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

This report covers our activities from January - April 2017, the third trimester in our Year 1 sustainability action plan. These reports are intended to communicate our progress to stakeholders; in particular, our core objective of developing systems and capacities for the effective implementation of our Policy on Responsible Palm Oil Production. (A full summary of our year-long efforts will be provided separately in early June).

To fulfill this main objective, we aim to address six sub-goals and their specific activities. This third progress report describes those key goals, highlights progress points, and challenges encountered. It does not describe all activities within the Plan as a whole. The first progress report is available here: http://repsa.com.gt/first-progress-report/; and the second progress report here: http://repsa.com.gt/secondprogressreport/.

Below, we summarize the main achievements of the last 4 months, and highlight others that we consider more relevant to our stakeholders.
1. **Clear values and corporate-level policies on responsible production/operations are developed and understood by our stakeholders.**


- Adopted formally in October 2016, the policy has been broadly shared in three languages with our employees at all levels and externally to national and international stakeholders. REPSA will take a proactive approach to monitoring and verifying that this and other corporate policies are being properly implemented on an ongoing basis. We will work with the full range of stakeholders to constantly innovate and improve implementation of this Policy. We will also develop innovative ways to monitor compliance, including independent verification processes, and third party certifications such as RSPO, Rainforest Alliance and ISCC.

- REPSA is cognizant of the need to constantly review the effectiveness of our policies and implementation practice. We will continue monitoring the implementation of this key Policy and we will engage with stakeholders in a process of continuous review and improvement. As new information and
knowledge is generated, either through our direct experience or through others’ feedback, REPSA will adjust and improve the policy in ways that are consistent with our goals of protecting the forests and water resources of the Petén area, HCVs, local communities and human rights.

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

- As expressed in our Policy to Prohibit Violence and Intimidation ([http://repsa.com.gt/wp-content/uploads/2017/01/REPSA-Policy-to-Prohibit-Violence-and-Intimidation-v4-June3-FINAL-DRAFT.pdf](http://repsa.com.gt/wp-content/uploads/2017/01/REPSA-Policy-to-Prohibit-Violence-and-Intimidation-v4-June3-FINAL-DRAFT.pdf)), we have a clear commitment for the respect and protection of human rights within our working environment, including the communities that neighbor our operations. As part of this commitment, in February, REPSA hired an international consultant to conduct a security program assessment which included a comprehensive analysis of our policy and procedures regarding rules of engagement and operations of security forces; an overview of current security forces including:
  - Due diligence in the hiring of security guards contracted by REPSA;
  - An analysis of the compliance of our security forces and operations with both national and international best practice such as the Voluntary Principles on Security and Human Rights (VPSHR); and
  - Key recommendations for the development of additional policies, procedures and capacity building initiatives for REPSA personnel to ensure continuing or future successful operations.
Among the key recommendations of the assessment, REPSA is committed to implementing the following:

- The development and implementation of a Security and Human Rights Policy;
- Alignment with the World Bank Group Performance Standard 4 (PS4) and the Voluntary Principles for Security and Human Rights (VPSHR),
- An engagement program with Public Security to address those expectations of the VPSHR that are relevant;
- Conduct a Risk Assessment Workshop to train REPSA managers in the risk assessment process;
- A training and education program for REPSA personnel, that addresses those expectations listed in the VPSHR and the risks identified in the workshop;
- Development and implementation of the REPSA security strategy and its respective Security Management Plan; and
- Enhance the guard training program.

This assessment is a clear demonstration of our commitment to the continuous improvement of our working environment through the implementation of key security and human rights related recommendations that are accepted as industry best practices. In future reporting, will be providing specific updates on the implementation of these.

