMENT

We have mapped and maintain an internal audit plan

64-44, 45, 46, 47, 48, 49

In 2017, the Board of Directors of the controlling shareholder approved the Risk Management Policy, applicable to all Randon Companies, with the knowledge of the Company's Board of Directors.

As a result of this Policy, the corporate risk mapping project was approved. In 2018, the

Internal Audit, Risk and Compliance corporate area, which reports to the Board of Directors, consolidated these results, defined the operating model and the internal audit approach.

Based on these guidelines, the risk training and risk-based internal audit plan were organized.



The Board of Directors is responsible for reviewing and approving the general definitions of the Risk Management strategy, and the Board of Directors is responsible for assessing continuously the adequacy and effectiveness of its Risk Management model.

The Internal Audit, Risks and Compliance corporate area is responsible for informing the board about risks, establishing procedures and parameters for managing and promoting a risk and communication culture encompassing all employees, with the involvement of the area managers in the Risk Management strategy.



REMUNERATION OF THE BOARD AND OFFICERS

64- 44, 51, 52, 53, 54, 55

Our remuneration practices for the members of the Board of Directors, the Officers and the members of the Fiscal Council are aligned with the interests of the Company and have the goal of recognizing this professionals for the performance of their duties, in order to encourage these professionals to contribute and reach the expansion of the business and, as a consequence, the

shareholders' return, taking into account the responsibilities of each member and the time devoted to their duties. The annual fees of the Board of Directors, the Statutory Board of Executive Officers and the Fiscal Council are paid in twelve monthly installments. The Company does not have non-statutory officers. The remuneration is composed of fixed fees, variable remuneration

(represented by profit sharing), private pension, medical assistance, personal liability insurance and the government severance indemnity fund. The remuneration of the Board of Directors and the Board of Executive Officers is suggested by the corporate human resources area and approved at a meeting of the Board of Directors. The suggestion takes into account the

parameters from the market research performed annually. There are no formal mechanisms for the individual evaluation of the members of the Board of Directors, the Fiscal Council and the Board of Executive Officers, but the Board of Executive Officers is evaluated every year by the Board of Directors, based on the goals assigned to the Company.

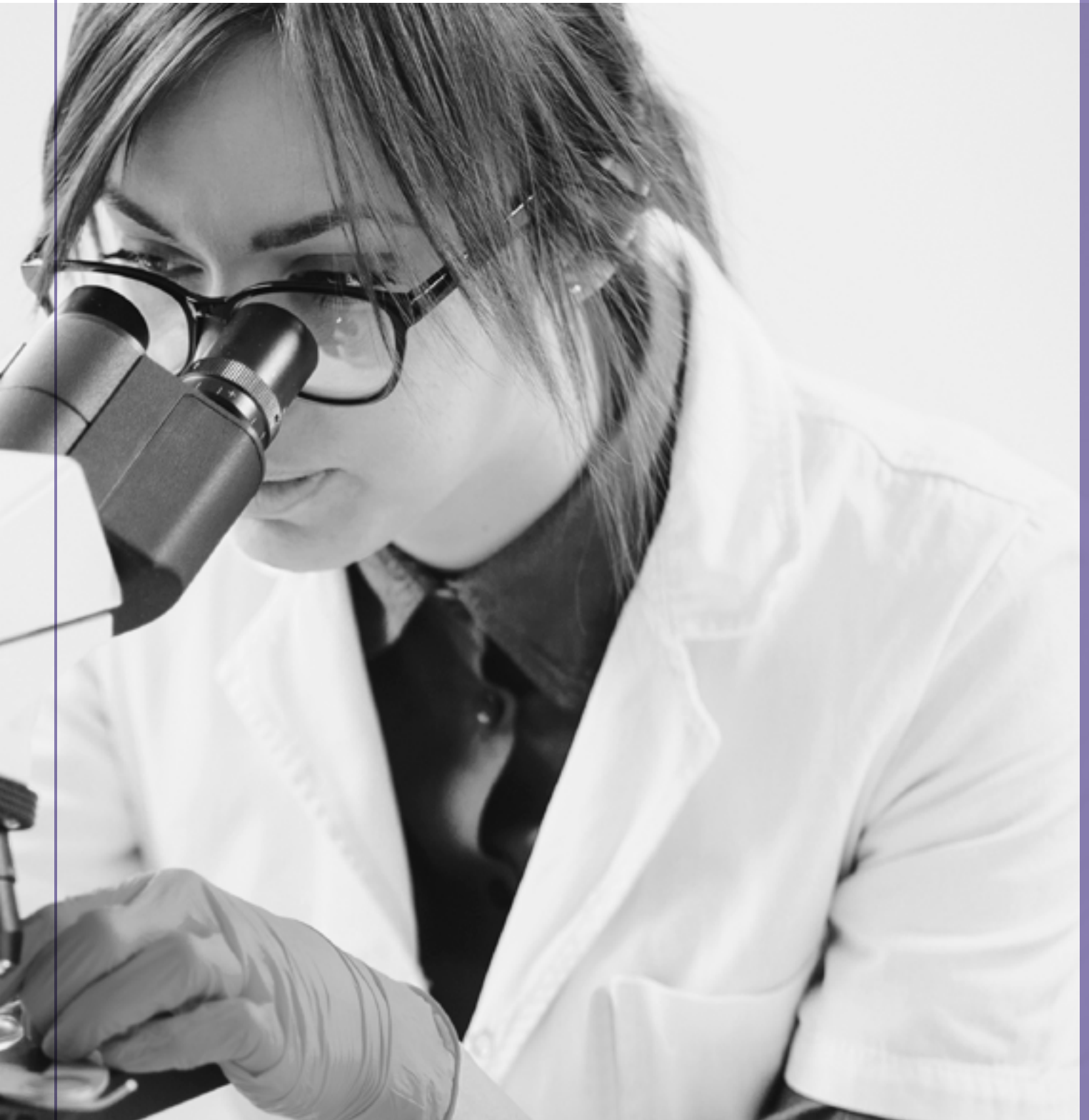
RESEARCH, DEVELOPMENT & INNOVATION



Research, Development & Innovation (page 62)

Product monitoring (page 74)

Compliance with current legislation (page 76)



RESEARCH, DEVELOPMENT & Innovation

G4-PR1 | PR2 | PR3 | PR4 | PR6 | PR7 | PR9

In 2017 our RD&I team was dedicated to several research projects related to the themes of Tribology; NVH; development of Copper-free technology,

with attention to the laws of the states of California and Washington, USA; new raw materials and nanomaterials, among others.





We allocate **2% of our net revenue** for development projects of more competitive, **modern and sustainable technologies**, which allow us to compete in new and specific markets and new business niches, in addition to supporting our policy of continuous technical training of the engineering staff, which is one of the pillars of our **capacity** to respond to new challenges.

The focus on knowledge development applied to friction is closely related to the complexity of this type of product and to the position of technology leaders which we seek. Historically, our business has been heavily supported by engineering. To give you an idea, we have more than a dozen research projects in progress, a number that attests to our efforts. In order to develop these projects, we have established partnerships with laboratories from educational institutions, such as PUC, UCS, UFRGS, IMC, and TUHH (Technische Universität Hamburg-Harburg).

These institutions are gateways to the most advanced scientific

knowledge out there, which supports our RD&I process and also provides us with access to the most modern equipment and research techniques available in the world, complementing our own testing capability installed in our RD&I center in Caxias do Sul (built over the last decades with investments of more than USD 20 million in three laboratories – prototypes, chemical and physical – with modern equipment for testing of MPs and products, prototyping and testing of brake systems).





In addition to these capabilities installed in the RD&I center, we have our CTR (Randon Technology Center), which has extensive product testing and validation capabilities in vehicles, and provides support for our field assessments of partner fleets.

Check out our CTR here:

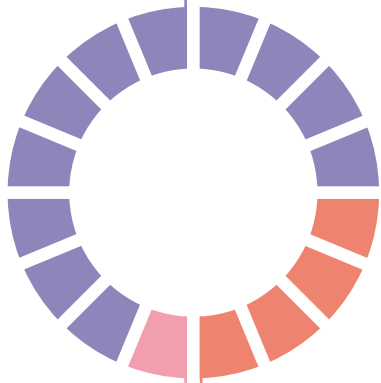


PROFILE OF OUR PD&I STAFF

Team:

- | Manager
- | Coordinators
- | Product research and development engineers
- | Application engineers and projects

Master's degree
attained or
ongoing: 71%



Graduate
degree: 4%

PhD attained
or ongoing: 25%





INFRASTRUCTURE

48 people

technicians, analysts, managers

3 laboratories

prototypes, physical, chemical

Advanced equipment

Investment: +USD 20 M

NEW PRODUCTS SALES IN 2017

	Realized YTD
Fras-le	BRL 5,047,162
Controil	BRL 65,535





EXPENSES WITH THE PD&I CENTER IN 2017

Development and innovation projects:

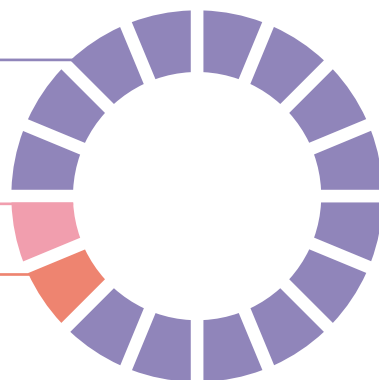
BRL 13.0 M

Research projects:

BRL 1.1 M

Other:

BRL 1.5 M



Total: **BRL 15.6 M**

[2% of Fras-le's net revenue]

INTERACTION WITH RESEARCH INSTITUTIONS



SYNERGY WITH RANDON AUTOPARTS

We belong to the Auto Parts Division of the Randon Companies and we have a specific office of Technology and Product Innovation focused on Fras-le, Control, Master, JOST, Suspensys and Suspensys WE/Castertech products. Among the actions we have planned are significant investments in

laboratory infrastructure, and also in the Development, Innovation and Research areas, in addition to strengthening the interactions and partnerships with universities and research institutions, national and international. Investments allow us to focus more quickly on the development of new products and anticipate trends and needs of the

automotive sector. The future also highlights the need of research and innovations in electric and hybrid vehicles, which will be equipped with noise-free brake systems, smart materials, nanotechnology, and which are also eco-friendly.

VIDEO OF THE RESEARCH AND DEVELOPMENT CENTER

We have one of the largest and best equipped centers in Latin America. Highly specialized professionals work in the three laboratories that comprise the Center (Chemical, Physical and Prototype Laboratories), being responsible for developing our products, and the latest generation machines.

The video is available at:





TESTS IN DIFFERENT GEOGRAPHIES

During several months of 2017, we collected extensive amounts of data on vehicular operating conditions in China, where we have a production unit. The objective of the work was to collect information about the use conditions of commercial vehicles from different segments and their brake systems on Chinese roads. The data we collected comprise the working temperature of the

brake systems, brake pressures, vehicle speed, route altimetry, among others. The field work is carried out by our engineers using instrumented vehicles that obtain data that allow us to develop new materials, based on the particularities of the regions where we operate. The same tests were performed in India.





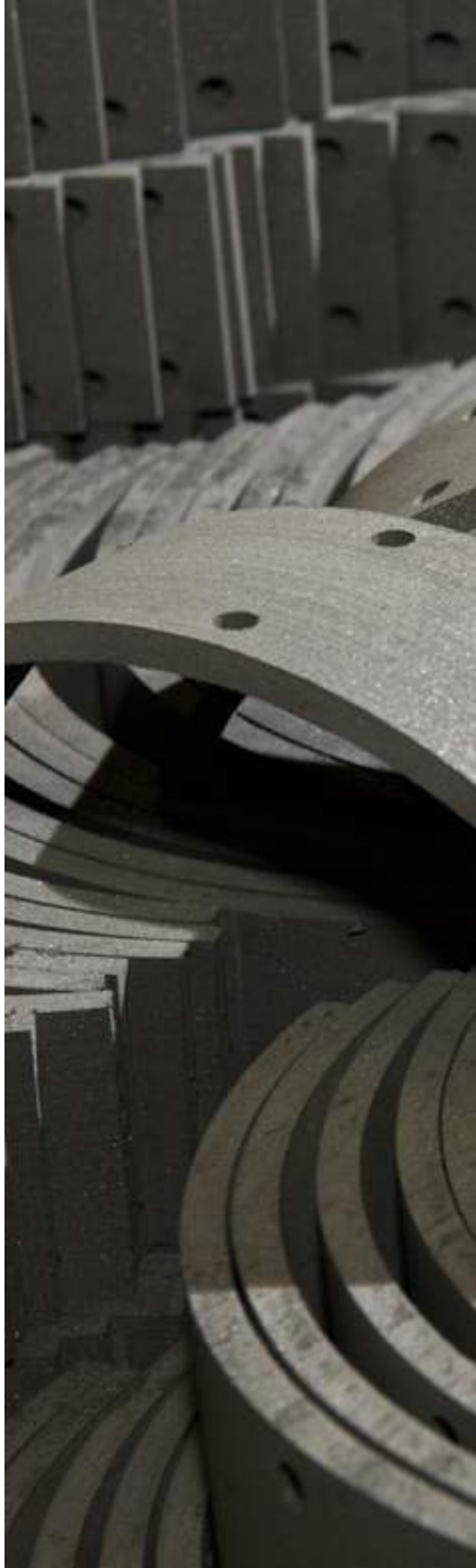
RECERTIFICATION OF THE FRAS-LE LABORATORY

In 2017, upon an audit carried out by TÜV SÜD, a respected global provider of technical services, Fras-le's Physical Testing Laboratory renewed its accreditation to perform ECE R90 and ECE R13 tests, recognized for Product Certification according to the European automotive standards.

MONITORING of products

Our products undergo a Preliminary Assessment of Aspects, Impacts, Hazards and Risks, an analysis made by Product and Environmental engineering. In addition, every new product, to meet the requirements of IATF 16949 and customer requirements, must be registered with the IMDS (International Material Data Sheet). To perform that registration, it is necessary to inform the raw materials (substances) that comprise the product. The register lists restricted substances, such as asbestos and hexavalent chromium (carcinogenic and

polluting products), among others. Accordingly, we strive to eliminate the use of these substances in our products and manufacturing processes. In 2017, no cases of non-compliance with laws and regulations were filed regarding the supply and use of products and services; cases of complaints and claims for breach of privacy and customer data loss; nor cases of non-conformities regarding marketing communications, including advertising, promotion and sponsorship.





COMPLIANCE WITH the current legislation

Our pads, brake linings and shoes are certified according to INMETRO Ordinances No. 17 and 55. The goal of this certification is to ensure that the parts sold in Brazil meet the minimum safety requirements, and prevent the sale of parts with dubious quality and safety. The authorization to use the Conformity Identification Seal was granted to us before the deadlines set by INMETRO and after all the requirements were met,

and it is being clearly, legibly and indelibly printed on the body of the sets of brake pads and linings and/or on their packaging. In order to ensure the compliance of our clients with the legislation, we executed communication actions to inform that the sale of stocks without certification should be terminated on July 28, 2017.



