

PROGRESS REPORT 3

SUSTAINABILITY PLAN
2019



Report on progress attained
from June - August 2019.

LETTER FROM SUSTAINABILITY DIVISION

In Grupo HAME we believe in sustainability as the effective and comprehensive implementation of economic, environmental and social best practices to create value for our partners and shareholders, suppliers and service providers, workers, neighboring communities, government, stakeholders and all those involved in our value chain. This requires a continuous effort towards the vision of becoming the leading company that will serve as a benchmark for the industry because of our competitiveness, responsible production of palm oil and good neighbor relations.

We are aware that being one of the largest employment generators in our areas of influence entails the responsibility of offering the best working conditions, maintaining a constructive relationship with neighboring communities and implementing environmental management best practices.

Considering sustainability the main element that guides our operations, we saw the need to establish corporate commitments in a **Policy on Responsible and Sustainable Production** and to develop a strategic framework that allows its effective management for the continuous improvement and growth of the company.

In this sense, we carry out best practices in our operations through the annual **Sustainability Plan**, which operationalizes the Policy and establishes four areas of work: Labor, Human Rights, Environment and Transparency.

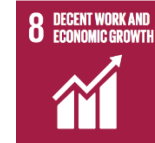
For a third consecutive year, we practice transparency and accountability through the **Progress Reports**, periodic and public documents that seek to show our progress and challenges. We hope these enable a constructive dialogue that brings us closer to communities, workers, suppliers, civil society organizations and other stakeholders so that they can join our path towards sustainability.



LABOR

Commitment 1

Always maintain a dignified and respectful treatment towards its workers, acting in a transparent, fair and equitable way, without any type of discrimination during the recruitment, hiring, promotion and retirement processes.



	Activities	Progress
1.1	Train workers on labor rights and working conditions.	✓ 1,629 workers (95% of new workers) trained on labor rights and working conditions. ✓ Evaluated employees (10%) scored an average of 78/100 in the comprehension test. <i>*Among the topics addressed were freedom of association, contract terms, salary and benefits, as well as social security.</i>
1.2	Implement a <i>Local Employment Plan</i> : new recruitment procedure.	✓ Local Employment Plan was socialized with the leaders of the 32 communities in the area of influence. ✓ Pilot project carried out in 2 communities (La Ceiba and El Zapote): 55 temporary harvest workers hired based on the company's selection procedure. <i>*The Local Employment Plan aims to establish a mechanism to recruit, select and hire local staff, that helps the company cope with expectations of neighboring communities in terms of job opportunities and optimize the use of local workforce to create shared value.</i>
1.3	Encourage the use of the <i>Grievance Mechanism</i> : socialization among workers and communities.	✓ 11 members of Human Resources and Community Relations teams trained on the Grievance Mechanism. <i>*Among the topics addressed were the procedure to address labor and community related grievances, timelines and use of templates to register cases.</i>
1.4	Ensure <i>minimum living space</i> for workers in housing sites: 3.8 m ² per person.	✓ 100% compliance with the minimum living space commitment during June, July and August 2019 (9/9 housing sites for temporary field workers monitored). <i>*REPSA has a Minimum Living Space Standard of 3.8 sq. ft per person in the company's housing facilities for temporary workers. This exceeds the International Labor Organization (ILO) standard which establishes a minimum of 3.6 sq. ft. per person. Read more: https://bit.ly/2keJTD0.</i>

Commitment 2

Prohibit discrimination based on age, race, religion or creed, gender, disability, sexual orientation, pregnancy, nationality, or other reason. Zero tolerance towards any attitude that may be perceived as sexual or labor harassment, abuse of power, threats or intimidation; as well as zero tolerance towards the use of violence against workers and communities in the area of influence.



	Activities	Progress
2.1	Train workers on the company's <i>Policy on Responsible and Sustainable Production (PRSP)</i> .	✓ 1,629 workers (95% of new workers) trained on the PRSP and its 6 commitments. ✓ Evaluated employees (10%) scored an average of 78/100 in the comprehension test.
2.2	Ensure the correct application of the <i>Disciplinary Procedure</i> .	✓ 12 grievances related to working environment and conditions registered and managed as follows: • 1 grievance solved according to the company's disciplinary procedure; • 3 grievances solved through actions for continuous improvement; • 5 grievances had no basis; • 3 grievances were not applicable. ✓ 1,629 workers (95% of new workers) trained on the disciplinary procedure.
2.3	Encourage the use of the <i>Grievance Mechanism</i> : socialization among workers and communities.	See page 3, item 1.3.