- During the month of March, an independent analysis of REPSA’s labor management systems and practices was conducted by Ernst and Young (EY Law). The objectives of the audit were to: 1) highlight areas and develop recommendations where REPSA’s current management systems and tools can be improved in order to ensure full implementation of our policies, and (2) provide baseline data regarding hiring practices and working conditions in order to support gradual fulfillment of stakeholder expectations related to labor issues. Based on a sample of 5% of total REPSA employees (5% = 230 individuals), the audit analyzed documentation supporting working conditions and terms of employment, such as permanent and temporary worker’s employment contracts, payment receipts, and other key documentation. The audit also reviewed procedures and policies related to hiring, recruitment, disciplinary system, working hours, recognized payments to workers, implementation of occupational health and safety measures and the review of compliance with regulations related to the Guatemalan Social Security Institute. The audit also verified aspects related to grievance mechanism, as well as
the infrastructure and housing conditions for workers. Finally, the audit assessed compliance with basic constitutional protections against forced labor, child labor & discrimination, as well as the protection of freedom of association and collective bargaining. Interviews were conducted one on one, with permanent and contract workers across various positions to review the issues listed above. The interviews with non-management personnel were conducted without the presence of management personnel. The labor audit provided REPSA with a comprehensive rating that primarily reflected: a) A high degree of compliance with the legal labor related obligations imposed by Guatemalan law; and (b) A very satisfactory fulfillment related to the respect of basic constitutional rights as well as compliance with the International Labor Organization (ILO) treaties signed by Guatemala. Notwithstanding, the audit also found some areas of risk and opportunities for improvement, such as determining the right balance between temporary and permanent workers, and issues such as the need to generate more employee trust on utilizing the available grievance mechanism channels. Together with Ernst and Young, REPSA management have already discussed the findings encompassing good practices and key risks, and are in the process of determining next steps. The summary of the audit findings plus the specific questions and survey results can be found in Spanish, here: http://repsa.com.gt/wp-content/uploads/2017/05/ReporteErnstYoung.pdf
• A clear example of our commitment to dialogue, broader stakeholder engagement and transparency in acknowledgment of our role and responsibility, is our solid support of the scoping process carried out in late 2016 by the Consensus Building Institute (CBI) and The Forest Trust (TFT). Its main objectives have been to clarify willingness and ability of local stakeholder groups to participate in a process for dialogue, participatory information gathering and problem solving, and to gain a better understanding of the key areas of concern amongst the various stakeholders. Most importantly, the process has promoted envisioning a participatory engagement for moving forward. During February/March 2017, we supported a follow up CBI-TFT team visit to the Sayaxché region in order to report back to stakeholders on the draft scoping findings; broaden stakeholder engagement, in particular with the private sector and communities; and help clarify strategic next steps in the region.

REPSA has now received the final results and recommendations from the CBI-TFT process, and is seeking to support and collaboratively implement the report’s final recommendations, pending stakeholder interest in joint problem-solving. REPSA will also share report recommendations publically on its own website. Again, 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 palm sector, while recognizing that we can’t solve all issues on our own.

Having said that, it is critical for all of our stakeholders to understand the two core principles guiding REPSA’s approach to sustainable operations and the protection of human rights:

1) Our commitment to inclusive engagement and transparency with respect to how we will address key concerns and opportunities for improvement regarding our operations, and
2) Our commitment to helping design and contribute to a regional process that drives mutually credible information and strengthens accountability focusing on the future.

We truly believe that the CBI-TFT scoping report and final recommendations will help us shape a jointly created roadmap for problem solving. We recognize that the plan will evolve over time as we involve stakeholders more broadly to help refine and strengthen our actions. We also hope that these two core principles
and specific commitments clarify our disposition regarding the serious matters at hand, and our resolute intent to improve going forward. The final recommendations can be accessed here: http://www.cbuilding.org/cbitft.

- As communicated in previous reports, REPSA has invested USD $1.7 million in infrastructure improvements. Specifically, new buildings and bathing facilities were constructed for all pesticide handlers or other substances posing potential health risks. All handlers now bathe and change their clothes after finishing the daily application schedule and before leaving the workplace at the end of the workday. Additionally, all PPE (Personal Protective Equipment) for workers is now washed and stored on the farm or group administrator facilities, and does not enter workers’ housing.