INTERNATIONAL REGULATION

We are subject to international regulations, especially in the United States and China, where we have manufacturing units. Page 101 of the 2018 Reference Form



<p>1JG=4PC PD/42</p> <p>FF</p> <p>78930264006827</p> <p>SISTEMA TEVES</p> <p>GM: Corsa 1.0 (94/) 1.4 (94/99)/1.6 (95/); Pick-up 1.6 (95/); Celta 1.0 (06/) 1.4 (03/).</p> <p><small>Consulte mais informações sobre aplicações no catálogo eletrônico no site www.fras-le.com Após o uso, o produto é classificado como resíduo classe II-A não perigoso, de acordo com a NBR 10.034.</small></p>	<p>Segurança</p> <p>ocp eost INMETRO</p> <p>Registro 004504/2015</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------

<p>LONAS PARA FREIO - BRAKE LININGS - FORROS DE FRENO - CEPPI FRENO</p>	
<p>FRASLE</p> <p>www.fras-le.com</p>	
<p>2G=8 CA/32 AF/600. FF</p> <p>CMAS+</p> <p>78930264356270</p>	<p>Segurança</p> <p>Registro 004504/2015</p>
<p>TROMMELBREMSBELÄGE - GARNITURES DE FREIN - CALÇOS DE TRAVÃO</p>	

HUMANIZE TO GROW



Human capital in constant development (page 80)

Who we are in numbers (page 88)

We cultivate health and safety (page 92)

We feel appreciated (page 94)

We take the lead of our careers (page 98)

Sustaining Cycle (page 102)

2017 actions and Results (page 104)



HUMAN CAPITAL in constant development

CORPORATE GOVERNANCE

G4-10, 11 | LA1 | LA2 | LA3 | LA4 | LA12 | LA16 | EC6 | HR2 | HR3 | HR9

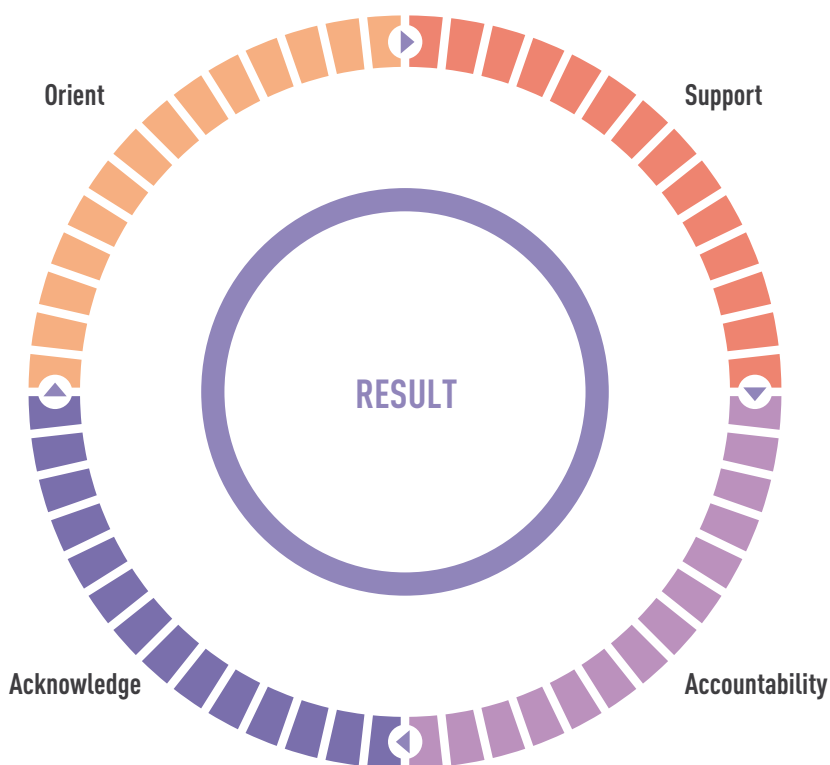
Our Corporate Governance was recently reviewed, when corporate guidelines were established based on an extensive study validated by the senior management. This new knowledge was shared with all our leaders with the publication of the Manager's Guide in 2016.

The guide, therefore, is a reference to our leadership

to orient and develop the organizational culture in the day to day with their work teams. We are constantly investing with the goal of sustaining our strategic ambitions and strengthening our principle of Appreciation and Respect for the People.



» People Management Model





The Manager's Guide has a philosophical and orienting scope, and is regularly reviewed. The first part is related to Corporate Governance provides guidance on the Integrity Program, Philosophy, Organizational Architecture, Safety Culture, Strategic Planning, Career Management, Manager Profile, Leading Position Profile, People Management Model and Tools from all Randon Companies.

**CONSULTING
CULTURE**

**DECISION
MAKING**

ACCOUNTABILITY

CONSEQUENCE MANAGEMENT

**HORIZONTAL
DISCUSSION**

**VERTICAL DECISIONS AND
RESPONSIBILITIES**

The second part of our guide was launched in 2017 and includes content specific for the Randon Companies Auto Parts Division, to which we belong. It addresses how the joint action of the auto parts division takes place under the scope of the Strategic Planning, matrix management, safety and operational excellence. Along with the other Randon auto parts, we operate within a matrix in the areas of Manufacturing Technology and Operational Excellence, Replacement Market and Marketing, Controllership, Human Resources and Technology and Product Innovation. Therefore, matrix management is the means through which we capture synergies between businesses, which allows the joint development of processes for all our companies. Fras-le's foreign units,

despite being self managed and reporting to the parent company, are also contemplated by the operation of the matrix areas.

The guide also provides us with orientation to achieve operational excellence by inviting us to do everything in the best way, with an adequate cost-benefit ratio, better quality and in a sustainable way. The foundation of our operation is Lean Thinking and the use of the Six Sigma methodology. In this process, we are all protagonists, assuming a proactive attitude, in order to meet the needs of company and to adopt consistent measures to move forward in a sustainable way, taking risks, maintaining purposes, perceiving opportunities and leading.



ORGANIZATIONAL CULTURE

Create an organizational culture that strives for leadership, innovation and excellence in execution and management processes.

| LEADERSHIP

| ORGANIZATIONAL MODEL

| SAFETY

| INNOVATION

| EXCELLENCE IN EXECUTION





We are respected

G4-41 | HR1

The operational and cultural changes promoted by our company are planned and aim to insert our workforce withing the new context and/or keep it up to date. When a change impacts our employees, we comply with the legal requirements and deadlines.

We use several communication tools, such as a newsletter, which is distributed on the Internet; meetings with management, murals, among other channels. When we welcome new employees, they undergo an integration process, a training that includes corporate policies, Ethical Conduct Code and Work Safety, which provides guidance for their first steps. Conducts which go against the directives or policies of our companies are subject to the disciplinary sanctions set forth in the legislation in force in Brazil and in the countries in which we operate, according to the Consequence Policy. We have an open and exempt channel to receive demands from the employees, including anonymous claims regarding reports of situations that are not in conformity with our ethical conduct.





We have several benefits

Our benefits policy extends to our family members and is offered through a comprehensive package which includes medical, laboratory and hospital care. At the company, we use our Health Center for clinical and work care, nursing and dentistry. Furthermore, we have at our disposal a dental insurance, partnerships with pharmacies, childcare assistance, legal advice, private pension, seniority premium, Christmas party, banking office, credit union and insurance brokerage at the headquarters. Our cafeteria serves healthy food; our company offers collective transportation exclusive to our employees; and we also have sponsorships for our employee association, which has a library, country club, party halls, gym, coordination of sports activities and traditions group (GTCN Velha Carreta) and several partnerships.

RELATIONSHIP WITH TRADE UNIONS

In Brazil, we have a 100% coverage in accordance with the collective agreement and we maintain a transparent relationship with the Metalworkers' Union of Caxias do Sul, where our headquarters and the largest concentration of the workforce are located. Contacts are made when it interests our employees, upon approval of the profit-sharing agreement, polls and specific negotiations.

In the United States, the government does not require our employees to be affiliated with a union and the state of Alabama allows the relationship between employee and company to be free. The NLRB (National Labor Relations Board) is an independent federal agency that protects the rights of employees, but does not require employees to join a union. Therefore, our employees in the United States do not have a formal union. In China, the government does not allow the creation of unions or similar organizations, so they do not belong to any union.





WHO WE ARE in numbers

» Number of employees in Brazil

In 2017.

Fras-le	2,420
Control	423

Total:

2,843

» Number of employees abroad

In 2017.

Africa	2
Argentina	35
Chile	3
China	168
Colombia	6
United Arab Emirates	1
USA	69
Europe	8
Mexico	3

Total:

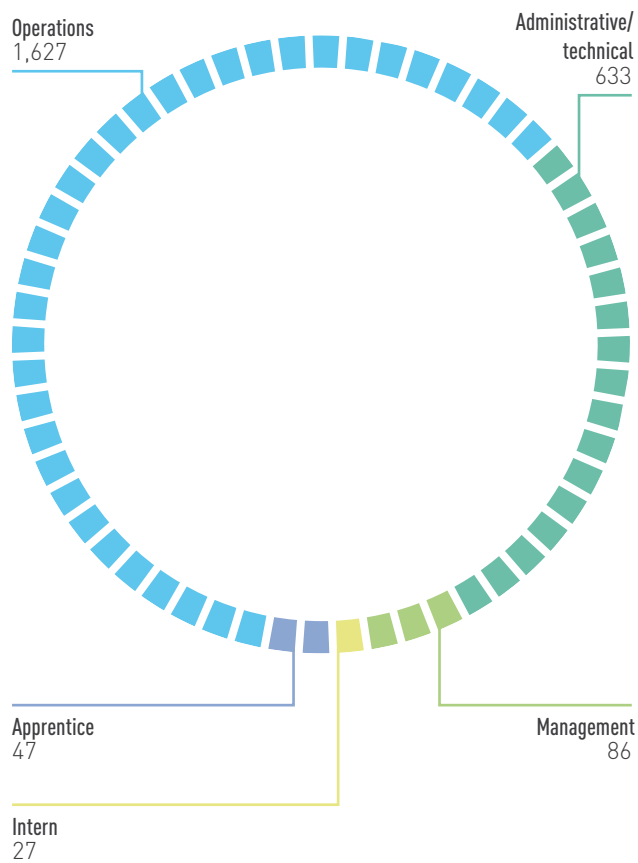
295





» Employees by activity group

Fras-le Brazil Data.



Total:

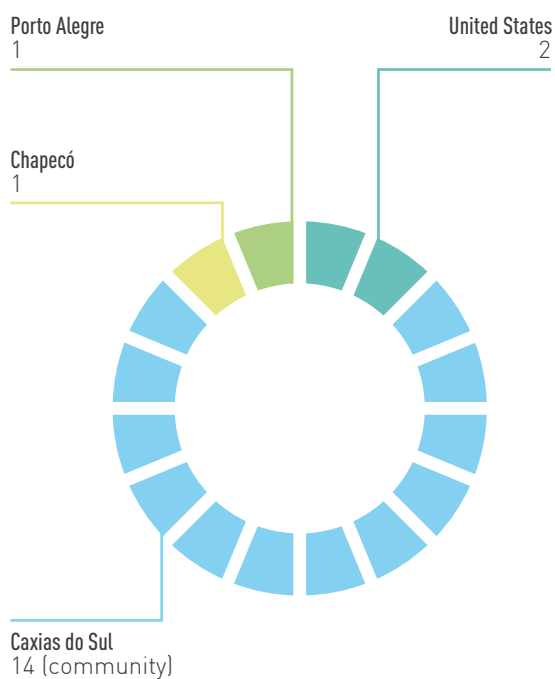
2,420

» % of employees in governance and by functional category

Fras-le Brazil Data.

	Governance (Board of Directors and Fiscal Council)	Management	Administrative/ Technical	Operations
Women	0%	10%	18%	18%
Men	100%	90%	82%	82%
Up to 30 years old	8%	3%	24%	26%
From 31 to 50 years old	38%	82%	65%	60%
Over 50 years old	54%	15%	10%	14%

» Senior management members – origin



» Outsourced

Data from the headquarters in 2017.

Housekeeping	30
Catering	27
Safety	24

Total: 81

» Maternity/paternity leaves

In 2017.

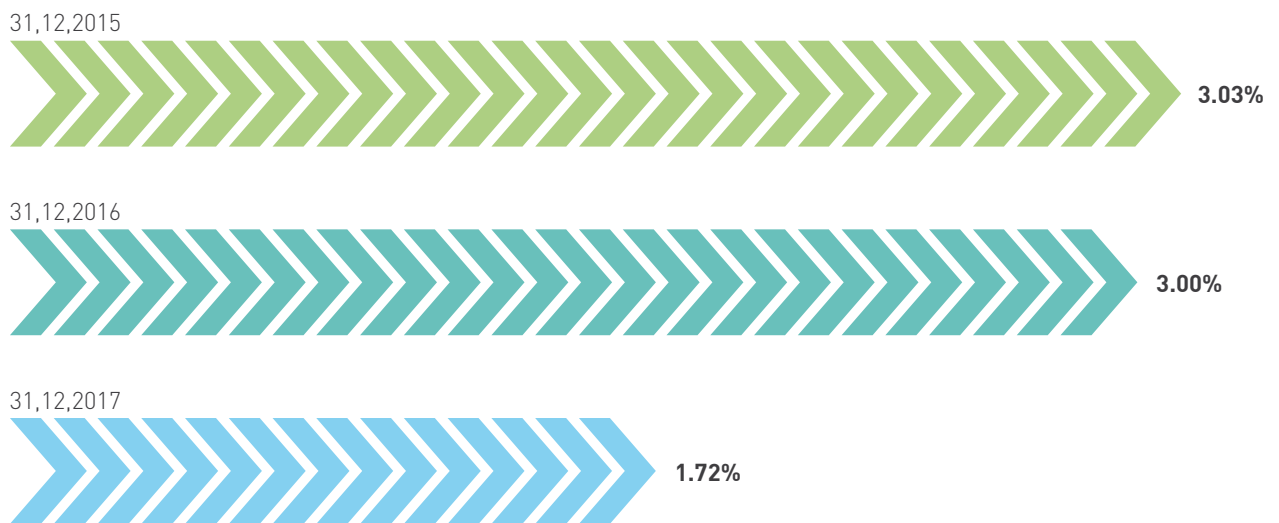
Extended maternity leave	13
Extended paternity leave	21
Maternity	2

Note: All returned to work after the leave period, and 29 were still employed after 12 months, 20 men and 9 women.

Total: 36

» Turnover rate

Data from the headquarters.



In 2017, we changed the way we calculate the turnover rate, which now represents the total employee movement number, i.e., in addition to market hires and terminations, we include relocations between employees among the Randon Companies. In pre-2017 data, this was calculated and monitored as the termination rate.

Calculation method in 2017:

(turnover rate)

$$\text{Turnover} = \frac{\text{Average of admissions and terminations}}{\text{Total number of employees in the previous month}} \times 100$$

Calculation method in 2015/2016:

(turnover rate)

$$\text{Turnover} = \frac{\text{Number of terminated employees}}{\text{Total number of employees in the previous month}} \times 100$$

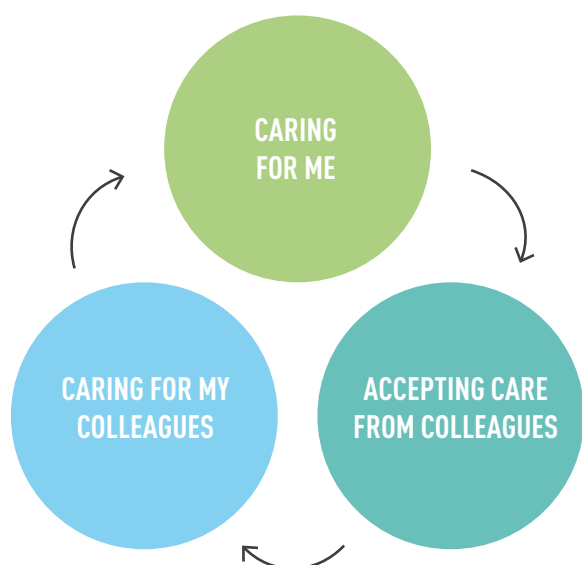
» Labor lawsuits in 2017

- | 204 new suits;
- | 30 payments ordered;
- | 18 settlements.

WE CULTIVATE HEALTH and safety

G4-11 | LA5 | LA6 | LA7 | LA8 | HR7

ACTIVE CARE



We practice Safety as a Value, with the support of our Health, Safety and Environment Policy (HSE).

This policy guides us towards excellence in this area, through a culture of risk prevention and mitigation. We identify and address hazards and risks related to health, safety and ergonomics through many programs, and we strictly follow the health and safety clauses in the Collective Labor Agreement.

Among the several actions that we develop are the anticipation and recognition

of workplace risks, for establishing priorities and goals and implementing preventive and control measures for taking actions. We monitor periodically the health of each employee according to their function.

A team consisting of occupational physicians, engineers and safety technicians addresses occupational safety and health issues, proposing, in a collaborative and shared manner, measures for the prevention of occupational incidents and diseases.



In 2017, 171 employees participated in Occupational Safety and Health Committees.

