



Pantaleon

Responsible
Development
Report

2018

NUESTRA META: CERO ACCIDENTES



About our report

The goal of this report is to provide our stakeholders with information related to the sustainability of our operations in a transparent manner.

For the tenth year, we have published the Responsible Development Report, outlining the information corresponding to the period from January to December 2018. In certain instances, the data corresponds to the harvest period from November 2017 to October 2018. For the fifth time, the report is prepared under the Global Reporting Initiative (GRI) methodology following the guidelines of its "Essential" compliance option. The latest version of the report under GRI standards was published in 2018.

The scope of the report covers the operations of the organization in Guatemala, Nicaragua, Honduras, Chile, Brazil and Mexico. For Brazil, we do not report environmental management indicators because we operate the mill in partnership with Manuelita, and have not yet integrated the indicators to our QHSE reporting. Throughout the document, various indicators corresponding to the different areas of impact, risks and opportunities are detailed. The prioritization of the topics was evaluated and approved by the Responsible Development Committee.

The group's general management approved the report drafted by the Responsible Development department. It should be noted that this report has not been subjected to an external validation process.

This report is available in digital version on the organization's website
www.pantaleon.com

Any concerns arising from the content of the report can be addressed through the email desarrolloresponsable@pantaleon.com

Pantaleon in figures

+25,600

Employees

2017/2018 Milling Season



699,353 MWH
Energy sold



179,149 M³
Alcohol produced



1,308,947 Tons
Of sugar produced



435,106 Tons
Molasses produced



85,000 Tons per day
Milling capacity

170 Years of
experience

46 Export
destinations

6 Countries
of operation

13,002,408

Tons of harvested cane



Letter from **Our CEO**

In 2019, Pantaleon will achieve 170 years of operation. This milestone allows us to reflect on our accomplishments and establish a vision for our future. We have defined a business plan that strengthens Pantaleon's competitive position seeking high and sustainable profitability by focusing on operational excellence while creating value added products, with high responsibility and reputation.

We have achieved important advances in areas defined as crucial for the fulfillment of our strategy and business success. In the 17/18 milling season, we reduced the rate of lost-time injuries by 36% with respect to the 16/17 milling season, a reflection of the leadership and priority given to occupation safety. Unfortunately, in January of 2018, we had a serious accident within our operation that caused the death of an employee of a company that provides agricultural services to our mills in Guatemala; an event that deeply saddens us and reinforces our commitment to ensuring the security of all workers in all processes.

In 2018, we also made a decision of high strategic relevance; we sold La Grecia Sugar Mill in Honduras. This decision will strengthen the group's financial position and will allow for the continuation and growth of our other strategic projects. This year, we will continue to focus

on efficiency, generating professional growth opportunities and promoting the exchange of new innovative and improvement projects, through collaboration and agile teams. We maintain a strong commitment to our ethical principles and responsibility in our actions in all the aspects of our business and operations.

Lastly, we are optimistic about the future because we have seen what our organization is capable of achieving. We will be more efficient, more robust, more agile, and more innovative, furthering consolidating ourselves as one of the best sugar groups in the world. We are committed to our vision and values, and know that we are heading in the right direction.

Francisco Baltodano,
Pantaleon CEO

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Sustainable Development Goals

We are committed to the 17 Sustainable Development Goals (SDG) of the United Nations. Through an analysis of the areas where we can have a greater contribution, Pantaleon has aligned its sustainability strategy with the following SDGs.

In addition, we align our policies and practices with other global standards including:

- Universal Declaration of Human Rights of the United Nations
- Declaration of the International Labor Organization (ILO) concerning the fundamental principles and rights at work
- United Nations Framework Convention on Climate Change (UNFCCC)
- Code of Practice for Suppliers according to the 'UK Modern Slavery Act'

People

36% reduction in the number of lost-time injuries

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



Our Responsible Labor Policy guides our actions

Prosperity

\$4.55MM+ in charitable or social investments per year

8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



1 NO POVERTY



2 ZERO HUNGER



1,908 people benefit from our free educational programs annually

Planet

63% reduction in industrial water use (2013-2018)

6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



15 LIFE ON LAND



7,244.99 hectares conserved in forests, along rivers and in ecological trails

Product

98% of energy used comes from renewable sources

In 2018, we sold **699,353 MWh**; equivalent to the energy required for **377,035 homes**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



85% of the cane received by cane providers in Guatemala participates in our "Responsible Supply Chain" program

All our operations have a quality, health and safety international certification

17 PARTNERSHIPS FOR THE GOALS



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Our Code of Ethics and Conduct is updated and communicated to all employees.



Pantaleon

We are an agroindustrial organization dedicated to the responsible processing of sugarcane for the production of sugar, molasses, alcohols and electric power. With 170 years of operation, we are leaders in Central America's sugar production, and among the ten most important sugar groups in Latin America. Our head office is located in Guatemala City and have operations in five countries: Mexico, Guatemala, Nicaragua, Chile, and Brazil.

Beginning our operations in 1849 in the South Coast of Guatemala, we have expanded gradually, moving from a local operation to a leading business in Latin America of great relevance in the international market. Today, with an annual production of 1.3 million tons of sugar and derived products, we are Central America's top sugar producer and among the ten most important sugar groups in Latin America. Our products reach local markets and more than 46 export destinations, where we supply food industries and refineries.

With significant investments in innovation and continuous efficiency improvements in our agricultural and industrial processes, our business strategy focuses on sustainable development and operational excellence.

Purpose

- Promoting development, transforming resources responsibly.

Ambition

- Strengthen the competitive position of Pantaleon by seeking a high and sustainable profitability focused on operational excellence, the creation of added value, high responsibility, and reputation.

Values

- Integrity and honesty.
- Constant improvement and change with long-term vision.
- Respect for our people and commitment to their success.

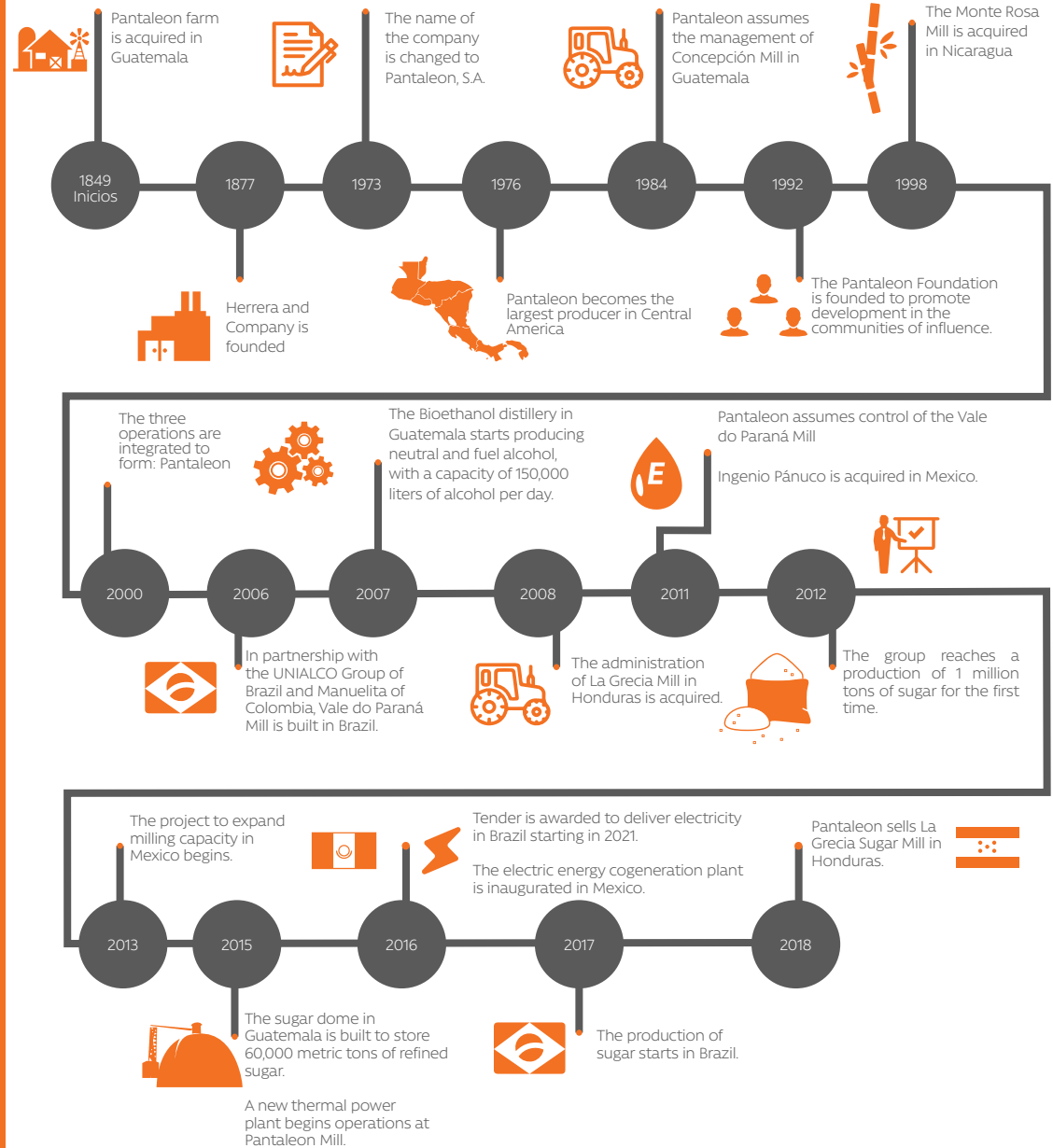


Pantaleon

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Our Operations, Products and Markets

6 countries of operation:

- Guatemala**
Pantaleon Mill
Concepción Mill
Bioethanol Destillery
- Honduras**
La Grecia Mill
- Nicaragua**
Monte Rosa Mill

- Mexico**
Pánuco Mill
Pantaleon Energy
- Brazil**
Vale do Paraná Mill
- Chile**
Sugar Warehouse Panor

9 varieties of products offered:
Sugar, Molasses, Alcohol, Energy.



Sugar
Guatemala, Nicaragua, Honduras, Mexico, Brazil

Energy
Guatemala, Nicaragua, Honduras, Mexico

Molasses
Guatemala, Nicaragua, Honduras, Mexico

Alcohol
Guatemala, Brazil

Milled sugar cane
(Millions of Metric Tons)



In terms of sugar production from sugarcane:

#1 in Central America

#2 in Latin America (Excl. Brazil)

#11 worldwide



Major Export Destinations

America

- Aruba
- Bahamas
- Barbados
- Canada
- Chile
- Curacao
- Dominican Republic
- Ecuador
- Granada
- Guyana
- Haiti
- Jamaica
- Mexico
- Puerto Rico
- Peru
- Saint Lucia
- Saint Kitts and Nevis
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago
- United States
- Venezuela

14 new markets in 2018

Europe

- Albania
- Belgium
- Germany
- Greece
- Italy
- Netherlands
- Spain
- United Kingdom

Asia

- China
- Indonesia
- Lebanon
- Myanmar
- Sri Lanka
- Taiwan
- Vietnam

Africa

- Democratic Republic of the Congo
- Ghana
- Guinea
- Ivory Coast
- Kenya
- Mauritania

Oceania

- New Zealand

Changes in 2018

Honduras

Under the strategic vision of strengthening Pantaleon's position, we made the decision to sell our shares of La Grecia Mill in Honduras. We will continue to provide services as consultants in specialized issues of the operation to ensure a successful transition. This decision will allow us to face the challenges and future growth of projects within the strategic plan of the group.