- All worker housing sites have been renovated, including the construction of new dormitories, toilet facilities, shower and laundry areas. In April 2017, REPSA finished construction of new dormitories which have facilitated increase in the personal space of each worker. Our goal is for the floor area of the sleeping quarters to provide at least 3.8 m2 per person (the ILO guidelines stipulate 3.6 m2 per person). In these new dormitories we have achieved our goal. In old dormitories, we have increased floor space per worker by 30%, and have the goal of increasing this by an additional 50% in order to reach our 3.8m2 target. REPSA has also purchased mattresses for every bed, and keeps additional mattresses stored to replace old/damaged ones.
Another major aspect of infrastructure investment is the construction of new wastewater treatment plants for all operational areas, including dormitories. In April 2017, with an investment above USD $500,000, REPSA completed installation of 15 new wastewater treatment systems. These systems replace older septic systems that previously processed wastewater.

Most importantly, as of January 2017, water purification systems for all of the nine worker housing sites have been provided. These systems are the first of their kind in Guatemalan agribusiness. 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 all workers (those who stay in REPSA dormitories as well as those who commute daily from neighboring communities) to fill a recipient with water to carry out to the field during working hours. In order to insure workers are bringing sufficient water with them into the field, we will be amending our PPE checklist to include water.
• The Grievance Mechanism on the REPSA website was launched in December 2016 and was socialized with our internal and external stakeholders in January 2017. There are now three additional channels to report grievances, the website itself, via e-mail or via physical mail. See the following link: http://repsa.com.gt/descripciongeneral/. The Grievance Mechanism procedure is also available in English: http://repsa.com.gt/wp-content/uploads/2017/03/REPSA-Grievance-Mechanism-FEB-9-2017.pdf. A key challenge for REPSA is generating adequate trust in all workers and generating confidence with communities/external stakeholders in order to report grievances through the existing channels in a timely manner.
The socialization of our Policy to Prohibit Violence and Intimidation began in November 2016, at all levels of the company, when printouts of the Policy were displayed in Spanish and Q’eqchí at worker housing and storage facilities. Socialization now also includes induction presentations by the Department of Human Resources to new workers about all company policies and regulations.

In February 2017, REPSA hired two new members for our Community Relations team. These new hires allow us to increase our community outreach and provide more training to workers on our policies. For instance, since March 2017, every one of REPSA’s 168 field supervisors have received interactive training on REPSA’s...
Violence Prohibition and Intimidation Policy and Zero Effluent Discharge Policy from the Community Relations team. By the end of May, all field supervisors will also have received training on the Responsible Palm Oil Production Policy. Field supervisors have been instructed to transmit these trainings to their teams through short lectures at the beginning of the work day. We are currently tracking delivery of these lectures, and we also plan to measure learning through surveys.

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

- A priority for our company is increasing transparency with communities, local leaders and NGOs to create more knowledge and awareness regarding REPSA’s operations in areas where misunderstanding or distrust persists (e.g. security practices, POME management). For instance, since 2016 we have opened our doors to various stakeholders, including media, think tanks, journalists, local and national authorities, plus local communities and leaders, so that they have a better understanding of how we work and manage our operations. The current reality is that we need to strengthen ways to corroborate and document key aspects of our progress and policy gaps that impact stakeholders. We must constantly address this key issue with stakeholders in order to build trust in our continuous improvement efforts.

- Three progress reports covering our Year 1 action plan are now public (12 months beginning on May 2016. The first report was published in September 2016, the second in January 2017 and the third report in early May 2017.
• REPSA/Grupo HAME´s stakeholder engagement strategy was finalized in late 2016 and a plan for targeted stakeholder engagement is now in place for 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 began in 2016 and will be ongoing.