The table below shows the number of participating components during the period of the Internal Commission for Accident Prevention, Specialized Service of Safety Engineering and Occupational Medicine and Internal Defense Fras-le. The indicators table lists the rates for 2017, whose calculation of the number of injuries considers accidents with leaves longer than 15

days/hours worked multiplied by 1.000.000; for occupational diseases the number of occupational diseases/number of employees is used; days lost are based on the days lost over 15 days/number of employees multiplied by 1,000,000; and the number of deaths is absolute. Our indicators follow the recommendations of the ILO (International Labor Organization).

	CIPA*	SESMT*	INTERNAL DEFENSE
Total employees	34	11	126

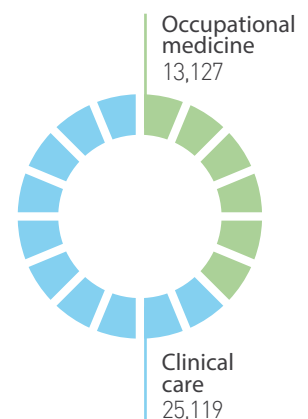
*Groups representing 100% of Fras-le employees in the national territory.

» Fras-le Indicators 2017

Injuries	1.15
Occupational diseases	0
Lost days	175,809
Absenteeism	2.69
Deaths	0

» Employees Seen in the Health Center

We have a Health Center that provides several services and benefits, promoting worker's health. It is an integrated system of care, counting with infrastructure and specialized staff, including 24-hour emergency and emergency care, free collection and delivery of exams, and internal and external dental services



WE FEEL APPRECIATED

We have an encouragement and engagement process

G4-11 | LA11 | LA13 | EC3 | EC5

The goal of our corporate remuneration policy is to define and maintain fair appreciation criteria and it strives for reaching an internal balance and external competitiveness. Our remuneration is composed of nominal salary, payroll charges, benefits and variable pay. The positions are managed by a salary table composed of five salary levels for each position group, and the salary table makes no distinction between men and women.

The salary table comes from the salary behavior practiced in the market, in order to attract and retain professionals. From the organizational chart, we map the positions and job functions that will compose the organizational structure and in a document we describe in detail the the

organizational profile of the activity, including the main deliverables and final expected results.

We have an incentive and engagement process for our employees, the Profit Sharing Program - PPR.

This program provides direct participation in the results achieved by the organization.

It is a form of strategic and variable pay that encourages professionals to surpass their performance level while being bound to the goals of the organization. The PPR agreement is negotiated every 5 years with the category union, and a committee composed of company and employees representatives negotiates and establishes the goals and indicators every year.

Distribution takes place semiannually, in compliance with the minimum requirements.

Therefore, we make clear what the expectations are, we encourage an open and transparent dialog through honest and direct conversations and feedback, we provide fair treatment and meritocracy, and promote a culture of accountability.







PERFORMANCE MANAGEMENT

100% of our professionals are eligible for performance and meritocracy reviews. Our HR policy supports the implementation of this strategy, ensuring the alignment and engagement of the professionals with the business objectives, guiding the meritocracy. Performance Management is the combination of formal and informal processes and practices that are used to direct us towards results, priorities and behaviors that will produce positive short-, medium-, and long-term effects, both for the employees and the organization.

Thus, we make clear what the expectations are, we encourage an **open and transparent dialog** through **honest and direct conversations and feedback**, we provide **fair treatment** and **meritocracy**, and promote a culture of accountability.

» % and number of people who received awards and promotions in 2017

	Women	Men
Governance	0% 0	7.7% 1
Management	57% 4	22.7% 15
Administrative/Technical	13.3% 15	15.9% 83
Operational	15.73% 45	12.3% 165



RANDONPREV

We are served by the RandonPrev Pension Fund, which provides us with an opportunity to prepare for the future by making it possible to save for retirement. Our subsidiary Control was included in 2018.



See the RandonPrev Report here.

» **2,489** active Fras-le participants joined the plan.

» **24** former Fras-le employees decided to continue with the plan.

» **21** former Fras-le employees who continue with the plan, without paying, awaiting the benefit.

» **74** former Fras-le employees are receiving the benefit.

WE TAKE THE LEAD OF OUR CAREER

We are protagonists

G4 | LA10

Our company's position regarding career management is that of a strong belief in the value of training, encouraging the quest for self-development in anticipation and in reaction to a competitive market environment. The advice is for each to take on the responsibility of building their own career.

By identifying our skills and abilities, expressing our interest in development, we

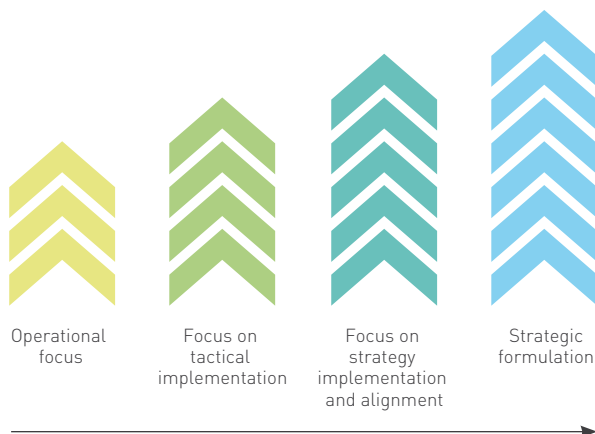
reconcile our individual desires with the planning of the company, thus promoting a favorable environment.

Each of us, therefore, has the opportunity to plan the career, set goals and objectives, and seek improvement, regardless of the hierarchical level. Our managers note the points that deserve further development and define what type of support will be offered. Monitoring the results

achieved through feedback helps us grow.

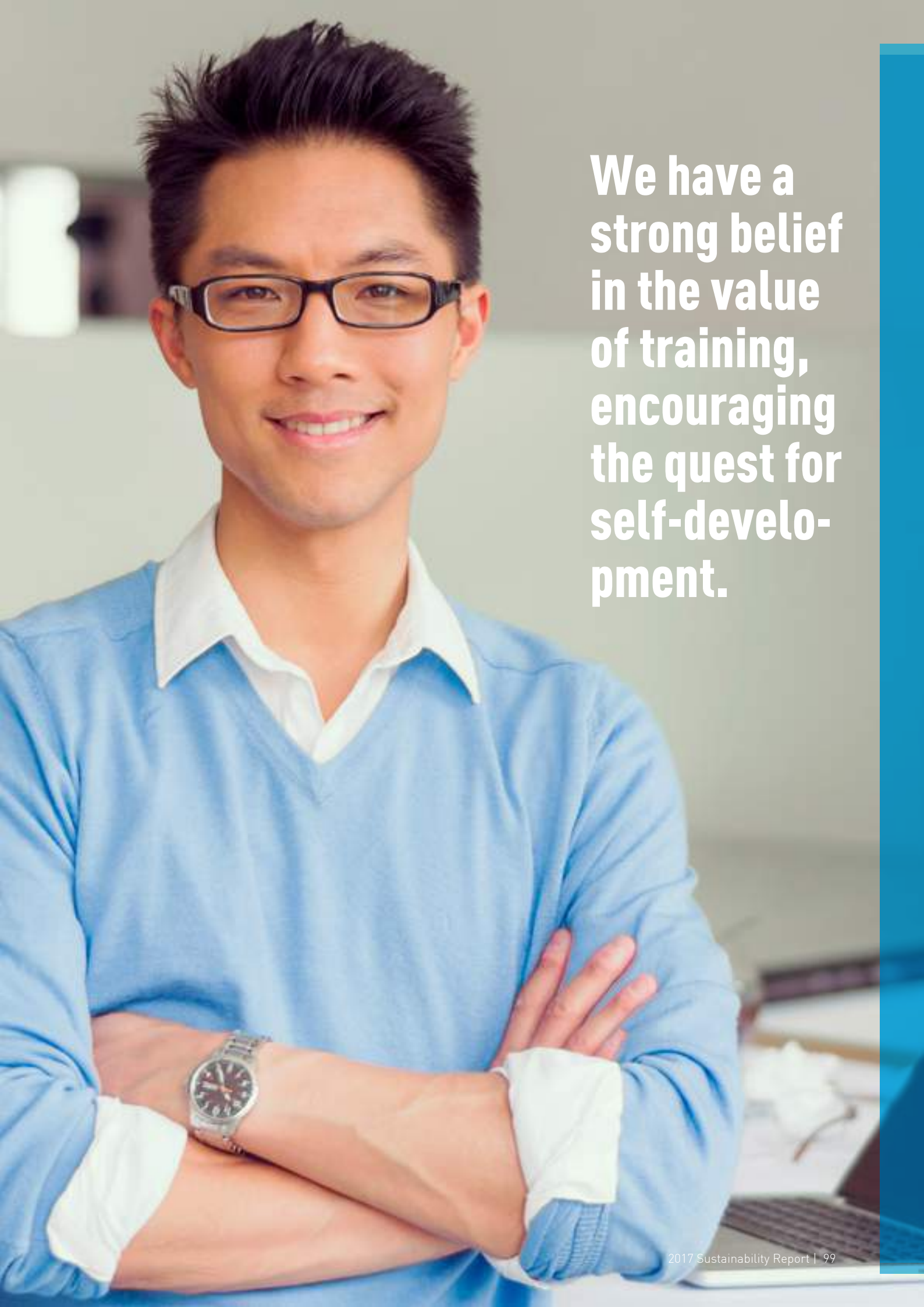
The training plan is a shared responsibility between the manager, the HR consultancy and the corporate areas, as it represents an alignment between the need and the strategy of the organization. Other demands not foreseen in the annual plan for quality training or the monthly scheduling for safety training may be requested.

» Evolution of the complexity of the functions



» Average number of training hours by gender and functional category in 2017

	Women	Men
Governance	0	4.25
Management	9.95	10.44
Administrative/ Technical	7.66	7.32
Operational	2.81	3.80



We have a strong belief in the value of training, encouraging the quest for self-development.

RETIREMENT

From the age of 57 we can start the process of retiring from the company through the New Paths Program. We are awakened to the need to make a plan three years in advance of our retirement, in order to build new life projects, with autonomy and entrepreneurship. The benefit extends to all who have are eligible to the Social Security Retirement for Length of Work.

When we formalize the adhesion, we participate in individual and group follow-ups to reinforce personal responsibility actions, orientations regarding our specific needs, as well as necessary referrals.

The program conducts active longevity surveys, with the goal of monitoring biennially, over a period of five years, in order to identify the incidence of the useful and functional activities carried out by these individuals.



**NEW PATHS
PROGRAM
2017**

27 adhesions



MANAGEMENT SYSTEM

Our management system has as fundamental guidelines to ensure the planning, execution, analysis and improvement of all the company's processes, in compliance with the international standards ISO 9001, IATF 16949, ISO 14001, OHSAS 18001, ISO/IEC 17025.

Based on the Company's Strategic Planning, the Sustainability Cycle is born:

Vision: Be a global, leading company of friction materials for commercial vehicles reaching 2 billion in gross sales by 2020, with sustainability.

STRATEGIC PLANNING

- | Sales plan
- | Investment plan
- | Strategic projects
- | Operational Projects

INDICATORS

SUSTAINING CYCLE

ORGANIZACIONAL GOVERNANCE

- Governance management
- Performance review
- Governance communication

STRATEGIC PLANNING

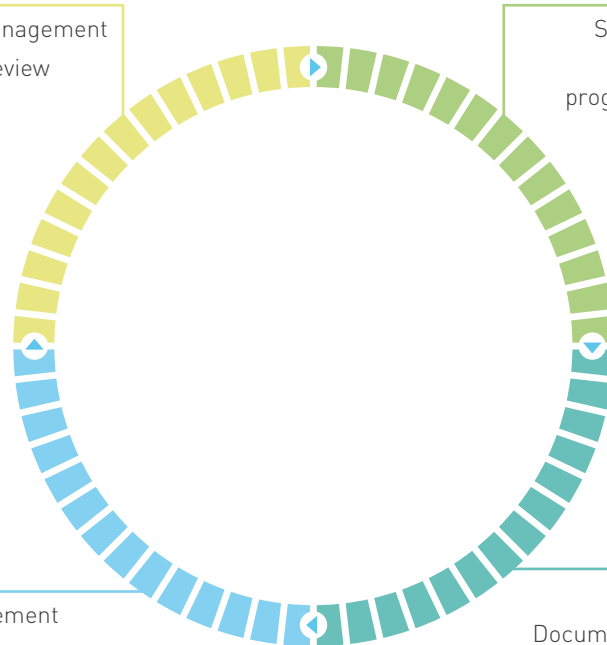
- Strategic planning
- EP development program (Sustaining Cycle/Attitude)
- Strategy communication

PROJECT MANAGEMENT AND KPIS

- Project management
- Indicators management
- Audit management
- Actions management
- Communication of the management system

PROCESSES

- Process maps
- Document management
- Integrated management system
- Customer requirements management
- Versatility matrix
- Unfolding the communication strategy



SUSTAINING CYCLE

Our support for cultural and behavioral changes

The Sustaining Program, which has an annual cycle, promotes actions geared towards cultural and behavioral change, contributing to the Company's vision of sustainability. Through the program, we deploy the Strategic Planning for all employees, always prioritizing the

Safety, Quality and Productivity (SQP) pillars. Therefore, we make the purpose of the company a reality in everyone's day to day. The idea of creating a support program for the Fras-le Management System arose in 2013, with the emergence of the strategic tree, which

translates the Strategic Planning in a playful way. In 2016, we effectively implemented the first cycle. Each year, the Sustaining Program undergoes a review and adjustment process, ensuring the continuous improvement of the program.

CANOPY

Represents the **goals:**
Strategic map.

FRUIT

Represents the **result:**
Satisfaction of the stakeholders (shareholders, customers, employees, suppliers, and society).

TRUNK

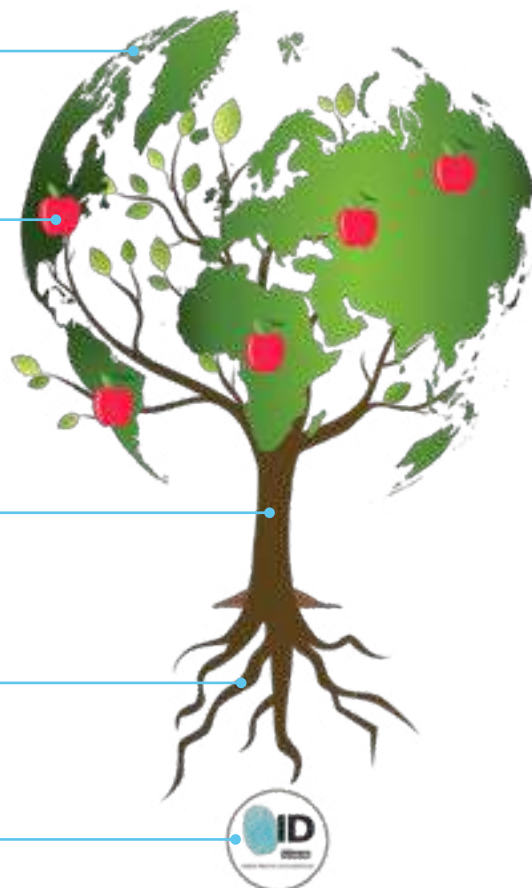
Represents the **initiatives:**
Strategic projects and the Sustaining Cycle.

ROOTS

Represents the strategic **guidelines:**
Vision, mission and SGF policy.

EARTH

Represents our **principles:**
Randon ID.





In 2017, in its second cycle, the Sustaining Program was extended to the Control Brakes unit and we expect that, in the future, the program could be applied to the whole Company. We understand that through the Sustaining Cycle we will be more transparent in relation to the strategic objectives and engagement of everyone, in order to evolve the operational maturity levels of each Fras-le unit. The Management System is responsible for managing the Governance and thus, is the guardian of the methodology of the Sustaining Cycle. The program is carried out by a multidisciplinary team composed of Fras-le managers and employees, which represent the three pillars (SQP), in addition to representatives from the Management System, Auto Parts Division, and the Shared Services Center of the Randon Companies. Based on the premises provided by Management, the team structures practical actions and applies them from March to November. Some of those actions are focused on information, others in engagement, and they also address the results. The first great action of communication of the Strategic Planning is the strategy deployment event held by the Senior Management for the employees, which includes all work shifts.