Ingenia

With the aim of constant modernization of our business support operations, we created the Shared Service Center called Ingenia in 2018. Focusing on functions such as Finance, Human Resources, Purchases and IT, Ingenia integrates operational and transactional activities, standardizes processes and integrates efforts between operations and the administrative area.



Pantaleon

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Pantaleon Energy

We constituted and registered our qualified service provider, Pantaleon Energía with the Energy Regulatory Commission in Mexico. With this, we will participate in the commercialization of energy in the Mexican electricity market, opening the opportunity to import and export energy between our operations in Mexico and Guatemala. Likewise, it will allow us to offer our clients a wide array of products related to the energy markets and become strategic partners with energy producers in both countries.



Mexico

The milling capacity of Panuco Mill increased by

1,000
tons per day.

Nicaragua

In the '17/'18 harvest, Monte Rosa Mill achieved a production of more than

300,000

tons of sugar for the first time.



Innovation

Our business success is the result of operational excellence and the continuous adoption of innovative processes, methods and technologies that ensure the best quality and promote productivity and efficiency



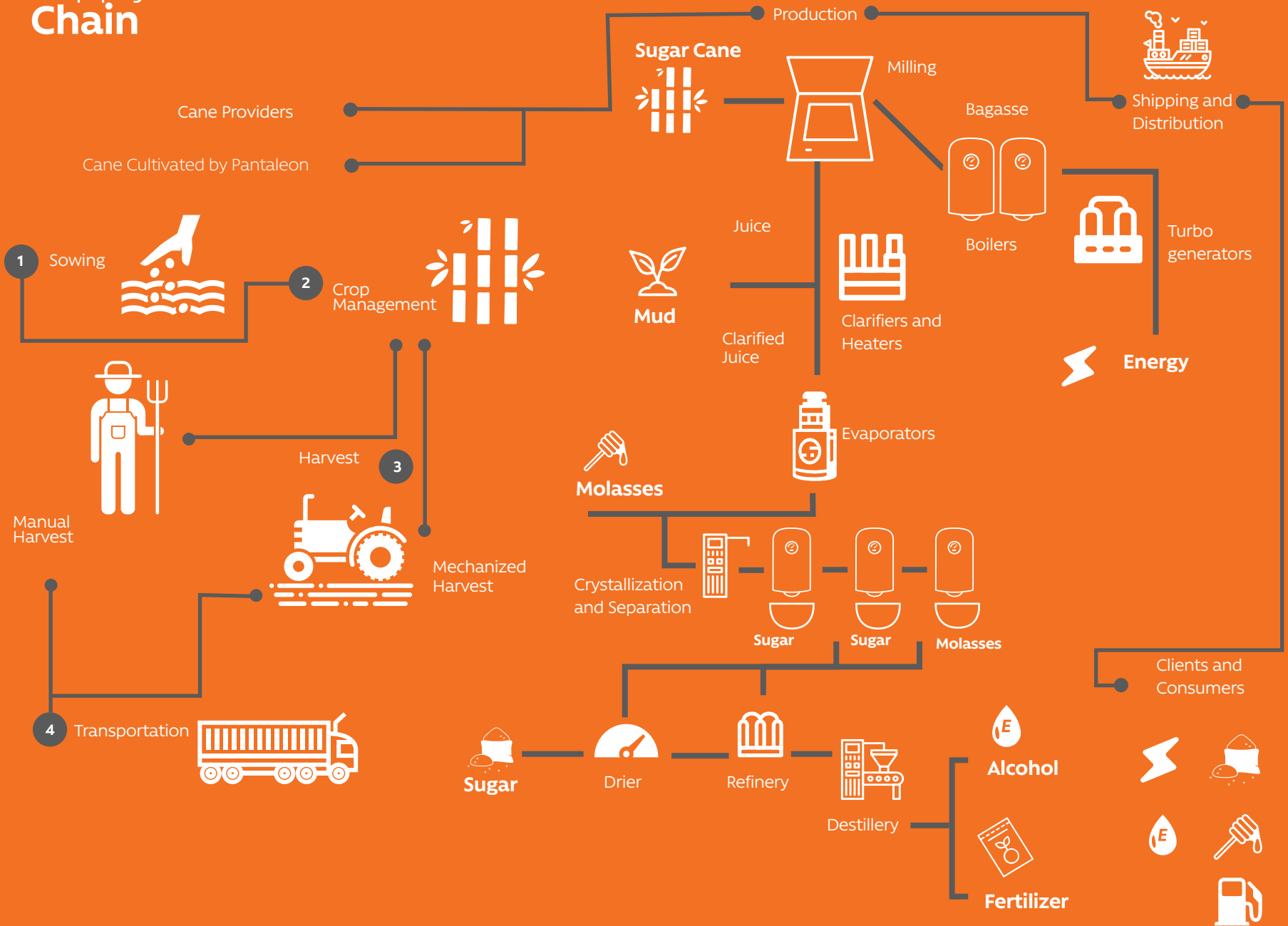
- **Precision agriculture:** We adopt technologies that allows us to apply agronomic management practices at the right time, place and quantity. Different tools, such as humidity sensors, drones and satellite images, are used for this process. This practice generates significant improvements in the production of cane per hectare. Implemented in Nicaragua in 2017, we harvested more than 2,500 hectares in 2018 utilizing precision agriculture practices. In Guatemala, we implemented this practice on more than 2,000 hectares.
- **Biomass separation:** We use the concept of disruptive technology to innovate our agricultural process by introducing a machine that separates the surplus biomass from the cane during mechanized harvest, creating a more efficient industrial process and allowing the reintegration of organic material into the soil.
- **Core sampler Monte Rosa:** We installed a core sampler at the Monte Rosa mill, which allows us to compare the agro industrial efficiencies between our operations.
- **Centers of Excellence:** In order to improve the performance of the company and achieve excellence in our operations, we designed a program to set the best international practices in key areas consistently across countries and across the company. It is based on the identification and potentialization of internal specialists who can transfer their experience and technical knowledge to other employees.

Supply Chain



Pantaleon

Responsible Development Report 2018



Strategic Alliances



We work together with other national and international organizations in order to achieve a greater reach and a bigger impact in the countries and communities where we operate.

Currently, we have institutional relationships or partnerships with over 40 organizations in different countries, including universities, research centers, foundations, associations, committees, and guilds.



Guatemala

- Asociación de Azucareros de Guatemala (ASAZGUA)
- Fundación del Azúcar (FUNDAZUCAR)
- Centro para la Investigación de la Caña de Azúcar (CENGICAÑA)
- Instituto Privado para la Investigación del Cambio Climático (ICC)
- Expogranel
- Asociación de Técnicos Azucareros de Guatemala (ATAGUA)
- Centro para la Responsabilidad Social Empresarial (CentraRSE)
- Fundación para el Desarrollo de Guatemala (FUNDESA)
- Fundación Amigos del Deporte Olímpico (FADO)
- Cámara del Agro Guatemalteca (CAMAGRO)
- Fundación 20 20
- Universidad Del Valle de Guatemala
- Asociación de Gerentes de Guatemala
- Cámara de Comercio
- American Chamber of Commerce (AMCHAM)
- FUNCAGUA
- Asociación de Cogeneradores Independientes (ACI)
- Asociación Nacional Generadores (ANG)



Nicaragua

- Comité Nacional de Productores de Azúcar (CNPA)
- Asociación de Productores Privados de Caña de Azúcar de Occidente (APRICO)
- Unión Nicaragüense para la Responsabilidad Social Empresarial (UniRSE)
- Comisión Nacional para Promoción de Exportaciones (CNPE)
- Fundación Nicaragüense para el Desarrollo (FUNIDES)
- Cámara de Comercio Americana (AMCHAM)
- Cámara de Comercio de Nicaragua (CACONIC)
- Consejo Superior de la Empresa Privada (COSEP)
- Asociación de Productores y Exportadores de Nicaragua (APEN)
- Cámara de Industrias de Nicaragua (CADIN)
- PRONicaragua
- Cámara de Energía de Nicaragua



Mexico

- Cámara Nacional de las Industrias Azucareras y Alcohólera (CNIAA)
- Sindicato Trabajadores de la Industria Azucarera y Similares de la República Mexicana
- Confederación Nacional Campesina (CNC)
- Confederación Nacional de Productores Rurales (CNPR)
- Instituto Mexicano del Seguro Social
- Sistema Nacional para el Desarrollo Integral de la Familia (DIF)
- Instituto de Capacitación para el Trabajo del Estado de Veracruz (ICATVER)
- Asociación Nacional Pro Superación Personal (ANSPAC)
- Club América
- Centro Mexicano para la Filantropía (CEMEFI)
- Tecnológico de Pánuco
- Cáritas de Tampico, AC.
- Instituto Veracruzano de Educación para Adultos (IVEA)
- Colegio Nacional de Educación Profesional (CONALEP)



Honduras

- Asociación de Productores de Azúcar de Honduras (APAH)
- Asociación de Técnicos Azucareros de Honduras (ATAHON)
- Fundación de la Agroindustria Azucarera de Honduras (FUNAZUCAR)
- Fundación Hondureña de Responsabilidad Social Empresarial (FundahRSE)



International

- Azucareros del Istmo Centroamericano (AICA)
- World Sugar Research Organization (WSRO)
- Bonsucro

Corporate Governance

Since 1849, Pantaleon has and continues to be a family business. The Board of Directors, elected by the shareholders, is in charge of and responsible for the administration of the company. The Board of Directors has created four committees to support it and provide follow up to the company's strategic pillars. The members of the committees meet constantly with company executives to ensure compliance with business objectives and requirements of the shareholders.

Responsible Development Committee

Ensures that the strategy of corporate responsibility aligns to the long-term business plan. It helps the Board better understand and manage social, labor and environmental impacts along the entire value chain.

Governance Committee

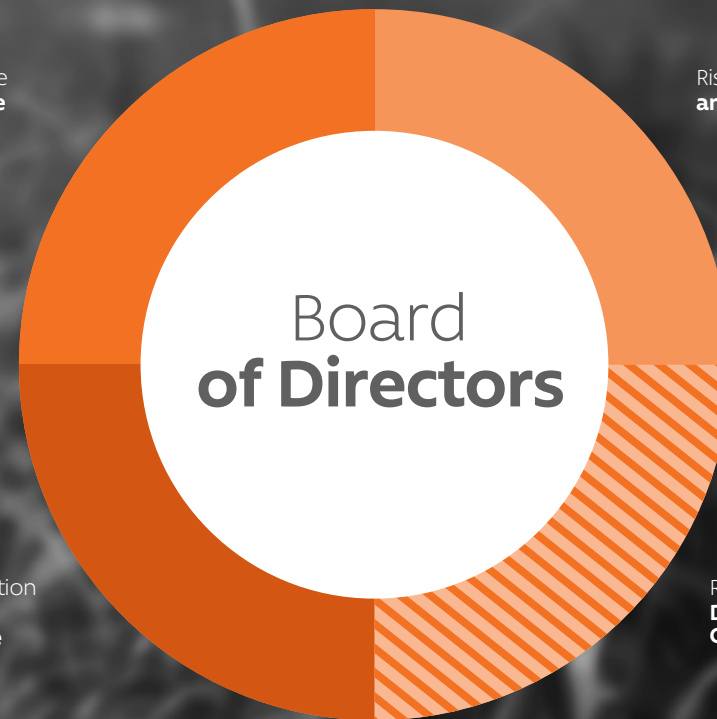
Advises the Board of Directors on the design of the corporate governance structure, helps evaluate its performance, and nominates directors, including external directors. It also helps establish a governance system that supports the dynamics of a family business.

