REPSA (Reforestadora de Palmas de El Petén, S.A.) is committed to communicating regularly and transparently on its intentions, performance and challenges, and therefore we wish to report our progress against our recently launched sustainability action plan.

This report covers the last four months of 2016 since the launching of the action plan in early May 2016. It is the second of three reports that will communicate to interested audiences and stakeholders the progress we are achieving towards meeting our sustainability objectives. Our stakeholders need to be aware that an independent third party organization that works with companies, NGOs and communities on sustainability issues, is providing REPSA with advise and council on the implementation of our action plan. Additionally, we have engaged an environmental NGO to verify the execution of this action plan after its culmination in April 2017. REPSA will be communicating these findings publicly.

REPSA has a vital role in producing and processing responsible and sustainable palm oil in Guatemala. As industry leaders we strive to take a holistic approach to sustainability as the basis for our business model. We are guided by the premise that our company must add value to our stakeholders, including employees, communities, local and central government, customers, suppliers and others, while striving to minimize our environmental impact. Within that framework we established the primary goal for our action plan which is to "Develop systems and capacities for effective implementation of a responsible palm oil production policy". We determined six objectives, each with its respective set of activities, that will help us reach this goal.
This progress report describes highlights and challenges for each of the objectives although not all of the activities are described. Some of these activities have been described in the first progress report which covered the months of May-August 2016. The first progress report is available here: http://repsa.com.gt/first-progress-report/. The 3rd and last progress report corresponding to the REPSA Sustainability Action Plan will be available by mid May 2017.

1. **Clear values and corporate-level policies on responsible production/operations are developed and understood by our stakeholders.**

   - After having received feedback from various stakeholders, our Policy on Responsible Palm Oil Production was formally adopted during the month of October. A few additions were inserted related to worker’s rights and to our approach to Free Prior and Informed Consent (FPIC). The Policy socialization plan has been developed where we envision targeting our employees, through workshops, and external stakeholders, through correspondence and face to face meetings, in the time period corresponding to December 2016 – February 2017. The Policy has also been translated into Q’eqchi language and displayed at worker housing and storage sites as of November. The final version of the Policy is also available in our website in three languages: http://repsa.com.gt/politica-de-produccion-responsable-de-aceite-de-palma/.

   - Dissemination of the Policy to national civil society organizations and other REPSA stakeholders will occur from January 2017 onwards. This includes socialization of the Policy with targeted external stakeholders such as national environment and social NGOs.

   - Building into the opportunity of our Policy socialization timeline, we will include our corporate values in our employee training sessions programmed for early 2017.

   - The Roundtable on Sustainable Palm Oil audit of REPSA is programmed for the last week of March/first week of April 2017.
December 2016. More than 25 local community leaders from Sayaxché and Alta Verapaz municipalities visited our plantation and one of our mills. The communities represented were El Tucán, La Colonia, Canlech, Linterna 1, El Canaleño, Nueva Jerusalén, Río La Pasión, El Pato, Champerico, Nueva Jerusalén La Laguna, Santa Rosa and La Ceiba. We are committed to greater transparency with our neighbors.

2. **Human rights (local communities, civil society, workers, and other stakeholders) and the law are fully respected.**

- In partnership with some of our client stakeholders, REPSA promoted a scoping initiative to evaluate the potential for dialogue and consensus in Sayaxché. The scoping process was carried out in November by the Consensus Building Institute (CBI) and The Forest Trust (TFT). Its intentions were to clarify willingness and ability of local stakeholder groups to participate in a process for dialogue, participatory information gathering and problem solving; to gain a better understanding of the key areas of concern and the key stakeholders relevant to each concern; and to
envision a participatory engagement for moving forward, assuming that there would be shared interest and capacity. In mid-December, REPSA and the local and international stakeholders that participated in the scoping process received the report. We evaluated the scoping results and feel that they represent a way to better understand perspectives on local challenges and solutions, expectations for resolution processes moving forward and willingness to participate among some key actors. The key opportunities and recommendations highlighted in the report have been well received by REPSA and we truly appreciate the importance of stakeholder views and insights gathered in the report. We strongly believe that 2017 will be a crucial year to deepen shared understanding of these issues, and where possible to take collaborative action in addressing them. We also understand that the roadmap to doing this needs to be jointly created, and that it will require further dialogue and conversation. REPSA intends to reach out in early 2017 to stakeholders in this regard, including those consulted in the report, and beyond. REPSA’s core commitment is to help systemically address the root causes of environmental and social issues in the Sayaxché region, as they relate to the Petén palm sector, while recognizing that we can’t solve all issues on our own. REPSA intends to provide further views on the issues at hand, and how they can be engaged, pending follow up conversations.