Third-party verification: Grievance Mechanism Audit

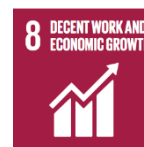
In March 2019 Earthworm Foundation (EF), consulting firm A Social License to Operate (ASLO) and Oxfam Guatemala conducted an audit on REPSA's Grievance Mechanism. The audit was designed to assess effectiveness in the implementation of the procedure to manage grievances and queries from workers and community members. Findings were analyzed and turned into an action plan aimed at closing gaps with a continuous improvement approach.

In order to meet one of the challenges identified by the audit regarding quality control, a new position was created at the corporate level. The *Ethics Manager* will be responsible for the adequate functioning of the mechanism and for ensuring compliance with the procedure in all Grupo HAME companies. This position answers directly to the Board of Director's Compliance Committee.

Read Audit Report published on the website: <https://bit.ly/2INybQ2>.

Commitment 3

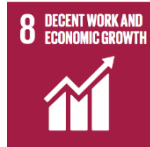
Young workers are allowed only according to current labor regulations, in addition to formal and explicit parental consent, as well as the minor's participation in special induction and constant monitoring of activities to ensure his/her wellbeing.



	Activities	Progress
3.1	Supervise hiring processes to ensure compliance with legal requirements.	✓ 0 minors working in the company from June to August. <i>*Internal audits were carried out to identify minors working in the company. These consist of the verification of the personnel management system and onsite audits.</i>

Commitment 4

Comply with local regulations and adopt best practices according to international standards in Occupational Health and Safety (OHS). Provide all workers with the necessary tools and equipment to carry out their duties with complete safety and hygiene, as well as training on its proper use.



	Activities	Progress
4.1	Update the <i>Occupational Risk Matrix</i> for plantations and mills.	✓ Risk maps shared with 100% of the workforce. ✓ Design of accident prevention program for harvest workers. ✓ 154 pilots and supervisors trained on defensive driving.
4.2	Implement procedure for safe handling of agrochemicals: monitor and coordinate activities.	✓ 290 workers certified in safe handling of agrochemicals. <i>These workers received training on use of PPE and security labels, among other topics.</i>
4.3	Carry out Occupational Health and Safety (OHS) <i>Internal Audit Program</i> in plantations, mills, warehouses and mechanical workshops.	✓ Next OHS internal audit will take place in the following months.
4.4	Follow up on agreements reached by the <i>Occupational Health and Safety Committee</i> .	✓ Two meetings held by Occupational Health and Safety (OHS) Committee: June and July. 7 meetings held in 2019.
4.5	Implement <i>preventive medicine and occupational health programs</i> in plantations and mills.	✓ 1,056 workers (100% of new permanent workers) took pre-employment medical exams.
4.6	Evaluate occupational accident and incident rates in plantations and mills: report on disability due to occupational accidents.	✓ 16% reduction in frequency rate of accidents (disabling injuries) from January-July 2019 compared to the same period in 2018. • Average rate was 8.59 accidents per million man-hours worked from January to July 2019. ✓ 26% increase in Lost Time Injury Frequency Rate (LTIFR) from January-July 2019 compared to the same period in 2018. Company is defining corrective measures. • Average LTIFR was 72 from January to July 2019 (measured in days lost due to incidents per million man-hours worked). ✓ Workplace fatality rate from January to July 2019 was 0. There were no fatalities in the workplace in 2018 either.

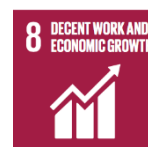
4.7	Weekly review of conditions of Personal Protective Equipment (PPE) and tools.	✓ 22 inspections carried out to verify compliance regarding supply, conditions and correct use of PPE in risk tasks (handling of agrochemicals and harvesting). <i>Warehouse inspections will take place in the upcoming months and will be reported accordingly.</i>
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Occupational Health and Safety (OHS): compliance with regulations

On a periodic basis, the Ministry of Labor (MINTRAB) carries out inspections to verify companies compliance with national labor legislation, including OHS matters. The October 2018 inspection assessed 10 aspects related to OHS, such as the functioning of an OHS Committee, supplying of protective clothing and work tools, sanitary conditions of dining facilities and restrooms, and provision of purified water, among others. REPSA was in compliance with 8 out of 10 aspects. The other items were related to cleanliness in the workplace and having the medical certificates of kitchen workers visible for everyone. For those items the company received a warning. Currently both issued have been resolved.

Commitment 5

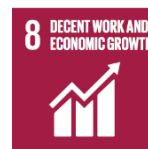
Zero tolerance for forced and bonded labor, and when extended working hours are required, these are always with the consent of the worker and paid according to the parameters established by current local legislation.