Compensation and Talent Committee

Supports the Board on the human resources management and suggests fair and competitive compensation models in order to attract and retain the best talent. The committee oversees the succession plans of key positions.

Governance Committee

Risk Management and Audit committee



Compensation and Talent Committee

Responsible Development Committee

Risk Management and Audit Committee

Oversees the establishment of a risk management system that identifies, evaluates, and manages risks that can affect the achievement of the company's strategic goals. Likewise, it ensures the integrity of the information contained in the audited financial statements and compliance with the Code of Ethics, laws, and regulations applicable to the businesses and industries in which we operate.



Code of **Ethics** and **Conduct**

We nurture our culture of ethics with everyday actions, with our peers, environment, customers and the communities around us. An ethical company is built by its people, honest individuals who live and promote values with which we achieve exceptional goals. We define in our Code of Ethics and Conduct (CEC) compliance with the legal regime, ethical behavior, and values that govern our actions. Our philosophy, business commitment, responsible development practices, values and principles are reflected in our Code, which defines who we are and how we interact with our stakeholders.

Culture of **Ethics**

Our culture of ethics defines our commitment to long-term growth and establishes how we conduct our business. It's designed to help us comply with our obligations, respect one another in the workplace, and act with integrity in all our interactions.

In 2017, we updated our Code of Ethics and Conduct in order to provide specific information; however, our values and principles remain intact. Our Code continues to be a declaration of the highest standards of ethics and integrity in everything we do, and unites all who are part of Pantaleon under a set of values that guide our daily decisions and actions. Annually, we communicate our Code of Ethics and Conduct to all employees and update declaration of conflict of interest.

The Risk Management and Audit Committee relies on two entities for compliance and dissemination of the Code of Ethics and Conduct:

Human **Resources**

Is responsible for the dissemination of the Code of Ethics and Conduct and the proper implementation and integration into the company's culture.

Ethics **and Conduct Committee**

Fosters a culture of ethics, defines ethical guidelines, receives and oversees complaints to violations of the Code of Ethics, ensures that they are investigated and recommends disciplinary measures.

The fundamental principles of our Code of Ethics and Conduct are:

- Act with integrity, honesty, and respect in all work, business, and social relations.
- Fulfill our commitment to responsible development as a long-term business vision.
- Promote a safe and healthy work environment.
- Develop our operations in harmony with the environment and act responsibly in the communities in which we operate.
- Comply with our duties before the laws and regulations that regulate our business activity.
- Seek excellence in the performance of our responsibilities, celebrating our successes and learning from our mistakes, while promoting and acknowledging achievements and teamwork.
- Actively and consistently promote the personal and professional development of all members of our team, offering opportunities for participation and growth based on the effort and commitment of each of our employees.

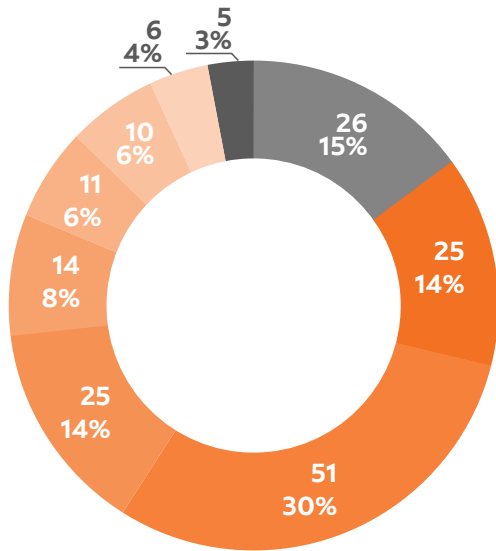
Code of Ethics and Conduct:
www.pantaleon.com/people-culture/code-of-ethics-and-conduct/?lang=en



Complaints Resolution

Any behavior that concerns or may represent a breach of the Code of Ethics and Conduct should be reported, preferably before it becomes a risk to the health, stability, and safety of employees, to the reputation of the company, or a violation of the law.

The Ethics and Conduct Committee receives, monitors, and resolves complaints. This committee periodically presents relevant topics and statistics of non-compliance to the Board of Directors.

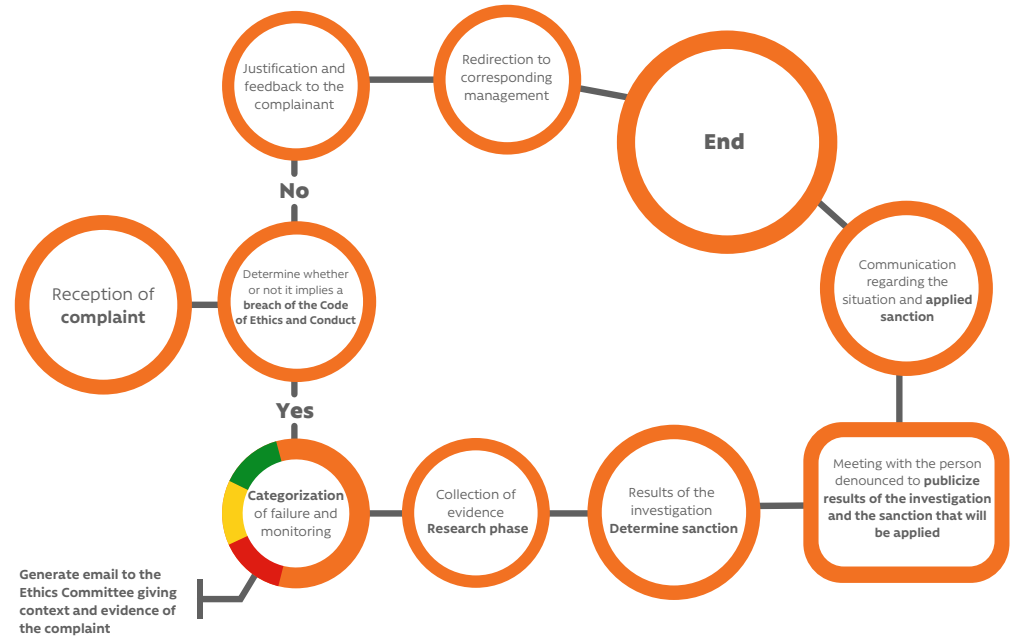


Classification of complaints

- Corruption and bribery
- Mistreatment and disrespect
- Drugs and alcohol
- Labor standards
- Conflict of interest
- Theft
- Sexual abuse or harassment
- Use of assets
- Others

173 Complaints received

172 Resolved
1 In process



Communication Channels



Extension 5115
Internal calls

- **Guatemala:** (+502) 2377-2424
- **Nicaragua:** (+505) 2342-9040 (+1+5115)
- **Mexico:** (+52) 846-2660934 (+1+5115)
- **Brazil:** (+55) 18 3706-9011



E-mail
codigo.conducta@pantaleon.com



Web page
www.etictel.com/pantaleon

Responsible Development

Responsible Development is part of our culture and business strategy. We understand Responsible Development as the interrelation between economic growth, the well-being of people, social harmony and the responsible use of natural resources, in a process of innovation and continuous improvement. We see Responsible Development as a source of opportunity and competitive advantage.



Quality, Health, Safety and Environment Policy

The QHSE Policy guides the activities of the company in the areas of quality, health, safety, and environment.

We are committed to:

- Ensuring compliance with applicable legal requisites and requirements by customers and other interested parties.
- Satisfying the needs of our customers by providing safe and quality products.
- Optimizing the use of natural resources and reduce our environmental footprint.
- Promoting a safe and healthy work environment and prevent incidents and the deterioration of health.

We communicate our commitments openly to our stakeholders.

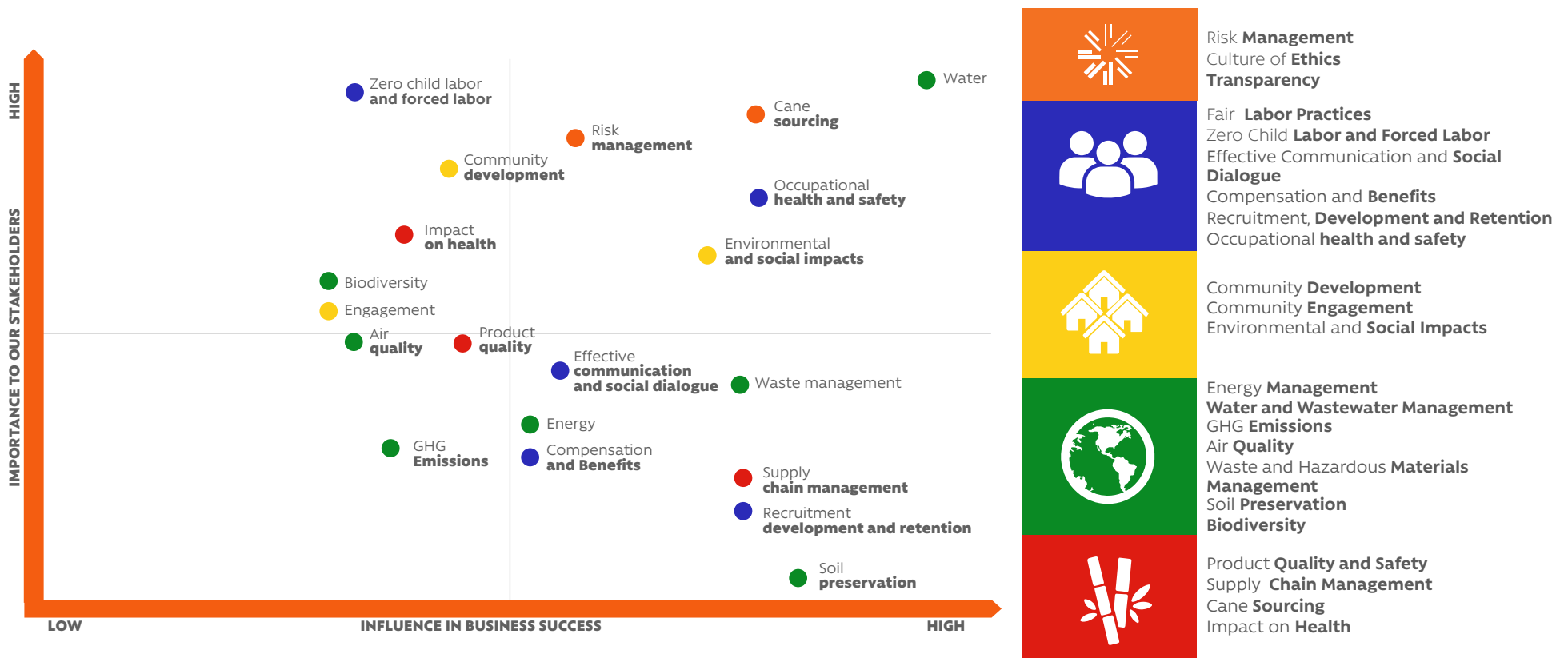
Materiality Analysis



The materiality analysis prioritizes issues based on the importance of Pantaleon's economic, environmental and social impacts, as well as the substantial influence in the evaluations and decisions of our stakeholders.