ACTIONS AND RESULTS IN 2017

Closing of the 2017 Sustaining Cycle

HOW MUCH PRODUCTIVITY DID WE GAIN?

» Part / hour / person

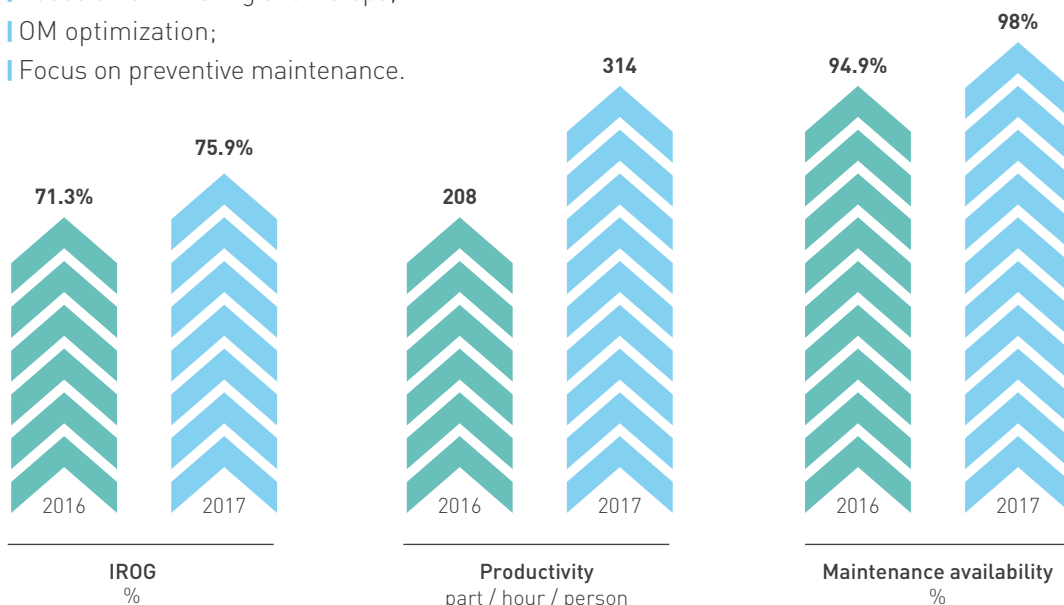
2016	2017
30.41	32.60

- | Optimization of the work force;
- | Idleness control and reduction;
- | Increased process efficiency.

7.2% increase.

» Equipment gains

- | Focus on eliminating short stops;
- | OM optimization;
- | Focus on preventive maintenance.



HOW MUCH PRODUCTIVITY DID WE GAIN?

» Number of customer complaints

Period: 2017

2016	2017
47	37

20% reduction

» Warranty cost

Period: 2017

2016	2017
BRL 1,548,029.12	BRL 1,173,965.24

32% reduction

» Non-quality cost

Period: 2017

BRL 11,500,456.05

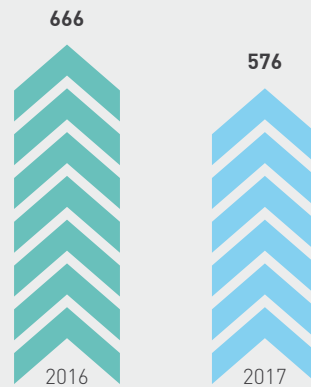


BRL 10,293,422.89



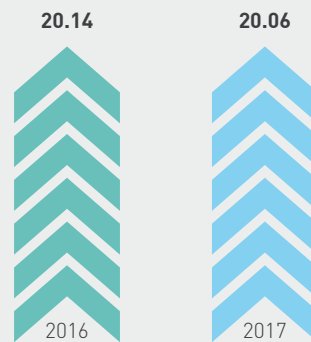
HOW MUCH SAFETY DID WE GAIN?

» Number of recorded incidents




13% reduction

» Frequency rate



SUSTAINABLE THINKING



Environment (pg. 108)
Waste generation and reuse (page 112)
Pro-Environment (page 116)
Water and effluents (page 118)
Energy (page 120)
Emissions (page 122)



ENVIRONMENT

Shared attitudes

G4 | EN31 | EN27

In 2017 we invested **BRL 6.5 million** in **environmental conservation**, guided by our Health, Safety and Environment Policy (HSE).

The policy guidelines strengthen our culture of risk prevention and mitigation, with seriousness and priority, defining responsibilities regarding such subject. The commitment to the policy extends to everyone – employees, trainees,

apprentices and contractors who provide services for our operations, respecting the local requirements. To keep up to date, we participate in educational activities during the week that celebrates the World Environment Day, among others.

ENVIRONMENTAL AWARENESS

During the Environment Week of 2017, we performed an awareness raising campaign regarding solid waste, encompassing the entire company. During this year, we promoted weekly discussions on topics relevant to our environmental management, such as solid waste, effluents and atmospheric emissions. In addition, we welcomed technical visits from schools and institutions, during which we gave a presentation of our processes.

PREVENTION CULTURE

- » We held **lectures with employees** on HSE issues.
- » **We record, investigate, and address** deviations.
- » We are encouraged to **suggest and get engaged in improvements**.
- » We carry out **inspections in the workplace**, managing possible risks.



RECERTIFICATION AND EMS

In 2017, our company was awarded the ISO 14001:2015 certification, a version that updates the environmental standard and goes further, by establishing new requirements and criteria regarding concerns with the value chain, life cycle, risks and opportunities concerns, among others. The new version requires the identification of the main environmental aspects to undergo mitigation, control or action plans, focusing completely on the possible impacts on our units.

The new version requires the identification of the main environmental aspects to undergo mitigation, control or action plans, with undivided attention to the possible impacts on our units. In other words, the new certification drove Fras-le to share responsibilities across the organization and beyond.

In our business area,
**we were pioneers
in obtaining the ISO
14001 certification
in Latin America**, which
led to the creation of our
Environmental Management
System (EMS) in the 1990s.

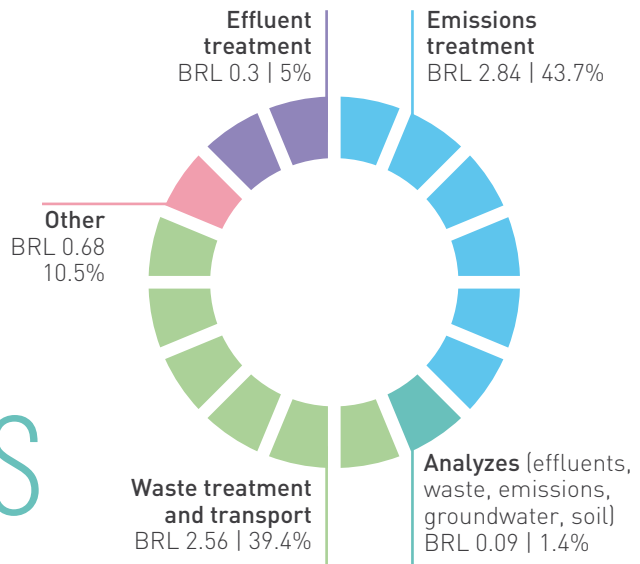
Through the EMS, we have established our actions for the improvement of environmental performance and pollution prevention. We were also the first company to start monitoring asbestos in 1983, a raw material that has been eliminated from production at the turn of the millennium.





» Investments made by Fras-le in environmental conservation - 2017
(in million BRL)

BRL 6.5
million in
investments



WASTE GENERATION and reuse

G4 | EN1 | EN2 | EN23 | EN28 | EN25 | EN30

Our Waste Management Program aims to eliminate or reduce waste in the production process and in the administrative areas, as well as to establish how waste and rejects should be disposed, in accordance with the applicable rules and legislation. We follow the legal rules and procedures from our internal policy. We

also care about controlling the transportation and final destination given to the waste that we generate, when outsourced, and we are fully aware of our joint responsibility. Accordingly, we follow strict criteria when hiring third parties to provide any service that may incur environmental risks.

FOCUS

- Waste generation.

GOAL

- Reduce waste generation.

METRICS

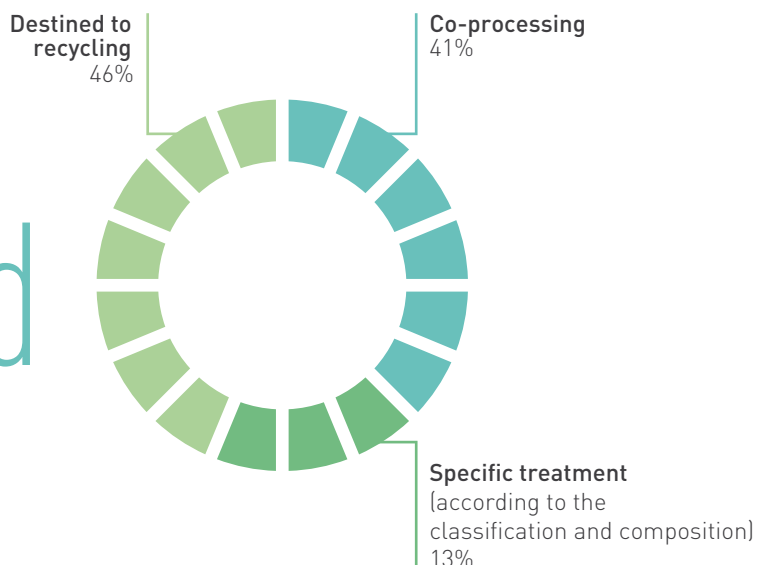
- Waste generated/ raw material used (%).

ACTIONS

- Follow the waste management hierarchy;
- Environment-friendly product design;
- Cleaner production technologies;
- Optimization of material use;
- Waste reuse;
- Co-processing.

» Waste treated by Fras-le – 2017

More than
9 thousand
tons



» Waste management hierarchy

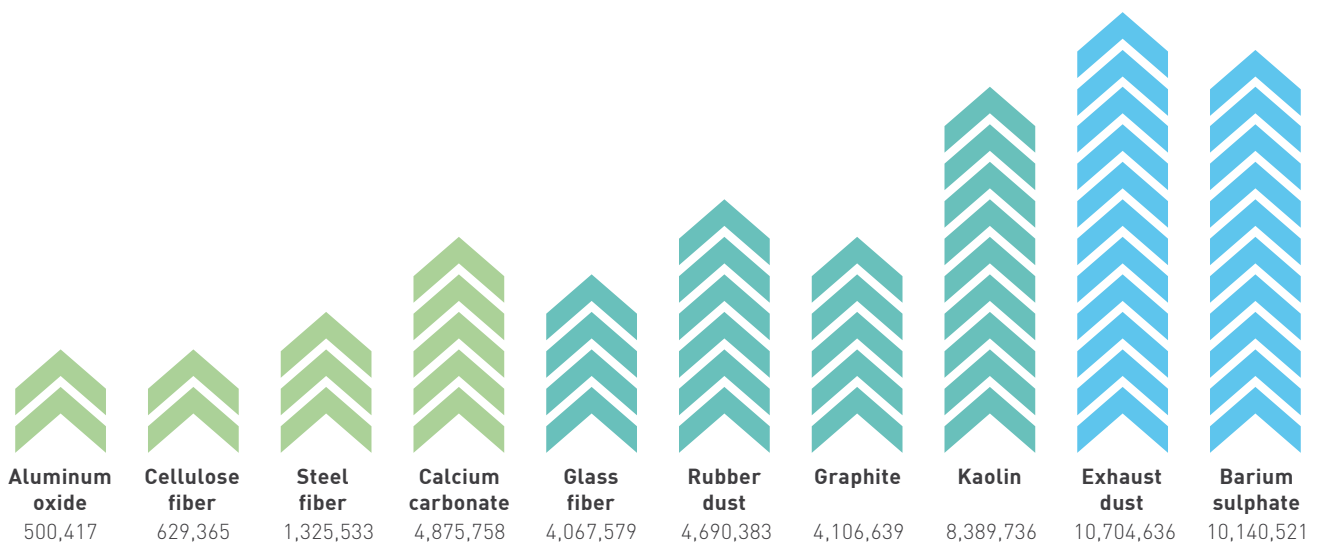


- 1 No generation
- 2 Reduction
- 3 Reuse
- 4 Recycling
- 5 Treatment
- 6 Final disposal



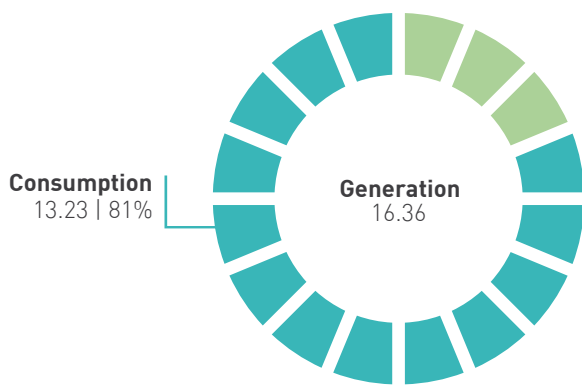
» Materials used – 2017

(broken down by weight | in kg)



A significant part of the generated waste is incorporated into the production process, increasing the utilization ratio of raw materials and reducing waste and disposal.

» Exhaust dust utilization – 2017
(in ton)



BRL 4.8 M/year

In savings generated by the incorporation of dust captured by Fras-le's exhaust systems in the production processes, thus replacing the raw materials from natural minerals.



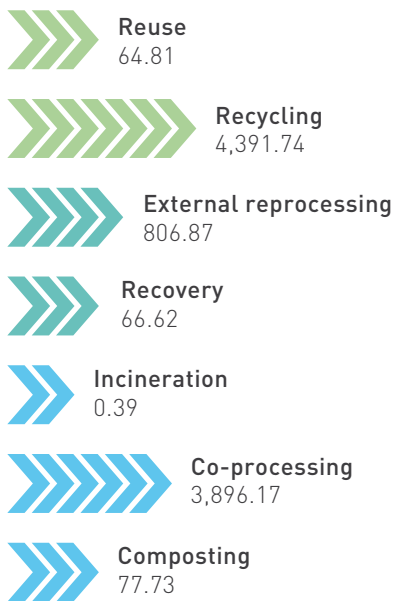
Particulate Material Collection System



Composting processes – composting greenhouses

» Waste forwarded – 2017

(broken down by destination | in ton)



» Waste transported – 2017

(broken down by class | in ton)



PRO-ENVIRONMENT

Our commitment with eco-efficiency

We offer our customers an additional and advantageous service of collection and destination of used

friction materials. This program secured the collection and correct destination of 1,238.31 tons in 2017, which represented an

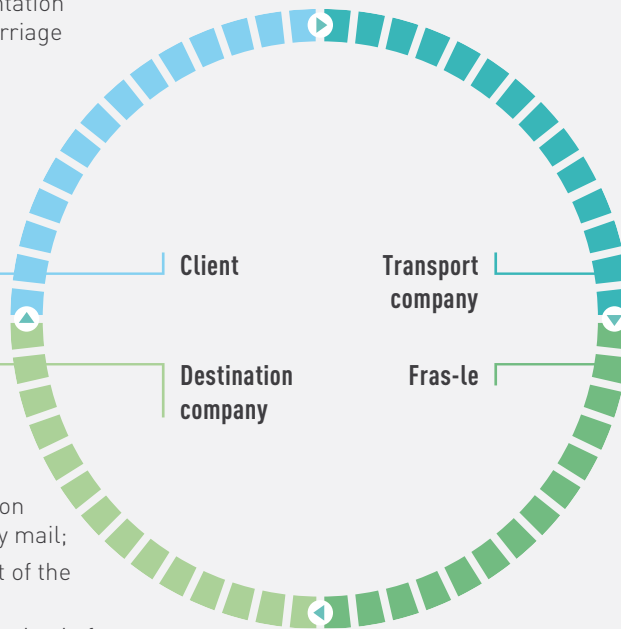
investment of BRL 1,437,985.86. Being Pro-Environment is rooted in our belief that preserving the environment means

our survival and responsibility to future generations, in addition to being in accordance with our HSE Policy.