	Activities	Progress
5.1	Train workers on labor rights and working conditions.	See page 3, item 1.1.
5.2	Encourage the use of the <i>Grievance Mechanism</i> : socialization among workers and communities.	See page 3, item 1.3.

Commitment 6

Each worker has the right to know his/her hiring conditions, which include information given in their native language and a copy of the related documentation, the right to training on this information and on the benefits the company grants in compliance with labor laws.



	Activities	Progress
6.1	Train workers on labor rights and working conditions	✓ 100% of new permanent workers in plantations, mills and administrative areas received a copy of their work contract. <i>*All contracts are certified by the Ministry of Labor (MINTRAB).</i>

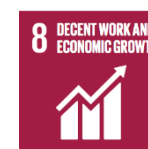
Human Capital

REPSA's 2019 workforce is made up of 2,600 employees (annual average).

- 69% permanente workers;
- 31% temporary workers;
- 1.3% women – 98.7% men;
- women make up 20% of high-level corporate positions.

Commitment 7

Recognize the right to free association and negotiation of its workers, encouraging spaces for respectful and permanent dialogue.



	Activities	Progress
7.1	Train workers on labor rights and working conditions.	See page 3, item 1.1.



HUMAN RIGHTS

Commitment 1

Respect Human Rights of people and communities in areas of influence which may be impacted by operations.

Respect for Free, Prior and Informed Consent (FPIC).

Respect for cultural identity and indigenous people.



	Activities	Progreso
1.1	Update <i>Social Impact Assessment</i> for each of the company's operations: participatory approach with stakeholders.	Activity completed. Read more about the process of the SIA in Progress Report no.1, page 6: https://bit.ly/2mbDCJm Read more about the results of the SIA in Progress Report no.2, page 8: https://bit.ly/2mc4UiK
1.2	Implement the <i>Impact Management Plan</i> .	✓ Implementation of Impact Management Plan (IMP) started in July. ✓ Company and stakeholders consulted agreed to meet biannually in order to assess the plan's execution. <i>*IMP classifies impacts into three groups: environmental management, human rights and labor. Specific departments are appointed by the company to execute the plan: Agriculture, Industry, Environmental Management, Logistics, Human Resources, Security and Community Relations. Read SIA Report and Mitigation Plan: https://bit.ly/2kBOcZc.</i>

Commitment 2

Promote respect for Human Rights in all its activities, and, if necessary, implement corrective measures. All workers will be part of a prevention program, including procedures to report any transgression.



	Activities	Progress
2.1	Train workers on Human Rights (HR).	✓ 1,629 workers (95% of new workers) trained on human rights. ✓ Evaluated employees (10%) scored an average of 78/100 in the comprehension test.

2.2	Train workers on the company's <i>Policy on Responsible and Sustainable Production (PRSP)</i> .	See page 4, item 2.1.
2.3	Ensure the correct application of the <i>Disciplinary Procedure</i> .	See page 4, item 2.2.
2.4	Disseminate information (train) local stakeholders (communities) on Human Rights.	✓ Human Rights Commitment and Policy on Responsible and Sustainable Production (PRSP) was socialized with 70 leaders of 22 communities.
2.5	Socialize the company's <i>Policy on Responsible and Sustainable Production</i> with local stakeholders.	
2.6	Encourage the use of the <i>Grievance Mechanism</i> : socialization among workers and communities.	See page 3, item 1.3.

Commitment 3

Limit provision of security services to preventive actions (without engaging in activities that are exclusive responsibility of public security).



	Activities	Progress
3.1	Review and update the <i>Security Management Protocol</i> .	✓ 100% of security staff trained on the Security Protocol, emphasizing the role of public security and the scope of action of private security. ✓ All trained staffed was evaluated to measure comprehension and scored above the minimum (75/100). <i>*Security guards are periodically re-trained as part of the program.</i>
3.2	Socialize the Protocol with competent authorities.	✓ Security Protocol and company's policy on private security were shared with the new security authorities of the municipality.

Commitment 4

Do not allow any person with a known record of Human Rights abuse to be involved in such tasks.



	Activities	Progress
4.1	Supervise hiring procedure to ensure compliance with critical requirements.	✓ 100% of new security staff presented criminal record certificate (issued by National Police Department) and certificate of absence of sexual offenses.

Commitment 5

Ensure that private security personnel is properly trained to respect the rights of workers and neighboring communities.



	Activities	Progress
5.1	Enhance the Training Program for security personnel.	✓ 100% of security staff trained on cordiality, affability and adequate use of signals, among other topics. ✓ All trained staff was evaluated to measure comprehension level, and 100% passed the test.