In 2018, we conducted a perception survey where we interviewed diverse stakeholders to understand their concerns, appreciations and attitudes. This included informed consumers, public policy leaders, community leaders, non-governmental organizations, managers, and clients such as food producers and international sugar merchants. Additionally, we evaluated the perception of the company in social media and traditional outlets. We identified material topics with this research, previous perception surveys conducted (Guatemala 2015, Nicaragua 2016) and the elements of materiality identified by the Sustainable Accounting Standards Board (SASB) for agricultural products and bio fuels.

Periodically, the General Management and the Responsible Development Committee of the Board of Directors evaluate the priorities, risks and opportunities of the organization and review the actions executed. The Responsible Development Committee of the Board of Directors validated the analysis of material topics. Compared to 2017, the priority level changed in the Occupational Health and Safety section, adding greater relevance to the topic. In order to evaluate each one of the topics in an integral way, a brief description, coverage and the organization's involvement with the impact will be addressed throughout the report.





People

To us, people come first. We promote the well-being and professional growth of our employees in order for them to share our business success.

We adopt practices that contribute to our employees' health, safety and personal development.

Responsible Labor Policy

The Responsible Labor Policy complements our Code of Ethics and Conduct.



Respect for our people

We value our employees and their contributions. We maintain a commitment to equal opportunities, dignified treatment, and respect. We reject any form of forced labor. We are committed to keeping work environments free of discrimination in any of its expressions, whether it be by race, sex, age, nationality, ethnic or social origin, religion, disability, language, sexual orientation, or political orientation. We do not tolerate physical, verbal or psychological harassment. Decisions related to the selection and hiring of personnel are based on the skills, knowledge, performance, professional experience, ability and congruence with our values.



Commitment to future generations

Convinced of the importance of the education and development of children and youth, we reject child labor in all its expressions.



Effective communication and social dialogue

We are committed to maintaining effective communication spaces and open dialogue with our employees to provide the opportunity to discuss matters of common interest. We promote efficient communication channels to consult and exchange information in order to improve labor relations and take action effectively.



Salary competitiveness

We believe in remunerating our employees based on a system of compensation and attractive benefits in relation to the markets in which we compete. We operate in full compliance with labor laws regarding wages, work schedules, working hours, overtime and work benefits.



Talent development

We recognize and value the work that each employee does. We offer our employees opportunities and conditions to develop their skills, abilities, and knowledge, and thus improve their potential to be successful within our organization.



Commitment to safe workspaces

We promote safe and healthy work practices. We are responsible for maintaining clean and orderly work environments. When needed, we provide our employees with personal protection equipment to minimize accidents, injuries, and exposure to hazards. We maintain procedures and systems to register report and address accidents and occupational diseases.



Employees on average

17,448

Employees during the harvest season

+25,600



Our
Human Capital



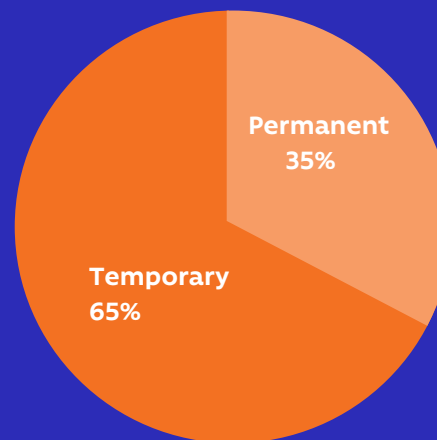
Our Human Capital



Employees by operation

Area	Employees
Guatemala	9,307
Honduras	2,850
Nicaragua	3,041
Mexico	1,120
Brazil	1,130
Total	17,448

Employees by type of contract



	Permanent	Temporary
Guatemala	3,380	5,927
Honduras	823	2,027
Nicaragua	626	2,415
Mexico	339	781
Brazil	869	261
Total	6,037	11,411

Turnover rate 11.46% considering only employees with a permanent contract

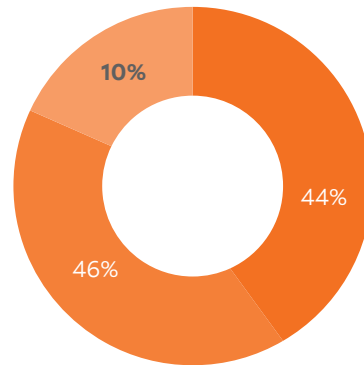
Employees by hierarchical level

Area	Administrative	Supervision /Technical	Administrative Support	Operational	Total
Guatemala	288	157	565	8,297	9,307
Honduras	95	64	140	2,551	2,850
Nicaragua	103	127	156	2,655	3,041
Mexico	86	104	79	851	1,120
Brazil	73	154	39	864	1,130
Total	645	606	979	15,218	17,448

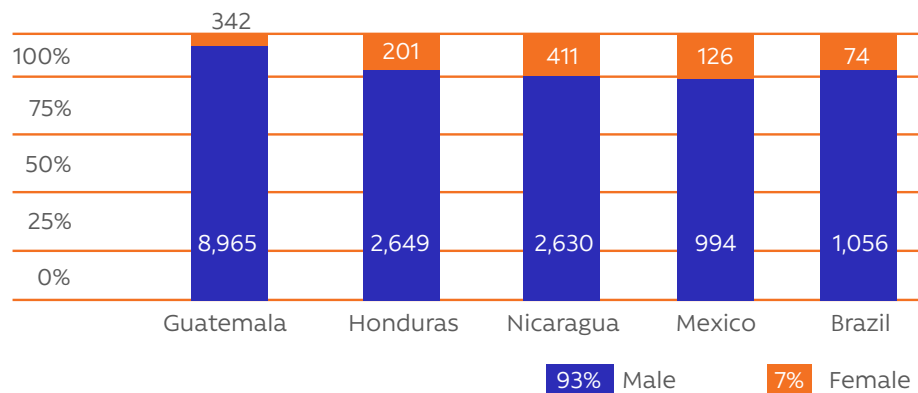


Employees by age

- 18-29
- 30-49
- Older than 50



Employees by gender



Employee by hierarchical level and gender

Area	Administrative		Supervision /Technical		Administrative Support		Operational	
	Male	Female	Male	Female	Male	Female	Male	Female
Guatemala	229	59	154	4	464	100	8,118	179
Honduras	77	17	60	5	96	44	2,416	135
Nicaragua	78	26	114	12	78	79	2,360	294
Mexico	70	16	89	15	44	35	791	60
Brazil	35	4	139	15	59	14	823	41
Total	489	122	556	51	741	272	14,508	709

Male

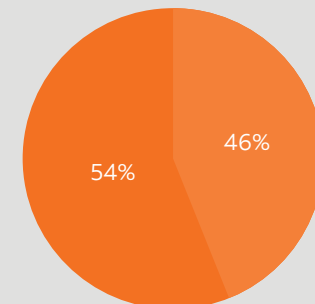
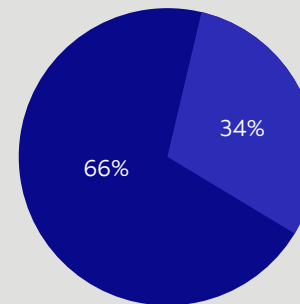


Female



Employees by gender and type of contract

	Male	Female
Permanent	5,528	526
Temporary	10,766	628



A woman wearing a purple long-sleeved work shirt with reflective yellow stripes, a yellow safety vest, and a light green headscarf stands with her arms crossed in front of a large green excavator. The background is slightly blurred, showing the mechanical parts of the machine.

PROMOTING HUMAN RIGHTS

At Pantaleon, we acknowledge our responsibility to respect human rights in all our work, business and social relations. We are committed to living a culture of respect and protection of the principles of the Universal Declaration of Human Rights of the United Nations and the Declaration of the International Labor Organization (ILO) on fundamental principles and rights at work.

Our human rights policy is embedded within the Responsible Labor Policy and the Code of Ethics and Conduct. From it, we prioritize actions to identify, prevent and mitigate the impacts on human rights in our operations and throughout our value chain. Every employee, contractor or stakeholder can report noncompliance to the policy through the complaint mechanisms of the Code of Ethics and Conduct.

Respecting the rights of all people in our work relationships is our priority. We have evaluated our value chains and identified a potential risk in the link of sugarcane suppliers. We submit to the standards led by the 'UK Modern Slavery Act'. Our goal is absolute elimination of any form of modern slavery by fomenting a culture of respect for human rights, and we encourage and expect our providers to do so as well. Learn more about our Responsible Sourcing program in the Product section.

We also recognize that our field workers are more vulnerable to human rights violations; hence, we implement risk mitigation procedures, allocate resources and cultivate a culture of leadership that is dedicated to promoting ethical practices.



Recruitment and Hiring

We reject any form of exploitation and we have implemented multiple initiatives to eliminate child labor, forced labor and human trafficking. The Human Resources team is responsible for the direct recruitment and hiring. We do not hire any person under 18 years of age. We require all workers to submit their personal identification document as valid proof of age and we do not retain their personal documents. Besides contractual documentation, the Quality and Agricultural Conformity team conducts random audits in the field.

Decent Work

One hundred percent of our employees have a written contract that defines the work relationship and highlights the specifications such as hours of work, payments, and obligations of employees and employers, in compliance with national and international labor laws. We pay benefits to employees according to the legislation, including rest days, national holidays, vacations, bonuses and Social Security contributions; which allows them to access medical assistance. All employees are paid above the minimum wage, and can earn additional bonuses based on their productivity. Salaries are deposited in bank accounts, where employees can access their money through debit cards, promoting financial inclusion and reducing security risks. In addition, they can opt for benefits such as savings, daycare and free education for their children in schools sponsored by the company.

Employees who reside far from the mill receive additional benefits, such as housing in company provided complexes, food, recreational services and an educational program that allows them to complete primary and secondary education during the harvest season.

At the time of hire, workers receive a half-day induction session that covers topics such as health and safety, use of protective equipment, explanation of the payment mechanisms and their payment receipt, introduction to the Code of Ethics and QHSE policy.

We recognize the risks associated with agricultural work and are firmly committed to respecting and promoting wellness. We believe that investing in people promotes the modernization and sustainability of our business.



Moments of Dialogue

We understand that effective communication with our employees results in a greater understanding of the strategies and initiatives of the company, as well as in better individual and collective performance. In addition, we seek to strengthen certain values, such as credibility, pride, respect, impartiality and camaraderie.

Weekly or biweekly, periodic meetings are held with the work teams to promote communication from both sides: identifying opportunities for improvement and recognizing achievements. Employees lead the meetings, as a way to encourage participation, and an archive is kept of the topics discussed. The duration of each of these meetings is approximately 20 minutes.



Pantaleon

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346 Unionized employees
Pánuco Mill

85 Employees affiliated to the collective bargaining agreement
Monte Rosa Mill

100% Employees affiliated to a union
Vale do Paraná Mill

Mexico

In Mexico, we use the SIMAPRO methodology (System for Integrated Measurement and Improvement of Productivity) that consists of daily meetings with employees to detect needs and ensure the conditions of their work areas are productive and safe. Through dialogue and active listening, we identify opportunities for improvement, which are channeled and implemented by the department known as the "Strength of the Social Voice".

Number
of Meetings
375

Mini
SIMAPRO Groups
15



Benefits

It is very important to us to ensure that our employees enjoy a good quality of life both inside and outside the organization. Committed to the well-being of our team, we make sure to comply with all the work benefits required by the legislation of each one of the countries in which we operate. Additionally, employees enjoy some of the following benefits provided by the company:



Personal protective equipment



Disability coverage



Training



Posthumous assistance



Pension plans



Uniforms



Medical insurance



Housing and accommodation



Nutrition and food



Adult education



Life insurance



Savings bank



Medical clinics



Educational centers



Consumer cooperative



Transportation



Recreational programs

Developing Our Talent

We believe in promoting our employees' talent, and to do so, we have developed an HR Toolbox that offers guides and programs to support their performance and professional development.