» Shared liability

- Store the used friction materials in raffia bags/cardboard boxes, in a covered place and without contamination of other products;
- Scheduling the collection day with the carrier;
- Issue the necessary documentation (Invoice or Declaration for Carriage of Used Linings);
- Indicate in the raffia bags/ cardboard boxes the corresponding Invoice number or the number of the Declaration for Carriage of Used Linings.

- Collect the material at the transport company;
- Weighing;
- Issue a certificate of destination to the customer and send it by mail;
- Perform the proper treatment of the used friction materials;
- Meet the environmental legislation in force and have the environmental licenses;
- Submit accounts and bill Fras-le.



- Collect the materials as requested by the client;
- Weigh the materials;
- Store the collected material in a suitable place;
- Submit accounts and bill Fras-le.

- Forward all information and necessary guidance to the client;
- Monitoring and pay for the logistics and destination services;
- Monitor the treatment of the used friction material done by the destination company.



More than

460 registered clients.

Over

1,200 tons

of brake linings collected and

properly discarded.

WATER AND EFFLUENT

Consumption reduction and reuse

G4 | EN8 | EN9 | EN10 | EN22

The water we use at our company headquarters comes from an artesian well and its use is conditioned upon the preservation of the level of the local water table. In 2017, we invested in the installation of an automated water pumping control system for the wells, with real-time measurements, which allows a better flow control to avoid impacting the aquifer.

FOCUS

- Water consumption

GOAL

- Reduce water consumption

METRICS

- Water consumption (liters) / worked hour (L/wh).

ACTIONS

- Effluent reuse;
- Process optimization





Effluent Treatment Plant – pond treatment step

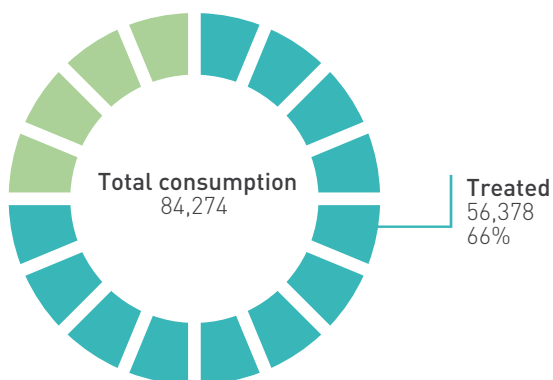
Our effluents come from toilets, changing rooms, cafeteria, cooling towers, gas gas scrubber, among others. In the effluent treatment process

implemented at our headquarters, we add chemical and biological products, in addition to using a filtration system and periodic monitoring. Therefore,

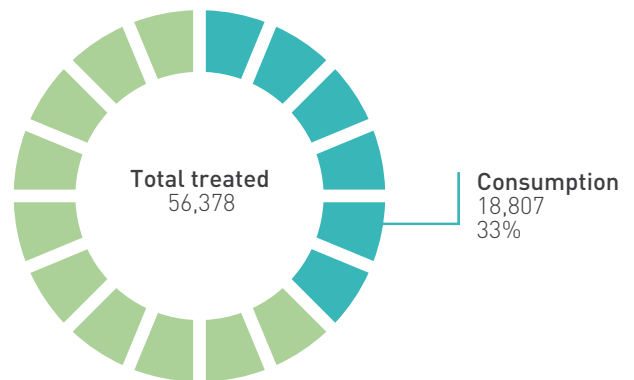
our effluent management meets the quality standards required by law, the disposal parameters set forth in the regulations

CONSEMA 355/17 and CONSEMA 344/16, in addition to meeting the criteria set forth in the operating license according to its most restrictive values.

» Water consumption X effluents treated – 2017
(in m³)



» Consumption of treated effluents – 2017
(in m³)



ENERGY

We seek alternative solutions

G4- EN3 | EN6

Our energy consumption programs aim to raise awareness on the preservation of sources, because we depend on the attitude of the people and their commitment to bring about solutions. In 2017, we started replacing incandescent bulbs with LED bulbs.

With this, in addition to a reduction of electric power consumption, we will have less need for maintenance and, consequently, a reduction in waste generation.

FOCUS

- Energy consumption.

GOAL

- Reduce energy consumption.

METRICS

- Energy consumption (liters)/ worked hour (kWh / wh).

ACTIONS

- High performance equipment;
- Environment-friendly product design;
- Process optimization;
- LED lighting;
- Automation.

» Energy consumption – 2017

(em giga Joules)



Electric power
14,512



Natural gas
1,821,379



EMISSIONS

We control and reuse

G4-EN21

In 2017, we performed solvent (xylene) recovery actions, whose vapor is captured by an exhaust system and processed. Afterwards, it is reused in the process as raw material. We also installed burners in the greenhouse exhausts in the pads sector, thus preventing the emission of polluting gases to the atmosphere. We control the atmospheric emissions by measuring and monitoring every three years, or when there is a significant change.

FOCUS

- Atmospheric emissions.

GOAL

- Reduce atmospheric emissions.

METRICS

- VOC emission rate (kg/h).

ACTIONS

- VOC recovery and use of oven burners (VOC);
- Natural gas and electric power usage replacing fossil fuels (GHG).

» VOC emission rate

The last measurement was done in 2016.



Chimney 10255 Sigma
0.000042 kg/h | 0.26 kg/year



Greenhouse 24158 Shoes
0.00084 kg/h | 5.32 kg/year



Greenhouse 11346 Sipas
0.000067 kg/h | 0.42 kg/year



HIGH LEVEL RELATIONSHIPS

64 | 37



Customers (page 126)
Suppliers (page 146)
Investors (page 154)
Press (page 156)
Community (page 157)



CUSTOMERS

Long-lasting, trust-based relationship

We seek to understand our customers' needs and use effective ways to communicate useful messages the moment they need them.

We use channels like the website, blog, application, electronic catalog, printed materials, informational materials, social media, satisfaction survey, presence in industry fairs, ads on websites and specialized magazines, sales campaigns, technical

and commercial visits, among others, to be close and to understand what they want and need.

Thus, we incorporate in our day to day the challenging pace of change and prepare ourselves to anticipate new realities and deliver to our customers what they demand from us. Our main customers are automakers, system providers, and replacement market distributors.

In order to better serve them, we segment the markets into Automaker and Replacement, in addition to considering the geographic presence of each. The average commercial relationship with customers from the Automaker segment is above 30 years. In the Replacement segment, we sell products to large distributors, with whom we have an average relationship of 33 years.

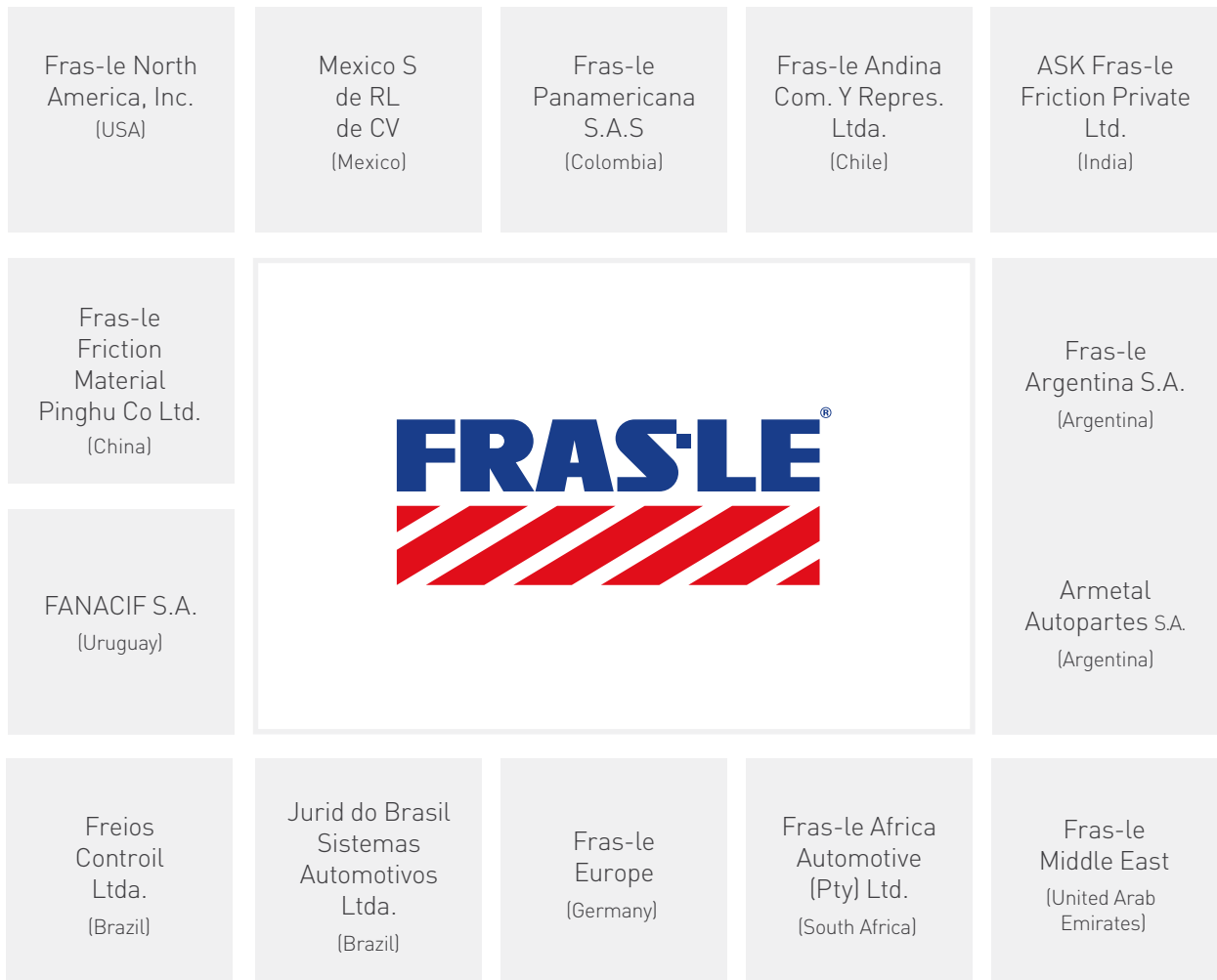
Principle:

Satisfied customer

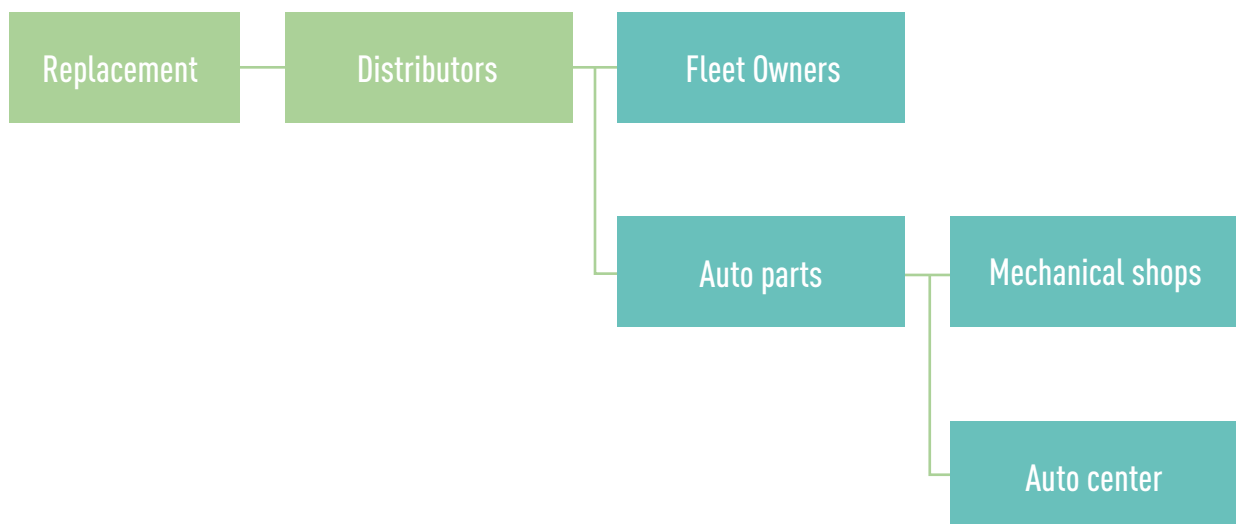
Attract and maintain new customers, anticipating and meeting their expectations.

Our marketing efforts are focused on the solutions we provide for our customers, because we understand that a purchase is the result of our effort to present products and services that make a difference in their lives and in their businesses.

» Commercial scenario – Global presence



» Distribution chain



» E-commerce

In 2017, we started offering the purchase and sale of Fras-le and Lonaflex products also on the website comprefras-le.com, which in addition to strengthening the brand in the market, helps our customers to expand their sales channels, generating more agile deliveries and profitability throughout the chain.

The operation is done through the Parts Channel, a digital sales platform for automotive parts.



Marketplace:
www.comprefras-le.com



» Communication in the Digital World

The digital media allow us to reach many different places, absorb needs and respond quickly to the people with whom we make businesses, fully respecting their individualities.



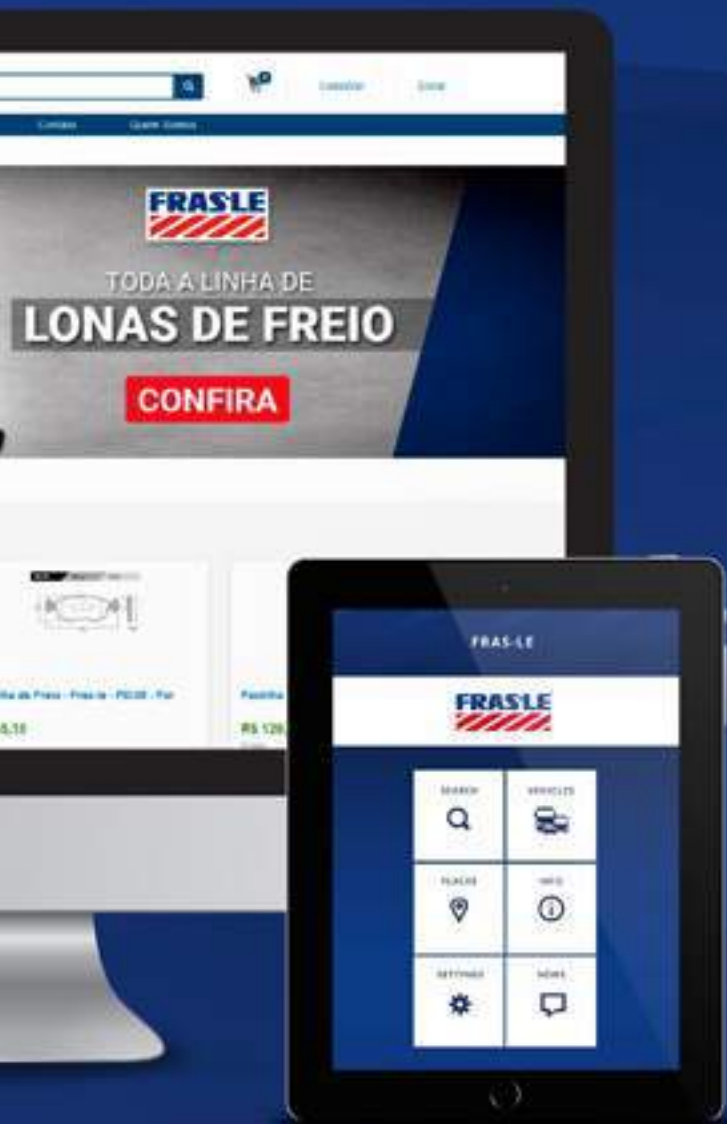
Site:
www.fras-le.com



Facebook:
facebook.com/FrasleOficial



LinkedIn:
linkedin.com/company/fras-le



Fras-le App ◀

In 2017, our customers gained access to information on the light and heavy break pads and linings from the TEC DOC database in South America, a partner company since 2015, year in which we offered our product portfolio to the European market.