Commitment 6

Consult state entities regarding best practice in private security matters. / Collaborate to respond effectively to emergency situations, especially when their participation is of vital importance.



	Activities	Progress
6.1	Engage with competent authorities to exchange information regarding references on best practices for private security.	✓ Company's private security continues observing and complying with the guiding principles of the <i>Private Security Companies Manual</i> issued by the Department of Private Security Services (DIGESP) of the Ministry of the Interior (MINGOB).

Commitment 7

Dialogue with neighboring communities in order to know their opinion regarding the company's security procedures.



	Activities	Progress
7.1	Get to know stakeholders -neighboring communities- opinion regarding security personnel and management.	✓ Periodic survey of stakeholders' perception on company's security was conducted in 9 communities. ✓ 90 people were asked about their perception of the company's private security: • 86% considered the security's demeanor towards the community as good; • 14% rated it as fair. <i>*Comments are taken into consideration to improve security's management.</i>



ENVIRONMENT

Commitment 1

Respect and comply with applicable legal requirements and use best international practices regarding protection and improvement of the environment.



	Activities	Progress
1.1	Periodically review updates on legislation applicable to operations.	✓ Compliance Matrix was not updated during this period (it is only updated whenever needed).
1.2	Share information regarding fulfillment of commitments within <i>Environmental Management Plans</i> with stakeholders.	✓ 3 workshops held to socialize status of the environmental licenses issued by the Ministry of Environment and Natural Resources (MARN) and the execution of 127 environmental commitments adopted by the company with 104 local leaders of the 32 communities in the area of influence. ✓ 3 workshops celebrated to promote environmental conservation in 4 public schools (attendance of 142 students).

Commitment 2

Protect biodiversity in the areas where the company operates and preserve High Conservation Value (HCV) areas.



	Activities	Progress
2.1	Implement maintenance and enhancement plans for High Conservation Values (HCVs) and biodiversity monitoring.	✓ Main actions of HCV plans implemented: • Archaeological sites in Tamarindo examined by the Guatemalan Institute of Anthropology and History (IDEAH); • 910 palm trees located on 85 mounds removed. <i>* REPSA has private natural reserve, El Tamarindo (55 hectares), registered before the National Council of Protected Areas (CONAP). In addition, the company executes management plans for 20 forest reserves. In 2019 REPSA has reforested 10.2 hectares in riparian areas.</i>

Commitment 3

Implement a Soil Conservation Program that reduces erosion from water and wind, promotes the responsible use of fertilizers, and avoids the use of fire or burning.



	Activities	Progress
3.1	Coordinate implementation of <i>Soil and Water Conservation Plan</i> in plantations and mills.	✓ REPSA has a Soil Conservation Plan to implement best agricultural practices in order to reduce soil loss due to water (runoff) and / or wind erosion. ✓ Main actions of the plan implemented: • Dead barriers placed in Nueva Libertad (12 hectares); • Live barriers maintained in Guadalupe (6 hectares); • Drainages enabled in Tucán and Nicté.

Commitment 4

Prohibit deforestation for any new plantation, protecting, thus, areas with High Carbon Stock (HCS) and High Conservation Value (HCV).



	Activities	Progress
4.1	Develop <i>Procedure for New Plantations</i> .	Activity completed. Read more about the Procedure for New Plantations: http://bit.ly/GAGS-PRO-010 *REPSA is not currently expanding its operations. However, the company updated and launched its <i>Procedure for New Plantations</i> in case of planting new areas in the future.

Commitment 5

Prevent pollution by extracting and disposing of solid and liquid waste in an environmentally safe manner, using water responsibly and constantly reducing greenhouse gas emissions (GHG).



	Activities	Progress
5.1	Implement <i>Integrated Waste Management Plan</i> .	✓ 100% of solid waste adequately managed. ✓ Ordinary waste: • organic waste (13%) reused in plantations; • ordinary waste (6%) transferred to municipal landfill. ✓ Special waste: • recyclable waste (45%) delivered to certified companies for adequate final disposal; • hazardous waste (36%) -toxic, bio-medical and luminous waste, among others- managed by specialized companies for adequate final disposal.
5.2	Implement <i>Water Conservation and Management Plan</i> .	✓ Average water consumption from June to August 2019 was 0.92 in REPSA I and 0.33 in REPSA II (m³ by MT of FFB). • Commitment adopted to maintain water consumption below 1.4 m³ of water per metric ton (MT) of fresh fruit bunch (FFB) processed. • The goal for 2020 is to operate at 0.7 m³ per MT of FFB at most.
5.3	Implement <i>Plan for Greenhouse Gas (GHG) Reduction</i> .	✓ GHG reduction goal of 11% from 2017-2030 was achieved between 2018-2019 (10.8% reduction) due to effective execution of the Plan for GHG Reduction. • 2018 GHG value: 670.80 kg CO₂eq/dry-ton of CPO. • 2019 GHG value: 660.09 kg CO₂eq/dry-ton of CPO. ✓ This reduction was attained through continuous actions such as: • incorporation of organic matter in plantations to reduce the use of chemical fertilizers; • decrease in the use of synthetic phytosanitary products through an integrated pest management program; • methane capture in REPSA II mill;