100%

Of our administrative employees have an annual performance assessment.



Pantaleon Trajectory

We recognize the years of service that our employees have dedicated to the organization. Annually, we recognize employees for periods of 5, 10, 15, 20, 25, 30, 35 and 40 years.



Internships

We provide high school seniors, undergraduates or postgraduates students with the opportunity to gain work experience in the different areas of the organization.



Granito de Azúcar

The recognition of good behavior and extraordinary results is a source of motivation that we seek to promote with the Granito de Azúcar Program. Employees are encouraged to recognize their team members' good work with a memento and a card, which are later recognized in company-wide events.



Scholarship Programs

In order to improve knowledge, skills and help our employees in their development, in 2018 we awarded 41 scholarships; 9 of them in Mexico, 18 in Nicaragua and 14 in Guatemala.



Promotions

We are committed to the success of our employees, which is why we seek to encourage them to apply for vacancies within the organization, increasing the number of internal promotions. During 2018, we carried out 98 internal promotions in administrative positions.



CORE

To be leaders in the market, we bring our employees closer to technologies and experiences that drive creative solutions in order to innovate and impact our businesses. The CORE program develops and recognizes the technical talent within our organization, offering a path of professional growth in the agricultural, industrial, energy, and information technology branches.

Through the program, we certify employees that have implemented creative and sustainable solutions in line with our business strategy.



CENTROS DE EXCELENCIA

Centers of Excellence is a program designed to empower our employees in key competences, allowing them to perfect and transfer their knowledge in key areas of our business. The Center of Excellence leads technical teams from each operation, implementing processes that are more efficient and apply international best practices.

In 2018, 25 Centers of Excellence were created as part of the first cohort. The program focuses on leadership, training our key employees in effective communication and conflict resolution.



Training

Our employees' talent is a competitive advantage. In order to reach their maximum potential we offer our employees the opportunities and conditions to develop their skills, abilities, and knowledge.



My Productive Harvest and My Efficient Machine School

In 2017, we launched the "My Productive Harvest School" and the "My Efficient Machine School", which are programs that train our employees in leadership and technical skills needed to qualify for new positions within the organization. During the training, we reinforce important topics such as ethics, health and safety, and internal policies

- 190** foremen
- 70** crop and irrigation managers
- 121** certified drivers
- 18** harvest machine operators
- 350** employees certified with a Labor Competencies by a third party

Formation of Machinery Operators

We launched this program in 2005 in order to offer our employees the opportunity to train as qualified tractor, harvester and truck operators. In 2018, we graduated 62 employees. We also inaugurated the "Mechanical Operator Program" to train employees in the use and repair of sugarcane harvesters. In 2018, nine employees were certified under this program.

Avanza

This program aims at reinforcing key messages and skills to the organization. Implemented in 2013, 62 leaders from all levels of the organization are identified and trained in key topics. The leaders then reproduce their training to more than 2,000 other employees. Topics include teamwork, communication, occupational safety, organizational culture, amongst others.

Certification of Technical Competences

In partnership with educational institutions, we certify our employees with the technical competencies that they acquire at their job sites. This allows employees to obtain a diploma that demonstrates their acquired skills and thus makes them eligible for better opportunities. In 2018, Monte Rosa Mill certified labor competencies of 265 employees through INATEC (National Technological Institute), being the first facility in the country to certify competencies of positions that do not have an academic curriculum.



Occupational Health and Safety



Pantaleon

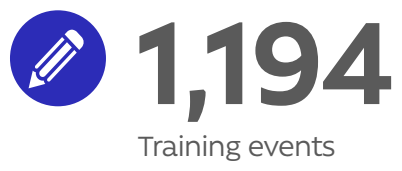
Responsible Development
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At Pantaleon, we are committed to providing safe and healthy work environments. Occupational health and safety is not only a priority, it's a permanent value of our company. Our main objective is to protect our employees from potential dangers that arise from the work itself. We establish rigorous goals to reduce accidents at work and occupational diseases. We generate detailed action plans to achieve our goals.

Unfortunately, in the 17/18 harvest, we had a fatal accident by a third-party employee. This regrettable incident alerted our attention to ensuring that all contractors comply with the same security standards as Pantaleon.

In 2018, we had a 36% reduction in the number of lost-time injuries as compared to 2017. This was achieved with the effort and commitment of all employees at all levels of the organization and the support of top management.



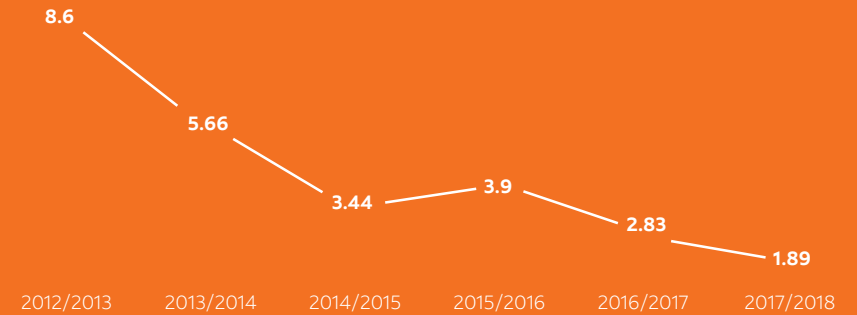


Main Achievements 2018

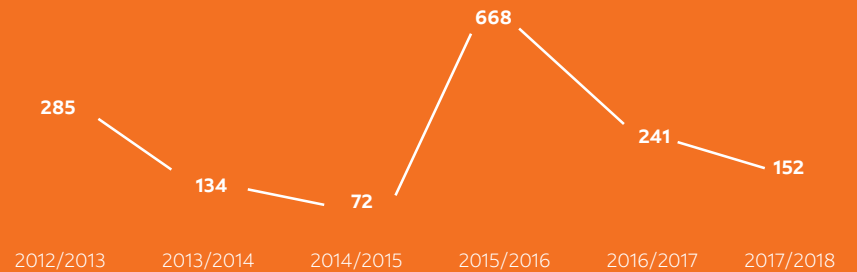
- Implemented specific safety plans for each of the operating seasons (harvest and repair), based on the proper identification of hazards and risk assessment, and the timely closure of deficiencies in infrastructure issues.
- Strengthened the competences of the supervisors to apply control tools such as Job Safety Analysis (JSA) and High-Risk Permit to Work (PtW).
- Implemented a robust contractor control system to monitor compliance with safety and occupational health requirements in the different stages of the contracting and operating process. The goal is to ensure control of third party contractors and their elements (workers, vehicles and machinery) at all times.
- Carried out an exercise at all levels to identify the "Top 10 Risks" in each operation and established action plans to eliminate the possibility of the occurrence of serious accidents. Within this analysis, we also included actions and controls for the management of third party contractors.
- Identified that the greatest risks faced by Pantaleon are transportation, because of the number of units and kilometers traveled under operational control of the company; fires and explosions, especially in areas where combustible materials such as bagasse, alcohol and sugar dust generation are stored; work at height, work in confined spaces and electrical work. After this identification, we have generated robust work plans to minimize the level of risk in each of our operations.
- Raised awareness among employees at all levels through workshops, campaigns and lessons learned from accidents across the entire organization in order to avoid reoccurrence.



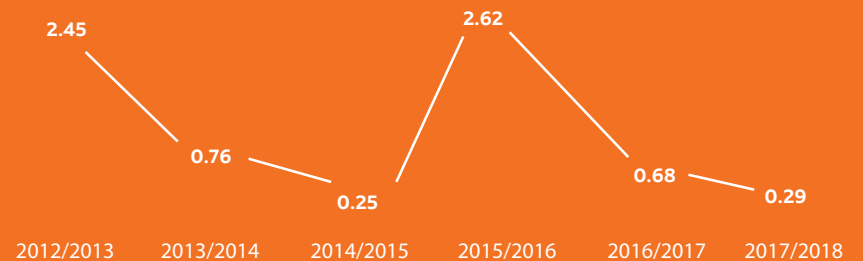
Frequency Rate



Severity Rate



Incapacitating Injuries Index



Total Worker Health



At Pantaleon, we have adopted the concept of Total Worker Health. This concept proposed by the National Institute of Occupational Safety and Health (NIOSH) of the United States, is an integrated approach of policies, programs and practices dedicated to protecting the employee from the security and health risks related to work. Since 2016, we have worked with the Center for Health, Work and Environment of the University of Colorado. This alliance focuses on identifying and mitigating occupational health risks, evaluating the effectiveness of our current health programs, and implementing evidence-based practices. The main occupational risks include hearing loss, exposure to particulate matter and chemicals, thermal stress and musculoskeletal disorders. In 2018, we prioritized hearing and thermal stress programs.

Hearing

We carried out an evaluation of the sugar manufacturing process and of our existing hearing loss prevention programs under the supervision of an expert in hearing conservation. This evaluation centered on the standard established by the National Association for Hearing Conservation. The Pantaleon medical team trained to replicate these evaluations through a program accredited by the Council for Accreditation in Occupational Auditory Observation (CAOHC). We also performed dosimetry measurements to identify areas of risk and determine necessary engineering and administrative interventions.

Heat Stress

In several geographical areas around the world, the incidence of Chronic Renal Insufficiency (CRI) with unknown etiology has been reported. This disease is mostly detected in communities of male agricultural workers who work for long periods under high temperatures. The disease does not seem to be correlated to traditional risk factors such as hypertension, diabetes or obesity. The findings of some scientific research have linked the disease with dehydration and heat stress.



Since 2004, we started a hydration, rest, and shade program in Nicaragua, which we have replicated in Guatemala since 2009. When we identified the need to contribute with research on occupational and non-occupational risks that can influence the development of chronic kidney failure with unknown cause, Pantaleon initiated the partnership with the Center for Health, Labor and Environment of the University of Colorado. With this partnership, we have concluded eleven scientific investigations in which we evaluated different workday schemes and analyzed different hydration regimes to determine the best option for our employees. Four scientific studies have been published relating to these investigations. Additionally, Pantaleon supports the study collaboration established between the Central American Sugar Association (AICA) and the School of Public Health of the University of Boston.

Based on these findings, we implemented a series of recommendations based on scientific evidence. These included guaranteeing quality water to all employees, providing them with at least 5 liters of rehydration solution, modifying working hours, improving the quality of the shade and performing medical evaluations periodically. In 2018, we expanded these recommendations beyond the manual harvesting process to other agricultural and industrial processes.

Primary Health

All mills have health clinics that offer primary care, ophthalmology, and dentistry services. These services are part of the benefits that the employee and their family receive.

In 2018, the clinics served over 68,000 visits. To ensure the integral management of the health of employees and their families, the following actions were carried out:

- Vaccination campaigns
- Preventive outreach programs
- Detection of chronic degenerative disease
- Awareness campaigns on health issues

Medical Visits

 Guatemala

45,508

 Nicaragua

7,734

 Brazil

963

 Mexico

3,409

 Honduras

10,454



Total

68,068



3,038

Training hours



9,780

Dental consultations



35

Health campaigns



40

Health outreach programs



24,259

Pre-employment medical consultations



13,891

Follow-up medical exams



Prosperity



Prosperity

We contribute to the well-being of the communities in which we operate. We are committed to ensuring that growth and prosperity transcends into the communities we work with by giving them the tools necessary to access opportunities for development.