TEC DOC has a worldwide automotive data base with more than 138 thousand vehicles and more than 5 million auto parts registered. The online platform available in 29 languages is comprised of the most well recognized spare parts manufacturers, and provides product and vehicle data.

Fras-le App:



Twitter
twitter.com/frasleoficial



Youtube:
youtube.com/user/frasleoficialvideos



Blog:
blog.fras-le.com



Marketplace:
www.comprefras-le.com

BRAND LEGACY

G4 | PR5

In 2017, we assessed our customers' perception of our brands through two satisfaction surveys; one held in Brazil and other abroad. We used the digital platform SurveyMonkey, collecting data in August and September. In this

survey we adopted two possible answers: Satisfied/Very Satisfied or Dissatisfied/Very Dissatisfied. In addition to the indicators resulting from the survey, the respondents gave their opinions, praises and criticisms about our products, delivery

logistics, service, among other aspects that contribute to our improvement. In Brazil, 420 people answered the questionnaire, representing 286 companies, with a large concentration in the range from 26 to 55 years.

Abroad, 102 people from 85 companies located in dozens of countries responded the questionnaire. The profile of the Brazilian and foreign customers is very similar, therefore we report in greater detail the national survey.

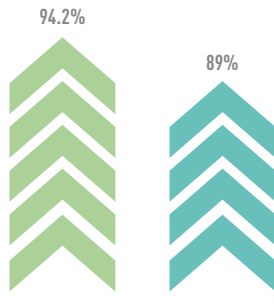


RESULT FROM THE CUSTOMER SATISFACTION SURVEY – 2017

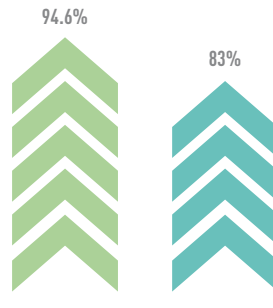
» Level of satisfaction with our products

(Satisfied and very satisfied)

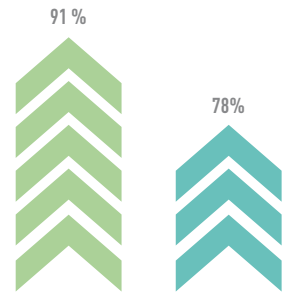
■ Brazil ■ Abroad



Fras-le



Lonaflex

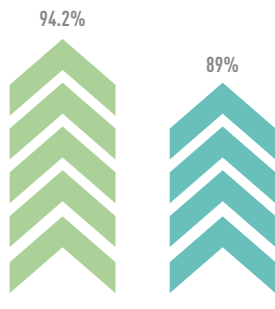


Controlil

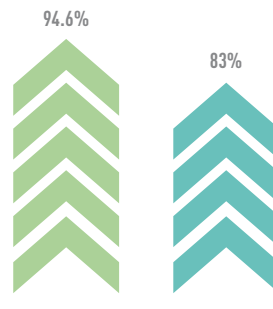
» Level of satisfaction with the service

(Satisfied and very satisfied)

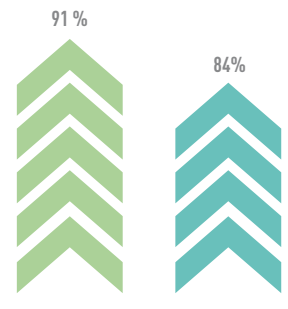
■ Brazil ■ Abroad



Fras-le



Lonaflex

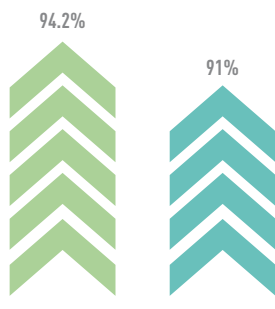


Controlil

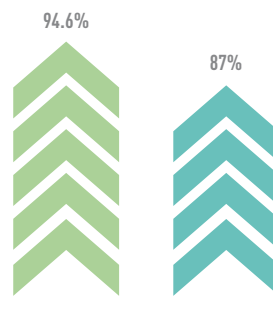
» Brand image evaluation

(Satisfied and very satisfied)

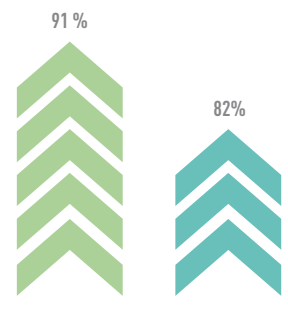
■ Brazil ■ Abroad



Fras-le

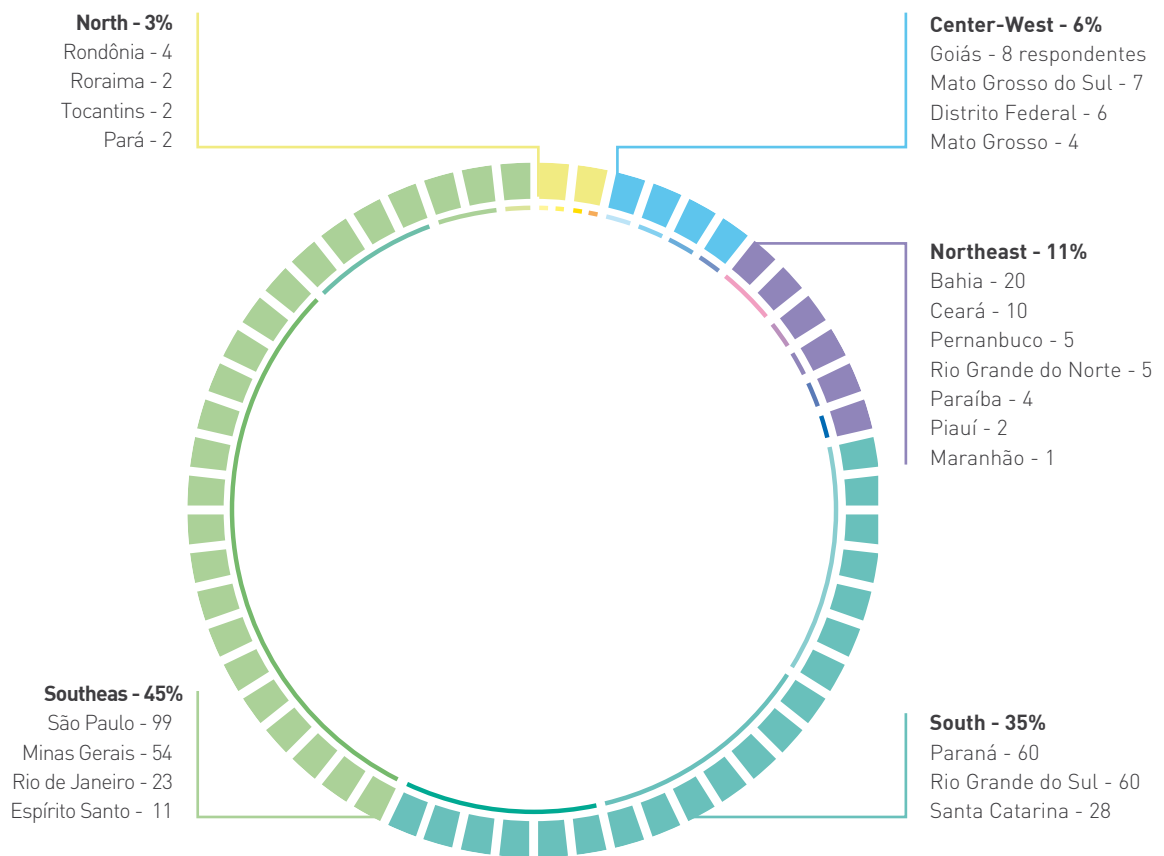


Lonaflex

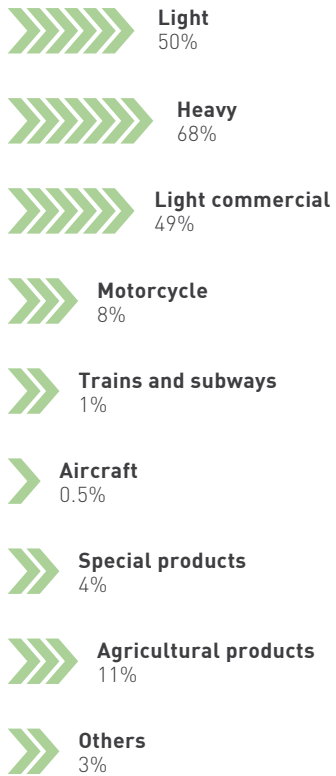


Controlil

» Respondents by region – 2017



» Segmentation by vehicle



» Brand relationship time







VISITATION PROGRAM

We believe that what makes the difference in business is the proximity between company and customer, which allows for an important exchange of information and a unique experience.

That is why we have the You Here Visitation Program; to welcome our customers to our sites so that they can see the whole process of developing, manufacturing and shipping of our products from up close.



In 2017 we welcomed:

- » **132** customers from 13 countries.
- » **27** companies from the United States, Belgium, Angola, Peru, Argentina, India, Colombia, Cuba, Chile, Guatemala, Germany, Uruguay and Mexico.
- » **76** representatives of 7 companies from the states of Goiás, Rio Grande do Sul, Rio de Janeiro, Pernambuco and São Paulo.

QUALITY CRITERIA

G4 PR1 | PR2 | PR3 | PR4 | PR9

We strictly follow the IATF16949:2016, ISO9001:2015, ISO14001:2015, and OSHAS18001:2007 standards, which encompass health and safety issues related to processes and products, including employees and customers.

In Europe, we have certifications from the ECE R13 and ECE R90 standards, for the automaker and replacement markets, respectively; in Colombia, we are certified by resolution 4983:2011, which includes the standard NTC 1715:2005; in Argentina, by IRAMAITA 6-C1 and 6-C2:2002; and in Venezuela, by the CONEVIN 767:1996 standard. In addition, in the Brazilian market we are certified by INMETRO according to ordinances 17, 55, and 301, and for the Americas, by the AMECA VESC V-3, upon asking, for the markets that demand it, such as The United States and Ecuador. We evaluate, according to our needs, any certifications applicable to other markets that require specific tests and analyzes from that country or geographic region. For brake fluids from the Controil brand, we are certified by INMETRO according to ordinances 78, and 157.

In 2017, we have not recorded at Fras-le any cases of non-compliance related to product quality that have generated fines for non-observance of the national laws and regulations regarding the supply and use of products.





To ensure the quality of our products, we apply project management methodologies such as the APQP (Advanced Product Quality Planning), which encompasses all stages from product and process design, to manufacturing and performance monitoring. The focus on quality is also present in the information provided to the final consumers, such as application catalogs, the MSDS - Material Safety Data Sheet, which provides information on the safe handling and application of products.

All relevant steps in product and process monitoring are documented in the Quality Management System, such as:

- » Results from product quality control/ performance analysis;
- » Product monitoring records;
- » Production quality control plans;
- » Reports on the technical analysis of warranties, among others.

Our physical analysis laboratory is ISO 17025 certified:





We provide assistance to our customers through several relationship channels, such as face-to-face service by our technical staff which has professionals based in the main sites in the country and abroad; by the telephone 0800 512 169, through the Fras-le "Contact us" website, in face-to-face meetings at the automakers and distributors, telephone service, e-mail, among others. We use global methodologies to address problems and

improvements, such as 8D, D&PFMEA, 6 SIGMA, Project Management, among others. Regarding labels, we follow the law of each country, for example: in Brazil INMETRO symbol in the packaging; in Argentina, CHAS registration number; in Colombia, origin label; and a label indicating the ECE-R90 in the European market.

Quality
performance
indicators, Fras-le/
Lonaflex Brasil – 2017

PPM
OEM= 5

TRAININGS

G4 | PR1

The training we offer to our customers have the goal of orienting them and their employees about how to use our products properly, offer resources to the replacement market salespersons, evaluate and capture customer demands and requests, and establishing contact between our engineering and the automaker customers. The way we find to be close to our customers depends on their profile and demand, whether it is an automaker, distributor, transport company, mechanic shop, or dealership, and on their audience, be it their sales team, technical team, owner, mechanic, or engineering. The moment of contact with our customers is important to answer their needs for information and also to capture demands and requests.





» Training to the replacement market
Brazil - 2017

215
trainings

5,818
trained people

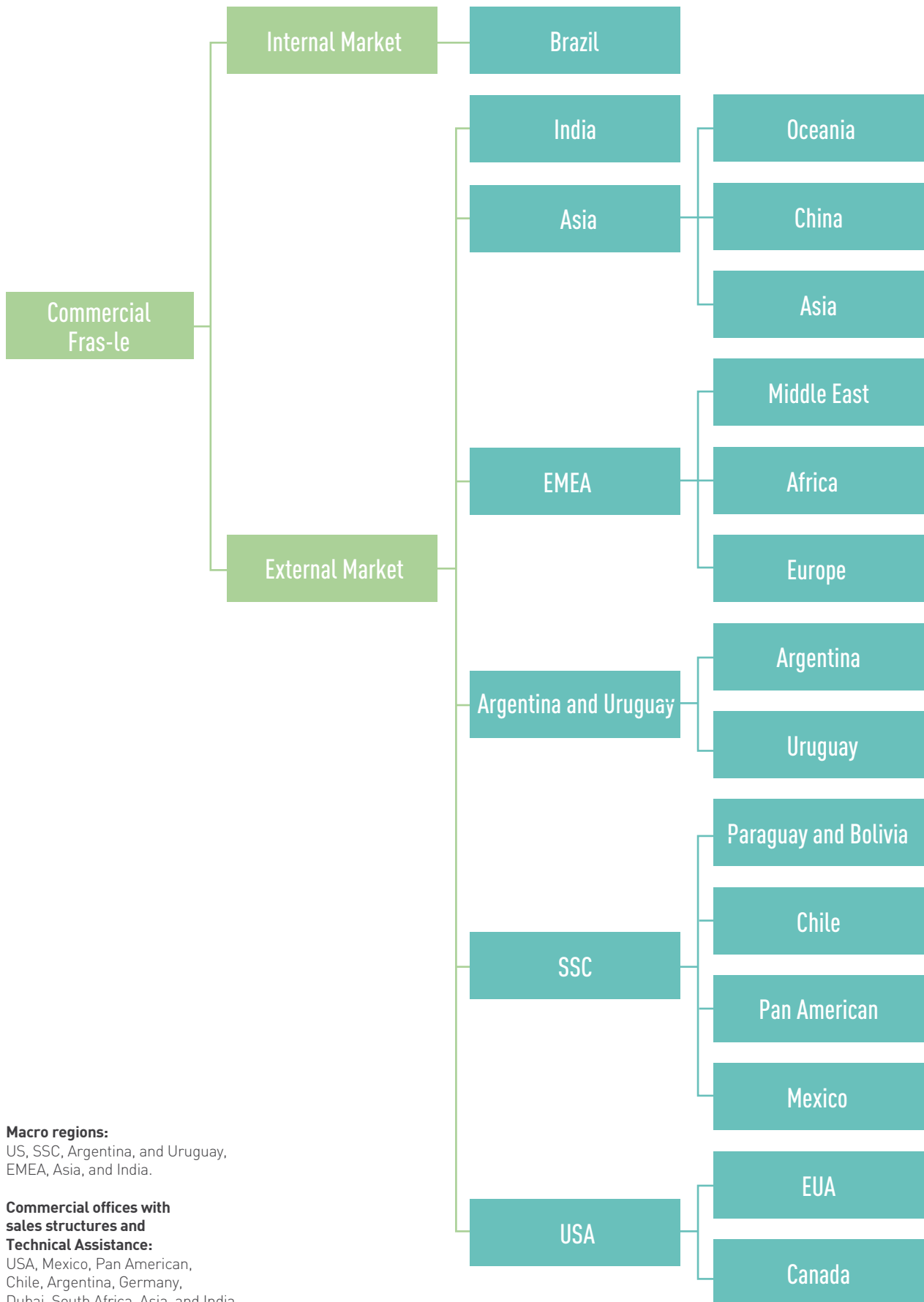
» Trainings abroad – 2017

1,836
trained people

Argentina: 403 • Bolivia: 67 • Chile: 40 •
Colombia : 25 • Costa Rica: 35 •
El Salvador: 45 • Ecuador: 15 •
United States: 20 • Finland: 24 •
France: 10 • Greece: 20 • Guatemala: 8 •
Netherlands: 25 • Honduras: 164 • Iran: 600 •
Lithuania: 7 • Mexico: 25 • Paraguay: 44 •
Peru: 122 • Russia: 70 • Uruguay: 67



» International after-sales



Macro regions:
 US, SSC, Argentina, and Uruguay,
 EMEA, Asia, and India.