4. **Protect and restore Key Conservation Values.**

• Some activity highlights in this objective include:  
a) A study to identify HCVs was conducted in mid-2016 by an external and HCV Resource Network Accredited consultant, BioTerra. REPSA is now implementing an action plan related to restoration and proper conservation management of these areas.  
b) Restoration and protection of riparian/gallery forests and wetland buffer zones is an ongoing activity. During 2016 we targeted approximately 80 hectares, of which 47 were reforested with native tree species while the rest were set aside for conservation management. Additionally, we have stopped application of agrochemicals on 88 hectares of palm which will be removed and reforested in the near future. For 2017, we have targeted at least 40 hectares for reforestation. REPSA will continue restoration progress and will document results.

• In 2015, REPSA began implementing a Differentiated Management Plan for all palm located within 10 m of minor waterbodies. This Plan excludes application of all pesticides, herbicides & fertilizers. In order to monitor water quality and measure the impact of the Differentiated Management Plan, REPSA initiated sampling program at 17 sites in waterbodies that pass through operations. Samples are collected quarterly, and twice a year results are analyzed by an independent laboratory.

• As per the updates of our environmental impact assessments required for REPSA plantations by Guatemalan law, six separate files/studies (one per plantation area) were conducted and all of them have now been presented to the Ministry of the Environment and Natural Resources (MARN) for evaluation and final approval. 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 that intersects with protected area buffer zones. During the month of April, CONAP technicians visited our plantation to verify that REPSA was
implementing recommendations in these buffer zones, as projected in the three studies. We expect to receive MARN approval of these six assessments by the end of 2017 or early 2018.

5. **Environmental Impacts are minimized and managed effectively.**

- In response to the two fish mortality events on the La Pasión River that occurred on April 29th and June 6th 2015, REPSA commissioned the Colegio de Biólogos de Mexico (CBM, [http://www.colegiodebiologosdemexico.org/](http://www.colegiodebiologosdemexico.org/)) to investigate the cause and magnitude of both events. The CBM, a non-profit organization founded in 1961, brings together the best professionals in the biological sciences of Mexico and is a reference for ethics, quality, objectivity and application of scientific knowledge. It is our evaluation – and the conclusion of the CBM study – that REPSA had shared participation in the April 29th event, and no responsibility for the June 6th event. Due to the open court case regarding the June 6th event, we cannot currently share the CBM report publicly. However, regardless of the outcome of the court case, REPSA is committed to taking a leading role in regional watershed restoration and management. Here is a summary of the main findings and conclusions of the independent study.

  - The study found that both events are clearly distinct in magnitude, since the first was limited to a narrow section of 3 kilometers and the second was reported to have occurred in a section of the river of more than 100 kilometers in length, according to official reports.

  - As for the first event, the CBM study revealed the fact that during the evening of the 28th and early morning of April the 29th, extreme torrential rain ensued. According to INSIVUMEH, the Guatemalan meteorological agency, more than 170 mm of rainfall were reported in less than 12 hours, which is equivalent to 10% of the total rainfall that the area receives in one year. The weather conditions were clearly unusual and extraordinary. And given that there were no rains in previous months, the intensity of the climatic phenomenon provoked massive soil erosion and sediment to accumulate in the river channels, as well as vegetative organic matter and debris, in addition to human wastes from neighboring communities. Heavy rainfall also affected REPSA infrastructure by provoking an overflow of the last POME treatment pond in mill number 2, as was immediately reported by the company to the respective government authorities. It is very important
to note that the excess volume of POME and water that overflowed was not more than .005% of the total water received by the Chapayal-San Ignacio river catchment. It is also key to note that the overflow occurred 11 kilometers upstream of the mouth of the La Pasión river.