Our community engagement strategy aims to maintain social harmony, promote economic growth, and encourage proactive relationships between Pantaleon and the individuals in the communities. We use the community development plans in order to know the community's prioritized needs and support in the areas of education, water & sanitation and health. Recognizing the impact that our operations can have on our neighbors, we continuously evaluate actions that allow us to prevent and mitigate negative impacts while multiplying positive impacts. We value honest and transparent communication and interaction hence, we promote different mechanisms to achieve this.



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Some community development projects in 2018

27 Education projects

- Pantaleon schools
- Day care centers Arcoiris del Futuro
- Adult education
- Construction of schools
- Improvement of educational infrastructure
- Computer centers and technological classrooms
- Donation of furniture, equipment and teaching materials
- Scholarships and recognition of academic excellence
- Technical courses in the communities
- Construction and equipment of community preschools
- Training for teachers
- Entrepreneurship program with pig farms
- School breakfasts
- Soccer school
- Volunteer programs

10 Health projects

- Maternity ward
- Health campaigns
- Materials for the construction of health clinics
- Newborn screening facilities
- Early childhood stimulation facilities
- Mental health facilities
- Health clinics

5 Water and sanitation projects

- Water supply projects
- Support for dredging of ashes
- Water programs with well drilling, connections and electric pumps.

15 Community development projects


- "De tal Padre, tal Hijo" Program
- Sewing, costume jewelry, aesthetics, bakery and pastry workshops
- Boating club
- Toy donations
- Support for cultural, sports and religious traditions
- Support to communities affected by natural disasters
- Reforestation campaigns

To learn more about social programs please visit: www.pantaleon.com/noticias/

39,983 people directly benefited by programs

113 communities benefited

\$4.55MM community investment



Pantaleon Schools and Day Care Centers Arcoíris del Futuro



1,620 students

At Pantaleon, we have four educational centers free of charge for the children of employees and communities, two in Nicaragua and two in Guatemala. Together with the Pantaleon Foundation, we offer early stimulation for children of employees between 0 and 5 years of age at the day care centers Arcoíris del Futuro.

Guatemala

This year marked an important milestone for the Pantaleon Schools, by extending the educational offer to include two additional years of secondary school. This decision boosted the expansion and improvement of the facilities, including classrooms, as well as physics and chemistry laboratories. We also invest in educational programs outside the classroom, such a Road Safety Education Park, that aims at educating students on the rules of road behavior.

Nicaragua

We promote entrepreneurship through projects and in 2018, we were recognized in the international "Teach a Man to Fish" contest for the student undertaking "Aromatic Candles".

Student Government

The Student Government, is an organization of students who participate actively and consciously in the different activities of the school and its community. With this experience, students improve their self-esteem, leadership, creativity and ability to express opinions and respect the opinions of others within a framework of authentic democracy. The Pantaleon schools are called "Visionary Schools, Constructing Citizenship" because special emphasis is given to the education of citizenship, showing them the rights and duties of a citizen in a practical way. Each school has an ongoing Student Government program, in which students are elected democratically.



Adult Education Program



Throughout the harvest season, we open educational opportunities at the primary and basic cycles at the mill's facilities at the end of each workday. In the search to support our employees in the educational field, Guatemala certified 125 students, encouraging participation through rewards such as "Model Citizens". We also recognize the educational needs of the communities near our operation areas. Therefore, in Honduras we implemented the EducaTODOS program, influencing five communities with 132 people benefited. In this program, 51 employees and 81 members from different communities had the opportunity to complete studies between the first and eighth year.

In Mexico, together with the Veracruz Institute of Special Education (IVEA), we implemented the "classroom in your company" program, offering literacy, primary and secondary education to unionized personnel and agricultural workers. In 2018, eight employees completed their education, two in secondary and six in literacy. The literacy program was implemented with the sugarcane associations and IVEA for cane cutters in the housing complexes. In its first cohort, twenty-three students received their certificate.

283 Students

Opportunities

In 2018, we started the Opportunities Program. In this project, we made an alliance with Fundasistemas Foundation through the 'Puentes' program. Our main goal was to promote entrepreneurship in order to increase basic skills and local employment opportunities. We support cane cutters in the department of Quiché, facilitating and instructing trainings related to agricultural techniques, as well as personal and business development. This project is divided into two phases.

The first phase is carried out during the harvest season and concluded with the training of 54 employees in theoretical and practical instructions. Similarly, the second phase consists of four elements: an entrepreneurship course, a business course, an agricultural training course, and assistance so that participants can produce vegetables. Two groups were formed and eight producers were able to export their products, such as green beans and peas.



Water For All



4,730 people benefited

We believe that one of the most effective mechanisms to positively impact communities is through the introduction of water projects that improve the quality of life in a sustainable way. Therefore, we strive to supply water to the communities that surround Monte Rosa Mill. Under the slogan "Water for All", we cooperate with local governments and strategic allies for the drilling of wells, pump assemblies, installation of home networks and the water storage and purification process.

We promote the creation and formalization of Drinking Water and Sanitation Committees, in order to strengthen community self-management of the resource. In 2018, this program was implemented in four communities:

- Carlos Fonseca, benefiting 867 people
- Los Valientes, benefiting 874 people
- El Pedregal, benefiting 989 people
- Cuatro Esquinas de Amayo, benefiting 2,000 people

Since 2014, this project has benefited more than 6,505 people.



Bootcamp for Social Entrepreneurs



We are committed to the development of leaders and entrepreneurs, so we work with programs focused on the acceleration of ventures that address issues related to community impact such as Enactus Bootcamp. In 2018, Pantaleon, Enactus and Pomona Impact decided to join forces to support the execution of this project for the second consecutive year. The central topic of this edition of Enactus Bootcamp consisted of agricultural innovation with 14 ventures selected to participate.

For the final competition, judges from different companies, including Pantaleon employees evaluated each entrepreneur, selecting ideas based on their business models and potential positive impact. The winning team was La Bendecida, company that creates products and by products derived from honey in the Mayan Biosphere. We awarded it with seed capital of \$5,000 and consulting services from the Pomona Impact team.



Nido Águila

Nido Águila is a football school that seeks to promote sports and create a healthy and safe space for children and teenagers. In 2018, 166 enrolled children could opt for visual health benefits, psychological care, participation in environmental care activities and training according to the Club América methodology. The program is held at a special soccer facility adjacent to the mill, which also includes recreational areas for the parents where Zumba courses are offered.



Carrera del Azúcar

The Carrera del Azúcar is a race that promotes a healthy lifestyle and, in turn, fosters altruistic actions. This is because the resources collected from this activity are directed to the financing of social causes. In Mexico, the race raised US \$7,600 to support the organization Panuco Unido por el Autismo. In Honduras, more than 2,000 volunteers participated in the race, raising US \$16,780 for El Arca de Honduras in Choluteca, an organization that works in favor of people with disabilities.

In Guatemala, the sugar guild and the Association of Sugar Technicians of Guatemala organized the 31st edition of the Carrera del Azúcar at Concepción Mill, attracting more than 3,000 participants.

Community Engagement

We cultivate proactive engagement with the different communities that surround our operations and promote constant interaction with community members, leaders and local authorities. To do this, we use different communication mechanisms such as:

- Community Newspapers
- Radio programs
- Flyers
- Open door policy
- Participation in multi-sectoral dialogue tables
- Visits to the communities

Volunteers

We implement volunteer programs in which our employees support local schools, reforestation programs, community cleaning, and food collection. In Brazil, the "Compartiendo Saberes" program invites professionals to teach courses in their areas of knowledge in the local high schools, and schools of technical or higher education.

We also respond to emergencies by supporting communities in recovering from natural disasters. In 2018, the Volcán de Fuego in Guatemala erupted, affecting hundreds of people. Pantaleon Foundation and its employees, supported the preparation and distribution of more than 35,000 rations for shelters and the use of heavy machinery to free roads. We also provided housing to 60 medical volunteers of the Red Cross and enabled warehouses to store donations, as well as the collection of medical material, mats and hygiene kits benefiting more than 950 people. In Honduras, heavy rains affected the area. Our employees responded by bringing food and rations to the different shelters and providing medical care to the victims.

Promoting Corporate Social Responsibility

We support events and activities focused on promoting Corporate Social Responsibility in the countries where we operate. In 2018, we were recognized as a Socially Responsible Company by the Mexican Center for Philanthropy (CEMEFI) in Mexico and by FUNDHARSE in Honduras. In Guatemala, we sponsored and presented the success case "Responsible Sourcing" during the 11th National CSR Forum of CentraRSE and sponsored the first Local CSR Forum in Escuintla. In Brazil, we were recognized by the MasterCana Social Award, which aims to recognize practices of people management and socio-environmental responsibility, as well as the promotion of social welfare and sustainable development. The Vale do Paraná mill was awarded best project, in the 'Communities' category.



Impact Workshops

At Pantaleon, our processes are guided by our Responsible Operation Protocols. These protocols establish guides and standards to ensure that our practices do not affect the communities negatively. We periodically invite community leaders to the mills to demonstrate the processes, where experts can answer any inquiry. Topics covered in 2018 include manual harvest, transportation, preventive health, burn practices, and aerial applications, among others. We also provide training to community leaders on community management issues such as leadership techniques, mediation and negotiation.

279

Leaders

15

Impact
Workshops

A Day at Pantaleon

We invite our internal and external audiences to learn about our operations. During these visits, we share our practices and visit agricultural and industrial processes.

1,217
Visits

Community Engagement Initiative

Since 2016, we have developed a community management initiative among the sugar mills of the South Coast. All of the mills work together to promote a good relationship with community leaders, which allows to mitigate the impacts and strengthen long-term relationships.

Prior to the beginning of each harvest season, we visit community leaders in order to build agreements and commitments of Responsible Operation between the mills and the community. During the harvest period, compliance with these agreements is monitored and with the support of community leaders, we provide feedback to the operational teams.

During 2018, 29 communities participated in this initiative, resulting in 156 Responsible Operation Agreements signed. At the end of the season when community leaders and residents of these communities were surveyed, 75% perceived a more responsible operation compared to the previous harvest. Similar community engagement initiatives are carried out in all our operations.



Watershed Management

We actively participate in multi-sectoral dialogue round tables to find joint solutions to the water issue.

In Guatemala, the search for better solutions to water use of the rivers in the South Coast led to the development of multi-stakeholder technical committees in seven rivers, and Pantaleon has an active role in three of them. The committees are made up of local and national authorities, agro-industrial companies, cattle ranchers and community leaders. These dialogue spaces have encouraged coordination amongst river users, promoting responsible and rational water use, thus guaranteeing access to the communities and producers.

In the Technical Tables of the Madre Vieja River, five key agreements were reached, including the coordination of users during critical periods, implementing a monitoring system and the reforestation of the basins. During the last two years, 145 hectares of riverbank forest have been reforested with native trees for protection purposes.

With the support of the Institute of Climate Change (ICC), the main processes and results obtained in the Technical Tables of the Madre Vieja and Achiguate Rivers were systematized and presented as part of the "Public Private Alliance to face the Risk of Disasters in Guatemala" project. This was presented to local and national government representatives. During 2018, work continued on the systematization of the model, disseminating its benefits and achievements. This project has supported the recovery and conservation of the basin.