Commercial offices with sales structures and Technical Assistance:
 USA, Mexico, Pan American,
 Chile, Argentina, Germany,
 Dubai, South Africa, Asia, and India.

TECHNOLOGY ON THE TRACKS

We started participating on the racing season in 2017, expanding the supply of brake pads. In addition to being the official Stock Car dealer since 2016, we have also been equipping the Mercedes-Benz Challenge cars from the CLA AMG Cup division. Our presence as a supplier of the C 250 Cup, as well as of the other Stock Car competitions, the Brazilian Tourism Championship (currently called Stock Car Light) and the

Brazilian Brands Championship, reinforces our vocation as an innovative company, manufacturer of safety items for the automotive market. By participating in the Stock Car/Vicar partner team, Fras-le disseminates the innovations developed by the engineering and commercial areas to other products and markets, transferring technology from the tracks to the streets and roads. Stock Car

is the most competitive automobile racing category in Brazil, with cars capable of 400 hp that can reach up to 260 km/h on the tracks.



Video:
Technology
on the
Tracks

**Exclusively
for competition
vehicles,
the new disc brake
pads were developed
in our Research and
Development Center.**

By deciding to take part in the Stock Car Championship, Fras-le, as the official supplier of brake pads, reinforces its concern with the development of high-performance products and investments in innovation.



FRAS-LE AT THE STOCK CAR RACING

Annual calendar
with 12 races.

| Brazil Replacement
Customers;

| Export Customers;

| Automaker Customers.



SUPPLIERS

Transparency-based relationship

G4-12 | EC9

The governance of the Purchase area follows the guidelines and responsibilities set forth in the Corporate Purchase Policy, approved by the senior management in 2017. Both the purchase policy and the Ethical Conduct Code, the Supplier Requirements Manual and the Anti-Corruption Policy are aligned with the corporate philosophy. Our relationship with suppliers is guided by

transparency and mutual trust. Thus, to be a part of our Supply Chain, companies must comply with a series of requirements, informing us of their economic and financial indicators, the commercial conditions, the quality of the products and services offered, and be committed with ethical and socially responsible behavior. Our Supplier Requirements Manual

was revised in 2016 and 2017, and new chapters were added establishing the selection, evaluation and monitoring system for quality, logistics, after-sales and commercial issues.



Access our Suppliers Requirement Manual.



Main inputs:

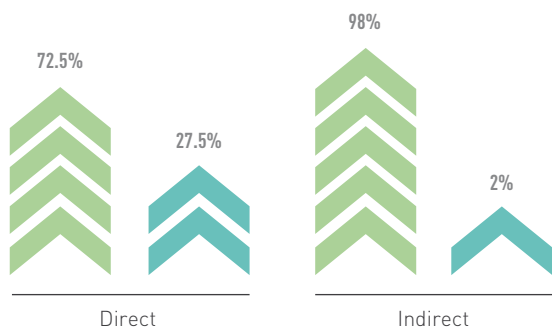
- | Resins;
- | Flat steel;
- | Glass fiber.

Type of supplier	Evaluation criteria	Control criteria
Direct Supply materials and services used in our products	According to the Suppliers Manual (financial analysis + process audit) <i>Due Diligence</i>	IDGF Supplier Handbook (Quarterly Classification and Supplier Lists)
Indirect Supply materials and services not used in our products	<i>Due Diligence</i>	Financial assessments and supplier lists
New suppliers	Suppliers (financial analysis + self-assessment + process audit) <i>Due Diligence</i>	



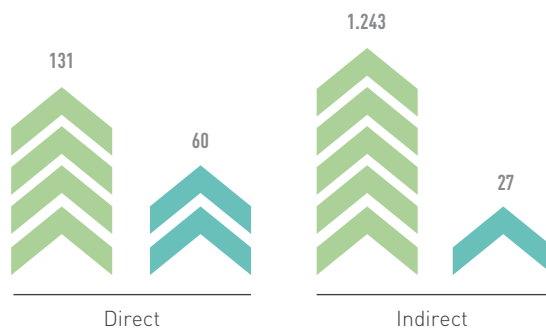
» Expense ratio with local suppliers – 2017

■ National ■ Foreign



» We made purchases from 1,461 suppliers – 2017

■ National ■ Foreign





SUPPLIER PORTAL

Our main relationship channel with suppliers is the Suppliers Portal, used for the selection, evaluation, monitoring and communication with our supply chain. Also through the portal

we address non-conformance (RNC/8D) issues, requests for diversion/waiver/notification of a product or process change, production part

approval process (PAPP), process audit, completion of the self-assessment questionnaire, and management of the action plan. In addition, suppliers can check the

monthly performance of their indicators, starting from the 7th business day of the month following the month of delivery, as well as the indicator history.

» Indicators

When evaluated, the supplier is assigned a Global Supplier Performance Index (IDGF), according to the score obtained in four blocks:

- | Supplier Management Index (IGF);
- | Commercial Performance Index (IDC);
- | Logistic Performance Index (IDL);
- | Supply Performance Index (IDF).

Table 1 summarizes the weight of each requirement and Table 2 shows how the score impacts the score of our suppliers.

Table 1

	Assessed items	Production development	
		%	Pontos
IGF 30	<ul style="list-style-type: none"> • Certifications • Self-assessment questionnaire • PAPP • Process audit • Action plan term 		
		10	3
		10	3
		25	7.5
		50	15
		30	
IDC 15	<ul style="list-style-type: none"> • Business relationship • Commercial RNC 	%	Pontos
		60	9
		40	6
		15	
IDL 25	<ul style="list-style-type: none"> • Delivery reliability • Service quality • Service level 	%	Pontos
		50	12.5
		30	7.5
		20	5
		25	
IDF 30	<ul style="list-style-type: none"> • PPM • Non-Compliance Report - RNC • 8D response time • Effectiveness 	%	Pontos
		60	18
		25	7.5
		10	3
		5	1.5
		30	
	IDGF		100

Table 2 - Quarterly classification and action plans

IDGF	Class	1st Quarter	4th Quarter	6th Quarter	9th Quarter	12th Quarter
IDGF ≥ 90%	A	Priority for new development and safety item				
80% ≤ IDGF < 90%	B	Recommended for new development and safety item				
60% ≤ IDGF < 80%	C	-	Informative letter + action plan	IQ meeting + action plan + level 1 controlled shipment	Super IQ + Kaizen Meeting + suspension for new developments	Phase out partial and/or controlled shipment level 2
IDGF < 60%	D	Informative letter + action plan	IQ meeting + action plan + level 1 controlled shipment	Super IQ + Kaizen Meeting + suspension for new developments	2nd Super IQ Meeting + level 2 controlled shipment	Phase out

AUDITS

HR1 | HR4 | HR5 | HR6 | HR10 | HR11 |
LA14 | LA15 | EN32 | EN33 | S09 | S010

In process audits, the supplier's social responsibility requirements are evaluated, such as his stance regarding child labor, slave labor, and similar forms; of environmental management and, upon approval, the supplier receives a score in the IDGF for having implemented the ISO14001; of relation with society, in addition to a periodic analysis of the Ministry of Labor's Dirty List (LSMT), so that none of our suppliers are included in this list. If some evidence is found regarding the above issues with current suppliers, such supplier is included in the Black List and recommended for Phase Out. In 2017 we had no cases related to this issues.

The complete information on our supplier selection and assessment criteria can be found in our Suppliers Handbook, Annex M – Audit Requirements of Social Responsibility, Environment, Health and Occupational Safety.



SOCIAL RESPONSIBILITY REQUIREMENTS

In our Supplier Requirements Manual we have a series of requirements related to social responsibility, among which we require them not using forced labor, respect childhood by not hiring children under 15 years old, and their employees between 15 and 18 years old must attend school. We also evaluate whether they allow their employees freedom of association to trade unions of their choice, and access of union members to the workplace. We also verify if they discriminate people in hiring, pay, access to training, promotion, termination or retirement based on race, social class, nationality, religion, disability, sex, sexual orientation, association with a union or political affiliation, or age.

ENVIRONMENTAL REQUIREMENTS (ISO 14001)

Our suppliers must manage and control the generation of liquid, solid and gas waste, and they must have records of the procedures that prove the compliance with the applicable legal requirements; they must have a valid environmental license with the state or municipality; manage noise/vibration; monitor and reduce the use of natural resources; identify the existence of environmental

liabilities; maintain an updated list of restricted (gray list) or prohibited (black list) products or supplies used in the process; establish and maintain procedures that make its employees aware of their responsibilities to be in compliance with the environmental policy, and aware of significant environmental impacts; regarding ISO 14001, they must have a system to identify legislation/customer specific requirements;

establish and maintain procedures to define responsibilities and authorities on non-conformities. Any corrective or preventive action taken to eliminate the causes of actual or potential non-conformities must match the magnitude of the problems and be proportional to the environmental impact verified.



OCCUPATIONAL HEALTH AND SAFETY REQUIREMENTS (OHSAS 18001)

We verify whether our suppliers have a system to evaluate hazards and risks of the activities and processes of the company, measures for the control and prevention of accidents and health risks; if they are in compliance with the occupational health and safety legislation (PCMSO/PPRA); if they have established objectives and goals related to occupational health and safety; and whether they have procedures for implementing and monitoring corrective and preventive actions.

17 suppliers
were audited
in 2017

- | 76% of those are strategic.
- | The criteria used to select which suppliers would be audited were the purchase amount, development of new projects, and audit cycling.
- | We use the basis set forth in Annex B of the Suppliers Manual, which deals with process auditing.



INVESTORS

We have a dedicated area, with quick answers

We have a dedicated investor relations area, whether they are actual shareholders or potential investors. Contact can be initiated by either party.

We held meetings with both sellside and buy-side professionals, giving presentations in partnership with APIMEC (Association of Capital Markets Analysts and Investment

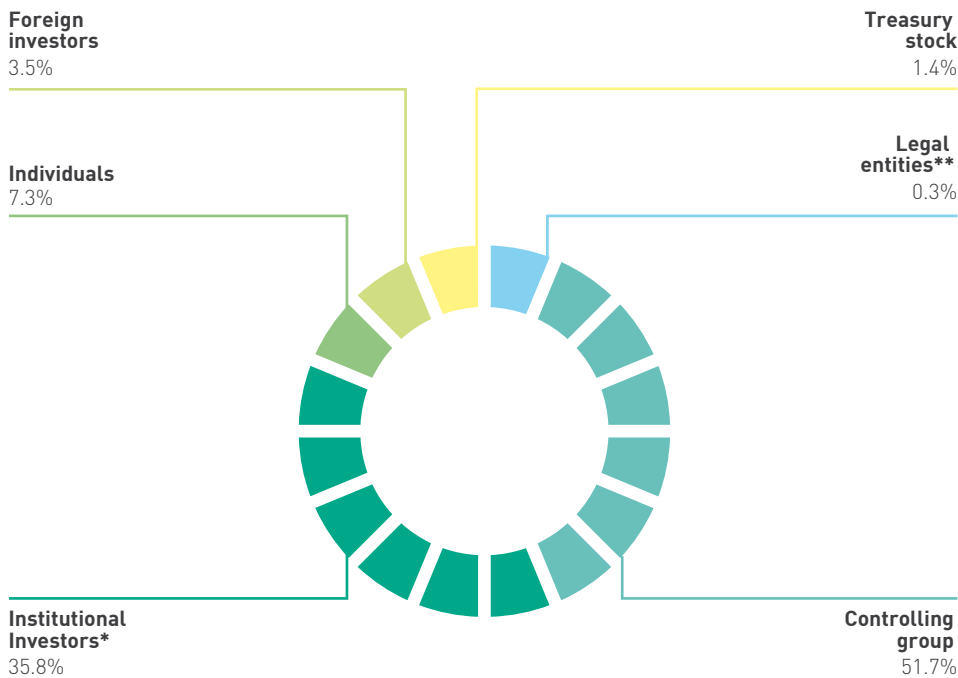
Professionals), disclosures and audio-conferences to present quarterly results, participation in conferences, non-deal road shows and meetings at the company (Investor Day). We also use virtual platforms such as the company's website, LinkedIn and a mailing list to share information. When an investor or analyst takes

the initiative, contact is made through the company's specific IR website, IR dedicated e-mail, telephone contact, and requests for face-to-face meetings.



Visit our Investor Relations website.

» Shareholder's Profile



* Investing Funds and Clubs

** Companies, Banks, Brokers and Associations



PRESS

We maintain a solid relationship

We maintain a good relationship with the press, sharing information about our participation in fairs, events, awards, products, and financial and performance data. In 2017, 70 releases were made available to national and international press, 90% of which were used in the national media.

Its content have also been published in vehicles specialized

in the economic, business, and financial market areas, on topics such as results and performance; and, on topics related to product and technology, in magazines, newspapers supplements and portals, among others. The press relations service is provided by the office Fróes, Berlato Associadas (www.froesberlato.com.br)



Picture: Marcelo Cunha

ASSOCIATIONS IN WHICH WE PARTICIPATE

64-16

National Association of the Component Industry for Automotive Vehicles - SINDIPEÇAS



National Association of Auto Parts Distributors - ANDAP



Brazilian Association of Technical Standards - ABNT



Association of Capital Markets Analysts and Investment Professionals - APIMEC



Institute of Automotive Quality - IQA



SIMECS - Metalworking Industry Trade Association



SAE Brazil



COMMUNITY

We believe in social investment

G4 | S01

Contribution from
Fras-le to the IER
in 2017:

BRL 625.6 thousand

Percentage of the
total budget of
the IER:

22.47 %

We take action to promote civic awareness and social development in the community in a corporate way, through the Elisabetha Randon Institute – IER, a non-profit, private association. In 2017, Fras-le and its subsidiaries contributed with 22.47% of the Institute's budget, in the amount of BRL 625,660.00. Several programs are managed by the IER, among them Ser Voluntário, which encourages the involvement of our work force in voluntary actions with public entities and schools. In 2017, we worked in four schools with our volunteers, especially painting buildings, doing computer maintenance, mowing the lawn, among other activities.

Access the full IER
activity report
for 2017:



FLORESCER

Even facing of the country's economic difficulties, in 2017 we maintained our determination to invest in children and youth, between the ages of 6 and 16, through our programs Florescer and Florescer Professional Initiation. We also celebrated 15 years of Florescer in many moments that were shared with the beneficiaries, their families, the direction of IER and the Randon Companies, and with the community, which is the source and purpose of these initiatives. Just as we maintained our Florescer units fully operational, located in the Fras-le and Randon Implementos site in Caxias do Sul, we were also pleased to know that our franchises maintained their activities for the benefit of the young.