• Although the labor audit was due to begin in late 2016, in December KPMG and REPSA couldn’t come to terms in regards to the audit contract. Now, REPSA is looking for an experienced firm that is competent in labor issues and independent as well. As of late December, REPSA was in negotiations with two alternative firms based in Guatemala. Worth highlighting is the fact that with stakeholder input we have developed the scope of reference which focuses on assessing labor management systems and practices. The audit will review issues based on Guatemalan legal and regulatory requirements encompassing management systems, working conditions and terms of employment, freedom of association, grievance mechanisms, workforce protection and living conditions. In addition, it will review REPSA’s internal documents, including policies and it will carry in-depth workforce and management interviews. The overall objective of the audit is to identify areas and develop recommendations where REPSA’s current systems and tools can be improved to ensure good implementation of our **Policy on Responsible Palm Oil Production**, as well as gradual fulfillment of national stakeholder expectations concerning labor related issues. REPSA considers this a crucial element in its action plan, therefore we will be reporting findings and recommendations on this activity as soon as they become available.
Water purification systems for all of the worker housing sites were finalized in late September. All workers that reside in each of our dormitories have now more secure potable water in their living quarters, including the kitchen area. The system also allows for the worker to fill in a recipient with water to carry out to the field during working hours. REPSA is also determining how best to assure fresh water during working hours. Additional improvements in infrastructure began during the month of October. Among the constructions being carried out are renovation of worker housing sites, including modernization of toilet facilities, showers and laundry areas. Additionally, new areas, including bathing facilities are being built for workers that handle pesticides or other substances posing potential health risks. Overall, the investment in infrastructure, an activity that is expected to conclude in April 2017, will amount to $1.7 million.

Two different perspectives of the water purification systems in each of our housing sites. All workers that reside in each of our dormitories now have more secure potable water in their living quarters, including the kitchen area.
Two additional channels have been developed for reporting worker related grievances. One is through the Human Resources department and the other is through the Community Affairs team. Additionally, the Grievance Mechanism in the REPSA website is in place as of December and it will be socialized to all of our key stakeholders during January 2017. It has three additional channels to report grievances including the website itself. See the following link: http://repsa.com.gt/descripciongeneral/.

The socialization of our Non Violence and Intimidation Policy began in November, where printouts of the Policy were displayed in Spanish and Q’eqchi at worker housing and storage facilities. See the Policy in our website here: http://repsa.com.gt/wp-content/uploads/2017/01/REPSA-Policy-to-Prohibit-Violence-and-Intimidation-v4-June3-FINAL-DRAFT.pdf. The Policy is in the process of being presented and explained to field supervisors and workers. This includes induction presentations by Human Resources to new workers about company policies and regulations. Training is ongoing and will continue during the 1st Quarter of 2017. It will be provided in the following locations: 12 storage areas, 9 housing sites and 2 palm oil mills.

3. The company is transparent with stakeholders about its policies, plans, grievances, and operations.

Two progress reports covering two “four month” periods of our action plan are now public. The first report was published in September and the second in January 2017. REPSA has also opened a Twitter (@RepsaPeten) and Facebook (REPSAGuatemala) account were we disseminate information and receive feedback.

REPSA is considering face to face meetings with various stakeholders in early 2017, leveraging on the opportunity of discussing advancement in the 2nd progress report. Among the stakeholders that we intend to engage with are social NGOs such as CONGCOOP, CONDEG and OXFAM, environmental NGOs such as FUNDACEO, WWF Guatemala, and Defensores de la Naturaleza, and universities such as San Carlos and Rafael Landivar.
July 2016. Sharing the synthesis of our sustainability action Plan and the draft Policy on Responsible Palm Oil Production with more than 60 local community and government related stakeholders.