Communication and Impact Mitigation



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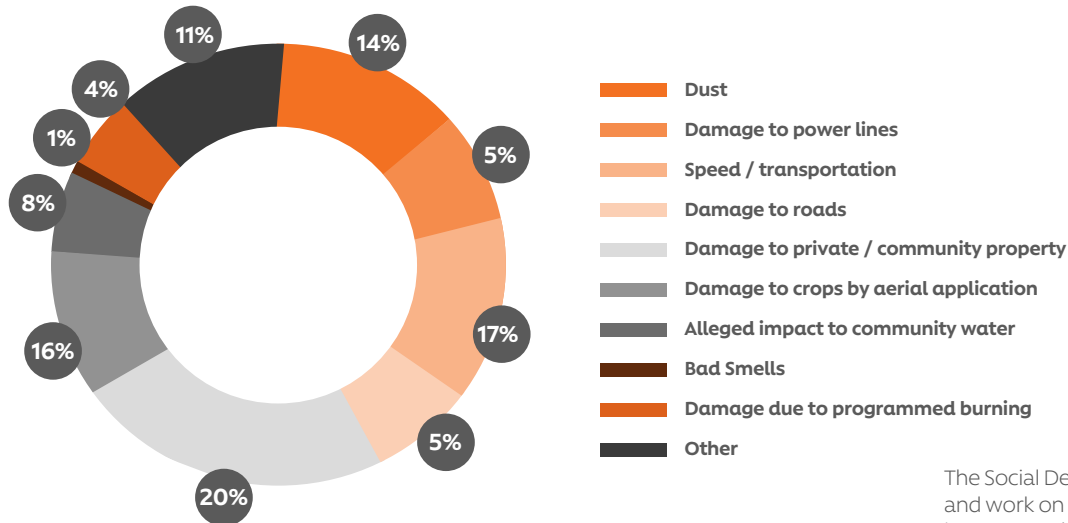
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With the aim of promoting communication with communities and mitigating the negative impact we may cause, the company has established a complaint resolution process through which attention and solutions are given to the problems and concerns arising from the company's operations.

Classification



Example of billboards placed in communities of Guatemala



85
complaints received

100%
resolved

99%
of the complaints were addressed in less than 72 hours

The Social Development teams, in conjunction with the operations, monitor the resolution of incidents and work on improvement plans. This information serves as feedback to mitigate and eliminate social impacts. In the period of 2017, we did not have fines or penalties regarding social matters.

Communication Channels

- Guatemala:** (+502) 2377-2424
- Nicaragua:** (+505) 8927-5441
- Mexico:** (+52) 8461019850 ext.9301



E-Mail
pantaescucha@pantaleon.com



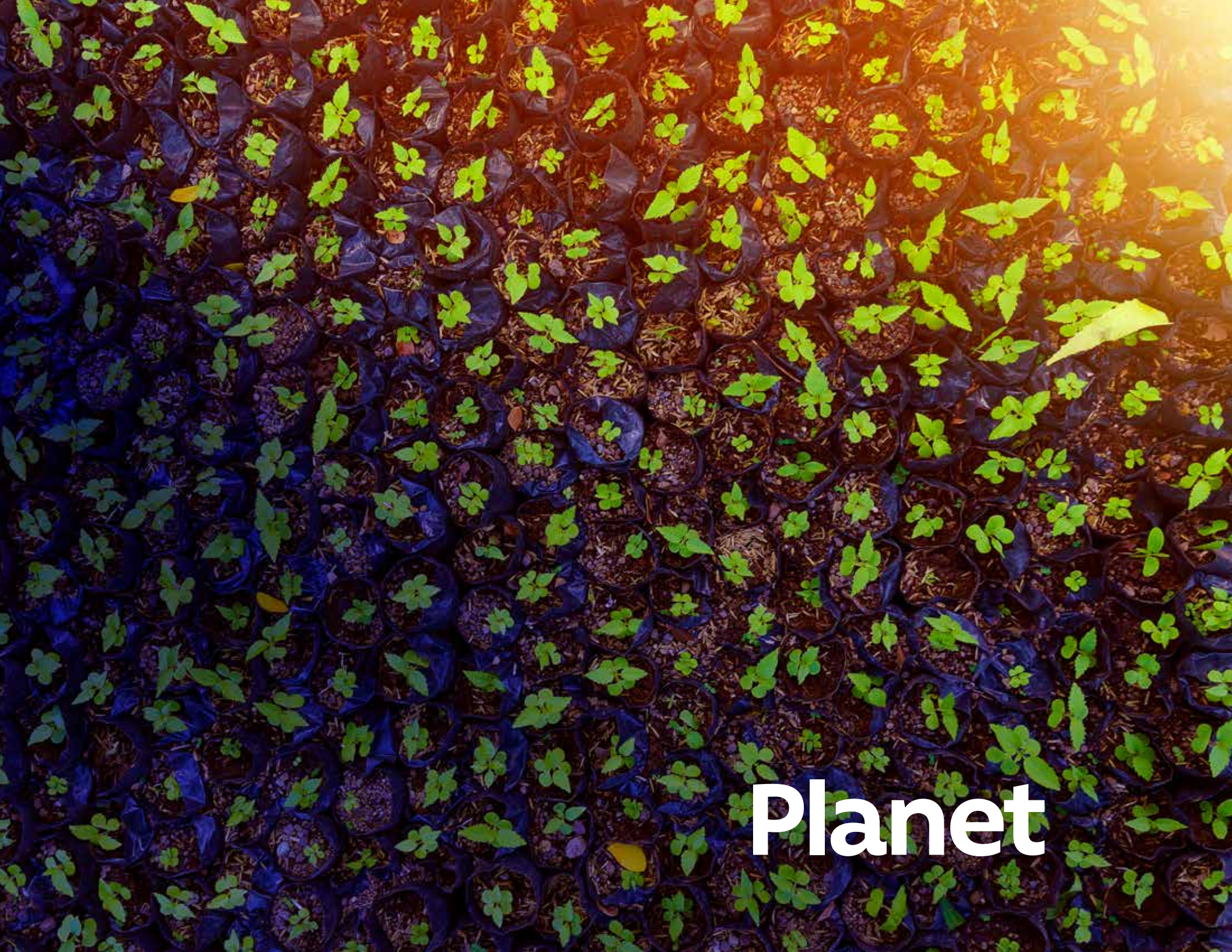
Website
www.etictel.com/pantaleon



Written
Directed to the Department of Social Development



On-site
For complaints made in person, follow-up is done through a complaint registration form.



Planet

Achievements

63% Reduction in the industrial water consumption of the organization 2013-2018.

22% GHG reduction in the last year

94% of our waste is reused

98% Use of renewable energy

7,244.99
Hectares conserved

135.66
Hectares reforested in 2018

We ensure the optimal use of natural resources through the development and implementation of systems for prevention, control and reduction of environmental impacts in our operations. We establish environmental efficiency goals, and train our staff continuously. We identify the management of energy, water, air emissions, emissions of greenhouse gases (GHG), waste, agrochemical management, biodiversity and soil preservation as our material topics.

We comply with the regulatory requirements in environmental matters of the legislation of the countries where we operate and customer requirements. Additionally, we seek to contrast our environmental performance with international standards, which is why we comply with the Performance Standards on Environmental and Social Sustainability of the International Financial Corporation (IFC) of the World Bank.

In the 2018 period, we did not receive fines or sanctions in environmental matters.



Energy

We produce energy from the controlled burning of sugarcane bagasse, chips and other renewable fuels as part of a cogeneration process. This is a source of clean energy that uses renewable sources and prevents the emission of tons of CO2 into the atmosphere.

We use the energy produced to supply our operations and we sell surpluses in the market. We also continuously reduce our internal energy consumption through investments in technology and monitoring.

Electricity

393,471 MWh

of consumption; of which more than 98% was supplied by our own cogeneration

Fuels

98%

of fuels used come from renewable sources such as Bagasse, Chips, and Firewood.

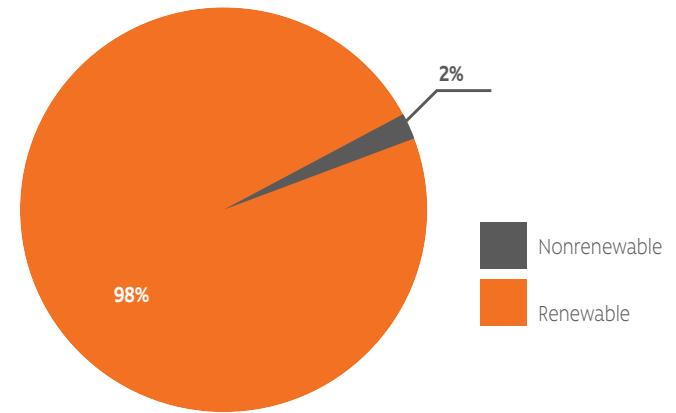
Energy

699,354 MWh

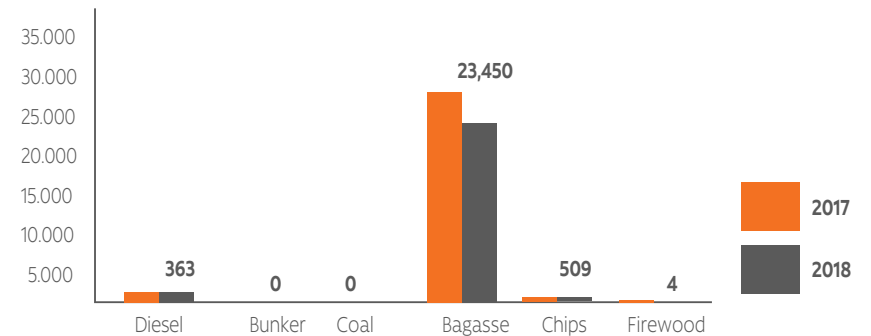
sold to the National Interconnected Systems and/or energy markets.



Type of Fuels Used (%)



Type of Fuels Used to Produce Energy (TJ)





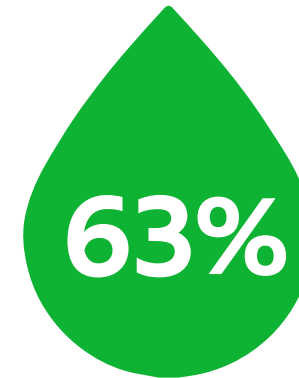
Water is a fundamental resource for our agricultural and industrial processes as well as for the communities where we operate. This is why we aim to optimize the use of water and protect its sources. We use modern processes to make an efficient use of water. Since 2013, we have managed to reduce industrial water consumption by 63%. Likewise, we manage effluents to avoid contamination of water sources in the areas where we operate. We have made important investments in processes and infrastructure for water management and consumption. An example of this is the industrial water recirculation system at Pantaleon Mill, reducing the total consumption by 79%.

In 2018, we invested US \$991,000 in improvement projects. At the Pantaleon Mill, we installed a tank for water excess to be collected and reused for the cleaning of the soot collectors. We also installed a system of harrows to collect waste off the cane and thus reduce the use of water for washing.

At Concepcion Mill, we installed a linear flow and conductivity measurement system at water outlets, helping us better manage the use of water and prevent any contamination. Similarly, we eliminated the step of cane-washing, instead investing in the optimization of the sedimentation lagoons to reduce the use of water and properly manage the sediments. At Panuco Mill, we installed cooling towers in the turbo generators to reduce the use of water for cooling, as well as the installation of pumping equipment and automated valves in the system. Similarly, we made improvements to the basin of our towers to avoid spills and exercise responsible use of resources.

In the agricultural process, we have projects to reuse water from industrial effluents for use in irrigation, in accordance with national legislation.