Florescer Franchises	City	State	Number of people seen
Abraçai	Bento Gonçalves	RS	150
AMMA	Vacaria	RS	180
CEAVA	Vacaria	RS	34
G10/Rodoparaná	Maringá	PR	84
Rodorib	Ribeirão Preto	SP	205
		Total	653



RANDON UNITS, INCLUDING FLORESKER FRAS-LE – 2017

360
beneficiaries

82.8% approval in
regular schools

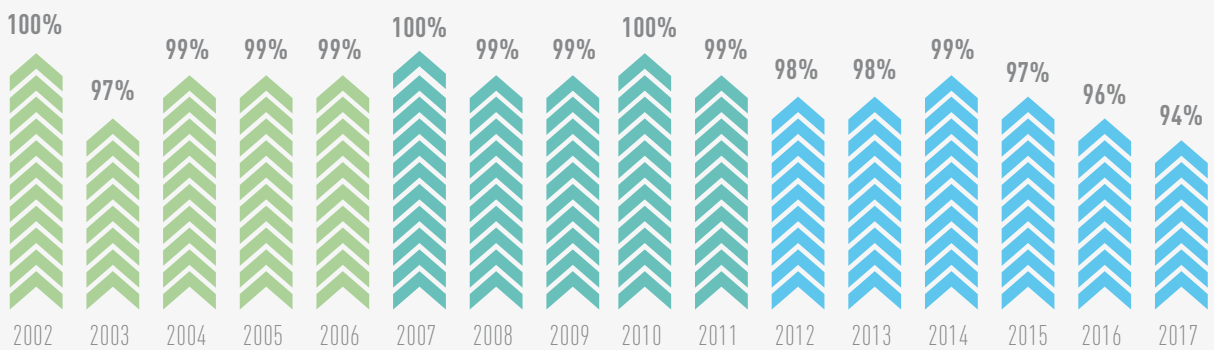
» Florescer Professional Initiation – 2017

A survey was carried out with the beneficiaries of Florescer Professional Initiation in 2017, to monitor its development:

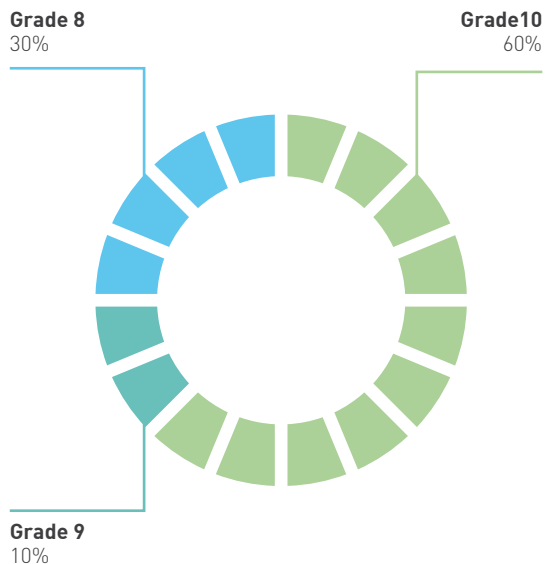
70 beneficiaries started the course

66 beneficiaries completed the course

» Approvals



» Grade attributed by the beneficiaries to the Florescer program



» Beneficiaries working in the Randon Companies

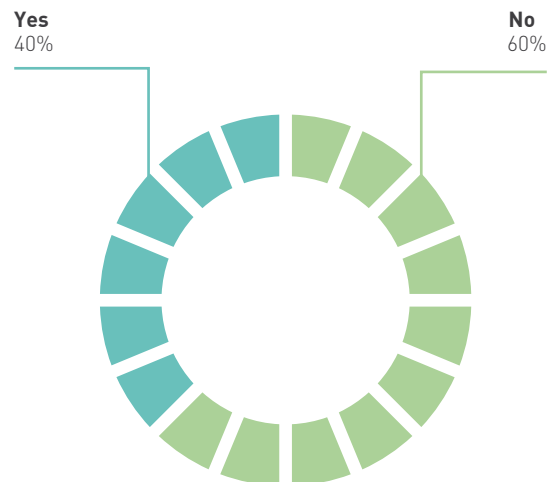


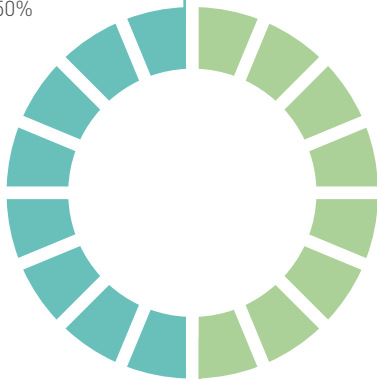


Foto: Douglas Helfmann

» Beneficiaries participating in the labor market - Areas

Yes
50%

- Machining - 10%
- Retail - 10%
- Administrative - 10%
- Civil Engineering - 10%
- Pedagogy - 10%
- Other - 50%



No
50%

» Beneficiaries admitted to higher education – Courses

Yes
70%

- STEM - 30%
- Teaching degrees - 20%
- Other - 50%



No
30%

VIDA SEMPRE

Regarding traffic education, in addition to courses for truck drivers, with the theme "Attitudes for a Safe Driving", we held itinerant theater shows of the Vida Sempre program in southern cities, which is recognized by several municipal Secretariats of Transit and Education, as they include the presentation of the piece in their annual school schedules.

60 thousand
people watched
Vida Sempre in 2017

- » Itinerant theater
- » Present in 15 municipalities of the three southern states of Brazil
- » It uses the scenic arts as an instrument for the dissemination of human knowledge, addressing topics of the day to day of drivers in general.





RANDON MEMORIAL

In 2017, we promoted workshops for the preservation and storage of historic documents, and took our first steps towards the construction of the new space, with the completion of the embankment and fencing.

SOLIDARITY CAMPAIGNS - 2017

We developed campaigns to collect clothing, food, school supplies and can tabs to help the local community.

480

pieces of clothing
were donated
by Fras-le

3,420

kg of food were
donated to the Food
Bank, with a daily
average of
15 kg/day of
surpluses from the
cafeteria



QUALIFICAR

We invested BRL 168,547.53 in the Qualificar Program in 2017, whose mission is to prepare young people for a better insertion in the labor market through technical and humanistic training. Qualificar is intended for young people from the community between the ages of 16 and 18 who are attending high school. The infrastructure dedicated to the program occupies 1,650 m² inside the Randon Companies area, and consists of six classrooms, a computer training room, library and workshop fully equipped for the industrial learning courses.

BRL 168
thousand
invested in 2017

66 apprentices
trained by Fras-le

IER OPERATING EXPENSES - 2017

Expenses with Social Programs		Administrative Expenses	
Florescer Program	BRL 1,516,107.89	Operational Expenses	BRL 631,584.43
Florescer Professional Initiation Program	BRL 61,398.14		
Vida Sempre Program	BRL 16,796.60	Expenses with Projects	
Ser Voluntário Program	BRL 4,281.24	Social Partnership Network	BRL 170.00
Assistance Florescer Franchises	BRL 166,958.71	Vida Sempre Theater Project	BRL 219,205.15
Donations to Entities	BRL 29,800.00	Randon Memorial Project	BRL 105,265.00
Randon Memorial	BRL 64,895.70	Florescer House Project – Interlagos	BRL 34,908.91
RS State Tax Invoice Program	BRL 2,106.98		BRL 359,549.06
	BRL 1,862,345.26	Total operational expenses	BRL 2,853,478.75

PROJECTS

Cultural Projects	Cultural Project Vida Sempre Theater – “A Cultura Roda nas Estradas” – approved by the Ministry of Culture via Rouanet Law, and sponsored by the Banco Safra SA and the Randon companies. Consists of an itinerant theater, with themes related to traffic safety. On November 27, 2017 the approval of the sixth edition of the theater was published in the Federal Official Gazette no. 226, according to PRONAC 17.7407. The presentations took place in drivers’ parties, public schools, theme fairs, and fuel stations in three states of the country: Rio Grande do Sul, Santa Catarina and Paraná.
Randon Memorial Project – Pronac 13.1303	Preservation of the Material and Intangible Cultural Heritage of the Historical Foundation of the Municipality of Caxias do Sul and Region – We have developed this project to make the implementation of the Randon Memorial a reality, through the reconstruction of three historic buildings dating from the 50’s. This space will host a restored historic collection and auditorium for exhibitions and training of personnel and students of public schools through museology actions, as a way of training professionals in museum visitations. On December 21, 2015, a complementary grant was approved in favor of the cultural project, published in the Federal Official Gazette no. 243. The approved amount was BRL 10,987,134.79. It was published in the Federal Official Gazette no. 2, on January 3, 2018 the extension of the funding period from Jan/01/2018 to Dec/31/2018, of the Randon Memorial Project – Pronac 13.1303.
Project Comdica Farroupilha	The Collaboration Term 42/2017, had the goal of joining efforts between the Municipality of Farroupilha, the Municipal Council for the Rights of Children and Adolescents, and the Elisabetha Randon Institute, for the execution of the Project “Florescer Program”, in order to enable the promotion and the development of actions of a social and educational nature to support the families, through the services of social educators, transportation, cook, as specified in the respective approved Work Plan.
Project Comdica Caxias do Sul	The Municipality of Caxias do Sul, Social Assistance Foundation – FAS, and the Elisabetha Randon Institute, through the Terms of Promotion 233/2017, and 225/2017 had the goal of providing adequate and qualified access to the users of the Florescer Program, through a financial contribution from the Municipal Fund for the Rights of Children and Adolescents – FMDCA.
Municipal Social Assistance Fund Project	The purpose of the partnership is to combine efforts between the Public Administration and the Civil Society Organization, in order to develop a service of social interaction and strengthening of ties, in accordance with the provisions of the Public Tender Notice 01/2016, through financial transfers from the FMAS, to the Civil Society Organization, in the form of the work plan, according to art. 42, sole paragraph of Law 13,019/2014.
Cedica/Feca Project	The Collaboration Term enrolled in the Public Finance system of the State of Rio Grande do Sul under no. 1.805/2017, aims to implement the Project “Robotics in the Florescer Program”, whose objective is the development of technologies that would help to improve mobility and accessibility in the city, through robotic mechanisms developed by the beneficiaries of the program, according to a Work Plan approved by the Public Administration.

ADDITIONAL INFORMATION



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Masthead (page 174)



SUMÁRIO GRI G4/STANDARDS

Indicators	Description	Pages
Estratégia e Análise		
G4-1/102-14	A word from the CEO	8 and 9
G4-2/102-15	Main impacts, risks, and opportunities	42 to 44, 47 to 51, 58 and Reference Form (19 and 36)
Organizational Profile		
G4-3/102-1	Name of the Organization	Fras-le S.A.
G4-4 G4PR6/102-2	Activities, brands, products and services	14 to 22 and Reference Form 2018 (83 and 170)
G4-5/102-3	Location of the headquarters	Inside cover
G4-6/104-4	Location of the operations	16, 17 and 127
G4-7/102-5	Nature of ownership and legal form	Publicly listed corporation
G4-8/102-6	Markets served	20 to 22
G4-9/102-7	Organization size	14
G4-12/102-9	Supply chain	146
G4-13/102-10	Significant changes in the organization and supply chain	8, 9, 42 to 44
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G4-16/103-13	Participation in associations	156
Report Profile		
G4-18/102-46	About the Report	6
G4-28/102-50	Reporting period	Jan/01/2017 to Dec/31/2017
G4-29/102-51	Date of the previous report	Joint report with the Randon Companies, in 2015, for the years 2013 and 2014
G4-30/102-52	Periodicity of the reporting cycles	Every two years
G4-31/102-53	Contact for questions about the report	ri@fras-le.com
G4-32/102-54	"Agreed" option chosen by the organization	The report was based on the Global Reporting Initiative, but does not follow the full methodology
G4-32/102-55	GRI Content Index	168

G4-33/102-56	External verification	In this first report from Fras-le independent of the Randon Companies, we made the option to make the verification only in the next reporting cycle
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G4-34/102-18	Governance structure	54 to 57
G4-35/102-19	Delegation of authority	54
G4-36/102-20	Executive level responsibility on economic, social and environmental issues	54
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G4-39/102-23	President of the top governance body	55
G4-40/102-24	Appointment and selection for the top governance body	54
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G4-42/102-26	Role of the top governance body in defining the purpose, values and strategy	28, 54, 56, 58
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G4-51/102-35	Remuneration policy	59 and Reference Form (209 to 234)
G4-52/102-36	Process of determination of remuneration	59 and Reference Form (209 to 234)
G4-53/102-37	Involvement of the stakeholders in remuneration	59 and Reference Form (209 to 234)
G4-54/102-38	Proportion of total annual remuneration	59 and Reference Form (209 to 234)

G4-55/102-39	Percent increase in relation to the total annual remuneration	59 and Reference Form (209 to 234)
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EC4	Financial aid received from the government	Fundopem
EC5	Proportion of the lowest salary compared to the local minimum wage	94
EC6	Proportion of members of the senior management contacted in the community	90
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EC7/203-1	Investments in infrastructure and services offered	Management Report
EC8/203-2	Significant direct economic impacts	Management Report
HR8/411-1	Cases of violation of rights of indigenous and traditional peoples	Have not occurred
S01/413-1	Local community engagement programs implemented and assessment of the impact	157 to 164
S02/413-2	Operations with negative impacts	None
PR3/417-1	Information requirements about products and services and labeling	76, 77 and 136
PR4/417-2	Cases of non-conformity of information and labeling	74 and 136
PR5/102-43 102-44	Results of surveys measuring customer satisfaction	130 to 133
PR6	Sale of banned or contested products	None
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PR8	Proved complaints regarding breach of customer privacy	None
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EN2	Used materials from recycling	114 and 115

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EN25/306-4	Transport of hazardous waste	115
EN26/306-5	Water bodies affected by disposal and/or drainage	None
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S04/205-2	Communication and training on anti-corruption policies and procedures	25 to 39
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S06/415-1	Contributions to political parties and politicians	None
S07/206-1	Lawsuits for unfair competition, trusts and monopoly	None
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HR4/407-1	Operations and suppliers in which the right to free negotiation may have been violated	150 and 151
HR5/408-1	Operations and suppliers which pose a risk of child labor cases and measures taken	150 and 151
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HR11/414-2	Negative Impacts on Human Rights from the supply chain	151
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LA15/414-2	Negative impacts of labor practices in the supply chain	150
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LA2/401-2	Benefits granted to employees	85
LA3/401-3	Parental leave	90

LA4/402-1	Minimum period for notification of operational changes that may significantly impact employees	84
LA10/404-2	Employee skills update programs and transition assistance programs (retirement)	100
LA11/404-3	Percentage of employees receiving performance and career development analysis, by gender and functional category	94 to 96
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MASTHEAD

ADMINISTRATION

Board of Directors

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

Board of Executive Officers

Sérgio Carvalho - CEO
Anderson Pontalti - Officer
Paulo Gomes - Officer

Fiscal Council

Carlos Osvaldo Pereira Hoff - Member
Fernando Barbosa de Oliveira - Member
Rogério Luiz Ragazzon - Member

ADDRESSES AND CONTACTS

Investor Relations Officer

Sérgio Carvalho

Executive Manager of Controllershship and IR

Hemerson Fernando de Souza

Investor Relations Coordinator

Roberto Pezzi

Contacts

Jorge Roberto Gomes
Victor Gabrielli Gomes

Phone: (55) (54) 3239.1519 – 3239.1532 – 3239.1517

Email: ri@fras-le.com

Internet: www.fras-le.com

Accountant: Dionéia Canal (CRC-RS 61981/0-3)

Stock Registry System and Shareholder Services

Banco Itaú SA

Address: Rua Boa Vista, 176 - 1º Subsolo - Centro,
São Paulo - SP

Independent Auditors

KPMG Auditores Independentes

Newspapers of Disclosure

Official Gazette of the State of Rio Grande do Sul
Newspaper Folha de Caxias - Caxias do Sul

MASTHEAD

General Coordinator

Roberto Pezzi

Marketing Coordination

Morgana Stedile

Sponsor

Hemerson Fernando de Souza

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Júlio Soares – Foto Objetiva
Duda Bairros
Fernanda Freixosa
Fabio Davini

Graphic Project

Panda Branding

Writing and Editing of the Report

Ana Maria Cemin - mtb 6574
(54) 9.9133.7567

Revision Team

Alexandre Casaril, Ariadne Cortes Corcini, Carlene Adami Vivan, Claudia Onzi Ide, Daniel Streit, Diego Motta, Fabiane Mafezzoni, Felipe de Carvalho, Gustavo Lovatel, Janice Canton, Jeanine Pacholski, Jorge Roberto Gomes, Lisandra Troian, Marcos Bertin, Patricia Risson de Mattos, Rogineli Prigol, Rosana Machida, Sheila Arioli, Valeria de Abreu Neves Muller, Victor Gabrielli Gomes.

Electronic version at the link:





Rodovia RS 122, KM 66, nº 10.945 - CEP 95115-550 - Bairro Forqueta
Caxias do Sul - Rio Grande do Sul - Brasil - Fone +55 54 3239.1000
www.fras-le.com