		• treatment of 70% of REPSA I mill wastewater (POME) in a composting plant -remaining 30% serves to fertigate 252 hectares and reduce application of synthetic potassium in plantations-; • renewal of equipment for the generation of energy from biomass to reduce the use of diesel. ✓ REPSA is currently estimating the 2020-2024 target. <i>*See the Plan for GHG Reduction: http://bit.ly/SGS-PL-497-RP.</i>
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Commitment 6

Constantly strengthen the pest and disease management program, prioritizing preventive biological controls over the reactive use of synthetic phytosanitary products. When needed, only authorized products not prohibited by the World Health Organization (WHO) or the Rotterdam and Stockholm Agreements will be used. The use of Paraquat is prohibited.



	Activities	Progress
6.1	Periodically review the <i>Plant Health Care Plan</i> : list of permitted products.	✓ Comparative analysis of pesticide consumption is carried out periodically to monitor the reduction in the use of these products as a result of the Plant Health Plan and the Integrated Pest Management Program (MIP). ✓ 68.6% reduction in the use of pesticides in the first semester of 2019 compared to the same period of 2018.

Commitment 7

Establish permanent systems to guarantee water quality of industrial and packing processes, avoiding the discharge of improperly treated water into any body of water.



	Activities	Progress
7.1	Supervise Special Wastewater Treatment Systems and Wastewater Treatment Plants to ensure their correct functioning.	✓ Efficiency in organic load removal in the wastewater treatment system of the mills: • REPSA I, 97.4%; • REPSA II, 98.2%. <i>* According to monthly measurements by internal laboratory from June and July 2019.</i>

7.2	Monitor water quality of special and ordinary wastewaters (effluent) on a periodic basis.	The next monitoring of water quality (POME) by an independent laboratory is programmed for Q3-Q4 2019.
7.3	Carry out <i>Participatory Monitoring of Water Quality</i> in surface bodies.	Participatory Monitoring of Water Quality in surface bodies was rescheduled to take place in Q3-Q4 2019.

Traceability

REPSA has a Supply Chain Traceability System to identify the origin of Fresh Fruit Bunches (FFB) that it processes at its mills.

The system consists of unrepeatable correlatives to create a unique code for each productive unit. This unique code identifies the company, agricultural block, farm and lot to trace the origin of the fruit accurately.

By using this system, REPSA has achieved **100% traceability to plantations** for own fruit and suppliers' fruit.

From January to July 2019:

- REPSA I processed 49% of own fruit and 51% of third party suppliers' fruit.
 - REPSA II processed 53% of own fruit and 47% of third party suppliers' fruit.
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TRANSPARENCY

Commitment 1

Always act ethically and transparently, conducting its business in a responsible manner, operating under a philosophy of zero tolerance towards any act that contradicts the following principles: Good Faith, Honesty, Loyalty, Legality and Truthfulness. The Company undertakes not to give, promise, receive or accept (directly or indirectly) any type of compensation not officially established.



	Activities	Progress
1.1	Implement activities within <i>Anti-Bribery System Action Plan: ISO 37001 Certification</i> .	✓ 84% (out a 90% target) of implementation of the Action Plan for ISO 37001 certification implemented. ✓ Main activities conducted: • Internal audit of the Anti-bribery Management System (SGAS) to prepare for ISO 37011 certification audit; • Identification and execution of corrective measures to close gaps. <i>*The plan is currently in Phase 2 "Analysis and development of the system".</i>

Commitment 2

Enable a System for Business Transparency, including a disciplinary system, as well as mechanisms for filing complaints with absolute confidentiality.



	Activities	Progress
2.1	Develop a Disciplinary System: comprehensive model of reinforcements and consequences.	Disciplinary System will be developed in Q3-Q4 2019.

This report covers activities implemented
from June (second half) and
August (first half) 2019.

REPSA will report progress regarding
the implementation of 2019 Sustainability Plan bi-monthly
and will publish a final report in early 2020.

For more information, visit our website:

www.repsa.com.gt

Guatemala 2019
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