- The study concluded that this first event occurred after several months of a pronounced low water level period of the rivers in the Petén area. Therefore, the climatic event caused a violent displacement of naturally accumulated materials (soil and sediments) in the many tributaries of the La Pasión River. This caused sediment and debris saturation in the rivers and consequently an unfavorable condition at the confluence of the Chapayal-San Ignacio River with the La Pasión River. The hydrological and physical peculiarities of the mouth of this tributary, in particular because it enters La Pasión in an opposite direction to its main current, were determinant in the occurrence of the event. The intensity of the rains caused temporary impacts associated with the saturation of sediments, which generated low oxygen availability that induced the fish mortality. Once again, the POME and water overflow contribution to the event was appraised and it was determined that it was not significant given that it represents a minor percentage of all the water that was captured in the basin of the Chapayal-San Ignacio river. The study also confirms that the April 29th event is comparable to other recurrent events in different parts of the world, such as the one that occurred in Cusco, Peru in September 2013, among others. Finally, the study did not identify residual environmental impacts derived from the extreme climatic event that might have permanently altered the equilibrium of the La Pasión river ecosystem.
- Now, regarding the second event of June 6, 2015, the study gathers some acknowledged facts: 1) The climatic and environmental conditions were normal, that is to say there were no unusual meteorological events. 2) The starting point of the fish mortality was located more than 12 kilometers downstream from where the fish mortality of the first event occurred, well outside the REPSA zone of influence. 3) The event had an impact of catastrophic dimensions causing high mortality of aquatic biodiversity, such as crustaceans, amphibians and some reptiles, and not solely fish, according to CONAP. 4) The impact of the catastrophe was prolonged for 6 days, with mortality of fauna along approximately the 100 kilometers where its effects were identified. 5) The June 6 catastrophe occurred 38 days after the extreme weather event on April 28.

- Some of the study conclusions related to the second event are as follows: The catastrophic effect and the respective death of fauna can only be attributed to a highly toxic substance discharged into the river in amounts that can cause the known results in the species that were affected. The persistence of the toxic effects in 100 kilometers of the river indicates that a toxic contaminant difficult to dilute in water and in high concentrations, was spilled into the river on purpose. There is also NO substance, material or product at any stage within the palm oil production process of REPSA with the characteristics of toxicity that could have caused the effects that occurred in the river that started on June 6. Finally, there is no relationship between the event of April 29 and that of June 6.
• 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 on the website in three languages http://repsa.com.gt/politica-de-cero-descargas-de-efluente/. It has become an important element in the induction and training materials for new employees.

![Image of palm oil mill effluent ponds]

• In early 2017, REPSA conducted an analysis of 2016 greenhouse gas emissions associated with our operations, with the objective of managing and minimizing these emissions. An important element of the management plan is the capturing of methane emissions from the palm oil mill effluent ponds, which is a project currently under evaluation.

• Regarding solid waste management, REPSA is implementing a pilot project aimed at reducing waste and increasing recycling of products that were previously given to the municipal landfill. This project is now being managed out of the company’s Solid Waste Management center, a new facility constructed during 2016.

6. **Shared values are created with local communities and others.**

• REPSA is committed to making a positive impact in the Sayaxché region. Yet complex societal challenges demand strong cooperation. It is clear that no one
sector can do it alone. As part of the business community, REPSA will actively collaborate in driving policies and initiatives that address and improve the wellbeing of the region where we operate. Our company is now working with Social Progress Imperative, and its Guatemala partner, Instituto de Progreso social, a non-profit committed to changing the way we measure what matters most to Guatemala. The tool to measure this is the Social Progress Index. Designed to complement GDP, the Index provides an understanding of the things that matter most to people, across three dimensions: 1) Basic Human Needs, such as water and shelter, 2) Foundations of Wellbeing, such as health and education, and 3) Opportunity, such as equality and personal rights. During March and April 2017, REPSA, jointly with the Municipality of Sayaxché, sponsored initial workshops with the objective of defining subnational indices, that will provide tailored, local measurement allowing highly targeted investment and intervention in Sayaxché. Based on a sample of 789 families, out of a total of 18,031 that are registered for Sayaxché, the Social Progress Index will help provide an independent benchmark around which to convene leaders from the central and local government, local business, including the palm oil companies that operate in the region, and civil society, and it will guide decisions around investment to meet the UN Sustainable Development Goals (SDGs). It will also help REPSA create a framework to help us measure our social impact in order to identify social priorities. The Index results will be provided in August 2017 to all relevant stakeholders.

END OF REPORT.