- The stakeholder engagement strategy has been finalized and a plan for targeted stakeholder engagement is now in place for early 2017. Stakeholders include the ones that participated in the CBI-TFT scoping process described in the progress update of Objective 2, and others at national and international level. This engagement procedure will begin in February 2017 and will be ongoing.
4. **Protect and restore Key Conservation Values.**

- The plan to restore and protect riparian/gallery forests and wetland buffer zones, developed in 2015, continued during 2016. By the end of the year, we had worked with approximately 80 hectares, of which 47 were reforested with native tree species while the rest were set aside for conservation management. Additionally, we have been managing 88 hectares that contain palm and that received minimal agricultural oversight. These additional areas do not receive agrochemical input as they will be reforested in the near future. REPSA will continue restoration progress and will document results.

Reforestation activities in areas that border La Pasión river.
• Related to the updates of our environmental impact assessments as per the new Guatemalan law, in December REPSA received the formal approval of the Ministry of the Environment for the operation of our two palm oil mills. As in contrast to previous legislation, which allowed for a one-year operational license, this new compliance allows a three-year operational license of our mills.

• In December, the update of the environmental impact studies required by new legislation for our plantation permits, was finalized. Seven separate studies were developed and two of these have now been presented to the Ministry of the Environment and Natural Resources (MARN) for evaluation and final approval. The rest will be presented to the Ministry during the months of January and February 2017. Worth mentioning is the fact that three of these studies were evaluated by the Protected Areas Council (CONAP), and their recommendations were included in the management plan for each plantation area. We expect the approval by MARN of these seven studies to occur by the end of 2017.
5. **Environmental Impacts are minimized and managed effectively.**

- The Policy on Zero Effluent Discharge has been socialized with REPSA’s key external stakeholders and with key staff members in the mills. It has also been translated to Q’eqchí and is available in the website in three languages: [http://repsa.com.gt/politica-de-cero-descargas-de-efluente/](http://repsa.com.gt/politica-de-cero-descargas-de-efluente/). It will become an important element in the induction and training materials for new employees.

- Water and palm oil mill effluent management information has been updated on our website so that the public has general access to these methods and processes. See [http://repsa.com.gt/3447-2/](http://repsa.com.gt/3447-2/). As of December, a plan to host local leaders, as well as teachers, students and other stakeholders is now underway, where plantation, mill and palm oil mill effluent (POME) treatment ponds will be visited.

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Local community leaders observing our palm oil mill effluent (POME) treatment ponds in December 2016. These are the ponds corresponding to our REPSA 2 mill.
6. **Shared values are created with local communities and others.**

- REPSA recognizes the importance of contributing to the development of the communities in its area of influence. One of our community outreach programs focuses on promoting local development, the promotion of human rights, peace and good governance, though training and capacity building. These workshops have targeted leaders and members of Community Development Councils - COCODE. The training process was developed to better leverage the existing Pacto de Gobernabilidad y Desarrollo del Municipio de Sayaxché (Governance and Development Pact for the Municipality of Sayaxché) and also referencing the Law of Urban and Rural Development Councils. A total of 84 members of the Community Development Councils - COCODE, coming from 10 rural communities participated in the process during 12 training sessions held during the second half of 2016.

- In addition to this process, and in collaboration with the Association of Friends of Development and Peace (ADP) and the Municipality of Sayaxché, during the months of October and December, a total of 60 young leaders from La Ceiba, El Pato, Santa Isabel and Canlun regions, participated in six training sessions related to aspects such as a) Personal Development, b) Social Reality of Guatemala, c) Citizen Participation, d) Rural Development, and e) Culture of Dialogue. The communities that were represented by these young leaders were Río La Pasión, Nuevo San Fernando, El Zapote, la Caoba, El Rosal, El Chotal, Esperanza Arriba, Santa Isabel, Argentina, El Canaleño, La Torre, El Tucán, La Ceiba, Canlech, Linterna 1, and El Pato. The objective of this initiative is to generate development capacity in the youth sector of Sayaxché. **END of REPORT.**