During 2018, 3,67% of the water used in our production processes came from the reuse of this resource.



reduction in industrial water consumption 2013-2017

Among the main measures adopted, are:

- Recirculation system for water consumption reduction
- Reuse of industrial water for agricultural irrigation
- Lining of irrigation channels
- Measurement of soil moisture
- Supervision of irrigation equipment in real time (GPRS)
- Water harvest
- Cleaning of sugar cane without the use of water.
- Investment in more efficient technology





GHG Emissions



Pantaleon

Responsible Development
Report 2018



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We are aware of the negative consequences that climate change can have on the world and our business, for this reason, we are committed to mitigating our emissions of greenhouse gases. We have a constant control and measurement of the emissions generated in each of the processes.

The main sources of GHG emissions in our operations come from fertilizer emissions (Nitrogen Oxide, N₂O), fuels for agricultural equipment (Carbon dioxide, CO₂), fuels for power generation (CO₂) and effluent emissions (Methane, CH₄).

In comparison with 2017, we reduced our GHG emissions by 22%. Various initiatives have contributed to this improvement including the reduction of the volume of effluents, the increment in mechanized harvesting, and improvements in efficiency of energy generation and use of fuels.

Our operations in Guatemala, through the International Sustainability & Carbon Certification (ISCC) have voluntarily adopted the GHG Emissions Requirement add-on, ISCC 205-01. This is a calculation methodology and verification of greenhouse gas emissions along the supply chain that includes biomass production, conversion, transportation and distribution. The calculation is externally audited on a yearly basis. In addition, we comply with the request of the Air Resource Board of California, both of which validate the sustainability and GHG savings for our biofuels.

Similarly, the cogeneration plant in Mexico is registered as a Clean Development Mechanism (CDM) by the United Nations for its contribution to the reduction of GHG emissions.

274,713

metric tons of CO₂ emitted in 2018.

58,546

metric tons emitted in the industrial process.

216,167

metric tons emitted in the agricultural process.

22%

Reduction compared to 2017

In 2018, our carbon footprint was 0.22 tCO₂ per ton of sugar produced.*

*Calculation based on IPCC methodology



Soil and Fertilization

44.5%

0.11 t CO₂ e/t Sugar

Sugar cane burning

8.6%

0.02 t CO₂ e/t Sugar

Machinery and Transportation

24.9%

0.06 t CO₂ e/t azúcar

Energy

<0.2%

0.001 t CO₂ e/t

Fuels and Energy Production

11.1%

0.05 t CO₂ e/t azúcar

Effluent Treatment

10.7%

0.03 t CO₂ e/t azúcar



Air Emissions

Air emissions are one of the factors of high impact on our environmental performance, so we have developed and updated mechanisms to monitor them and recognize their main sources. Among them, we have discovered that one of the main sources is the emissions generated from the particulate material of the boilers. In response, we have invested in new and improved equipment to manage boiler gases. 78% of our boilers comply with the applicable particulate material parameters.

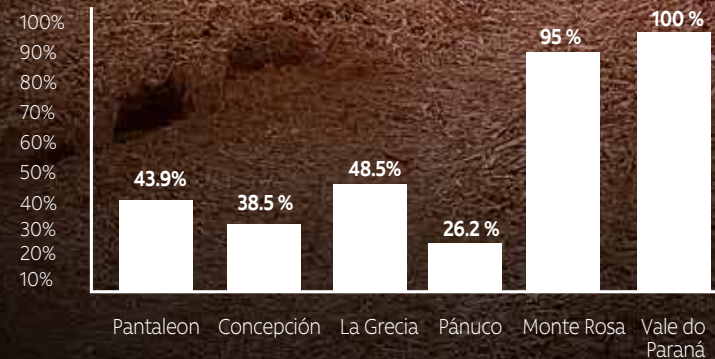
We constantly monitor air quality and noise to reduce our environmental footprint.



Mechanized Green Harvest

The constant increase in mechanized green harvesting allows us to be increasingly efficient and reduce our impact on the environment. Using machinery of the highest standards, we carry out cane cutting without requiring a burning process, contributing to the reduction of emissions.

Mechanized Green Harvest



In 2018, 59.5% of the group's cane was green harvested, increasing by 3 percentage points in relation to 2017.



Responsible Waste Management

Throughout the production process we see waste as a resource, so we focus on generating as little non-reusable waste as possible. In particular, we take advantage of waste from the sugar production process and reuse it to create byproducts, or as sources of fuel.

We keep a periodic control of the types and amounts of waste generated in each of our operations. This control allows us to establish strategic programs for the reduction, reuse and recycling thereof.

Our waste includes bagasse, mud, ash, paper, cane waste, cardboard, plastics, lubricants and oils. Most of them are reused and / or composted. For waste that cannot be reused, we manage its disposal with accredited suppliers in accordance with environmental criteria and local environmental legislation.

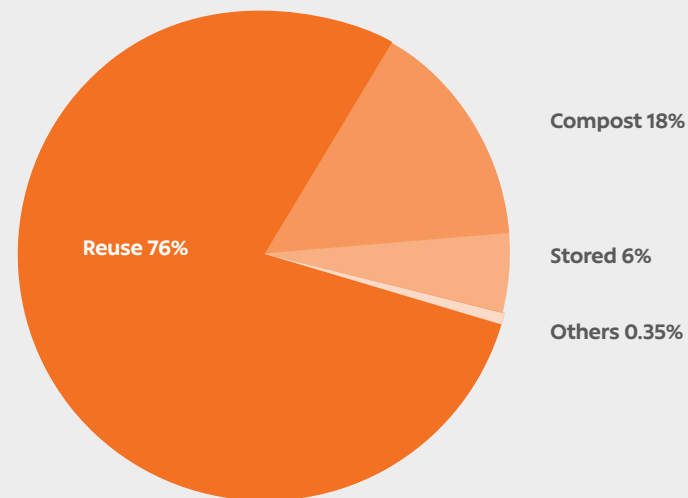
23.4%

Reduction of
waste generated

94%

of waste is
reused or
composted

Type of Waste	Volume of Generated Waste in Metric Tons
Reuse	1,914,447,894
Compost	447,317,085
Stored	154,798,479
Recycling	6,167,814
Dumpsite	1,558,861
Landfill	1,183,952
Incineration	115,916
Total	2,525,614,232





Management of Agrochemicals

We use products and doses of agrochemicals allowed according to the national rules and legislations of the countries and markets where we operate. We also ensure that products from the prohibited lists of the different international conventions are not used. We use approved agrochemicals for sugarcane and its derivatives in compliance with laws of the United States and Europe.

The containers and waste generated by the use of these products are managed through the national programs of Campo Limpio. All packaging handling must comply with environmental standards according to national legislation and company standards.



Disposal

We've generated alliances with companies that are specialized and authorized by the local authorities for the proper disposal of agrochemical containers



Collection Center

We gather the containers in designated Collection Centers for them to be disposed in an appropriate manner located at the mill and farms



Triple Rinse

- We require the timely triple rinse of agrochemical containers
- We provide our employees with the adequate equipment and protective gear to perform this task
- We perforate containers to prevent them from being reused



Soil Conservation

The sustainability of the business depends highly on the quality of the cultivation soil; conservation is of vital importance to prevent erosion and promote recovery of affected soils.

We evaluate the needs of the soils throughout the cultivation process and in response, renew and recondition the fields according to their needs. We develop important initiatives of sustainability such as precision agriculture and an initiative called suelo vivo. Precision agriculture is practice that focuses on implementing agronomic management tools at the right time, place and quantity, in order to increase productivity. The suelo vivo initiative seeks to control pests and diseases through the application of microorganisms, thus reducing the use of agrochemicals and increasing agricultural productivity



Soil Preparation

We use mitigation measures

- Incorporation of agricultural waste into the soil
- Biological control of pests
- Methods to reduce tillage activities
- Mechanized green harvest
- Sowing of flemingias and legumes
- Terraces and conservation structures
- Technical evaluation of the soil and the environmental impact.



Selection Process

Technical evaluation of the soil and the environmental impact.



Plan of Use

The design team establishes space adaptation activities to take advantage of the fields efficiently and sustainably

Biodiversity

In our constant search for the conservation of protected areas and their biodiversity, we have developed several projects within the company and in partnership with external institutions. These projects focus on three central areas: forest production, protectional reforestation and conservation of natural forests.

7,244.99

Hectares of forest plantations and conservation

135.66

Hectares reforested in 2018

Pantaleon

In 2018, we reforested a total of 59.66 hectares with approximately 76,000 trees. Among them, we reforested 11 hectares with ten native species on the Madre Vieja Riverbank as part of the commitment acquired in the Technical Tables. We also reforested 36.66 hectares with pine and 12 hectares with eucalyptus in the interior of the farms.

Concepción

We reforested 46 hectares of eucalyptus, with more than 59,000 trees.

4,725.24 Pantaleon
2,292.75 Concepción
227 Monte Rosa

Monte Rosa

San José de las Marias

As part of our commitment to biodiversity, we have established a conservation area called 'San José de las Marias'. With 200 hectares of extension, its protection is of vital importance, since it is an area of water discharge and the home of migratory and native fauna in danger of extinction. This ecological path is also of educational benefit, since it allows students to acquire practical knowledge about the ecosystem and its biological interactions; thus promoting scientific research and local ecotourism. We endow this project with sustainability through maintenance activities and management of the reserve in the conservation areas.

In order to involve our employees, students, professors, and producers of the area, we formed a group of trained guides in attention to visitors and education methodology. We seek to provide them with knowledge that allows us to project the environmental potentialities of this area. For this reason, the Department of Environmental Management coordinates open tours.

In addition to the conservation of 200 hectares of the San José Las Marias Trail, we also have other conservation areas, such as 15 hectares in La Criolla farm and 12 hectares in La Tigra farm. We also reforested a total of 30 hectares in the natural reserve of San Cristóbal Casitas. Thanks to this, in 2018 we obtained a recognition from the National Forestry Institute.

Monte Rosa Plant Nursery

The Monte Rosa Plant Nursery works as a component of forest development aimed at supporting the National Reforestation Campaign, benefiting communities, producers, schools and municipalities. We cultivate 300,000 plants of 32 species in an area of 1.2 hectares, supporting the protection of the recharge in the basins, avoiding respiratory diseases in the departments of Leon and Chinandega.



Product

Our business' success is the result of operational excellence and continuous adoption of processes, work methods and innovative technologies that ensure the best quality, promote productivity and efficiency.

Sugar



Refined
Brown sugar
White 150
White 250
White 300
Standard White
Raw

Molasses



High Test Molasses
(HTM)
Molasses

Alcohol



Hydrated Alcohol
Neutral Alcohol
Anhydrous Alcohol

Energy



Biomass Based Renewable
Electric Power

Certifications

We guarantee the quality of our products and processes through compliance with the highest standards. We implement best practices in terms of quality, occupational health and safety and environment. Through this, we ensure quality products, sustainability in our operations and the satisfaction of our customers.

Each of our operations has different certifications and our industrial clients continually audit us regarding quality, safety and sustainability.

Pánuco: ISO 9001 / FSSC 22000 / OHSAS 18001 / ISO 14001 / Kosher

Pantaleon: Bonsucro EU / ISCC Plus / ISO 9001 / FSSC 22000 / HACCP / Kosher

La Grecia: ISO 9001 / HACCP, BPM

Concepción: ISCC Plus / ISO 9001 / FSSC 22000 / HACCP / Kosher

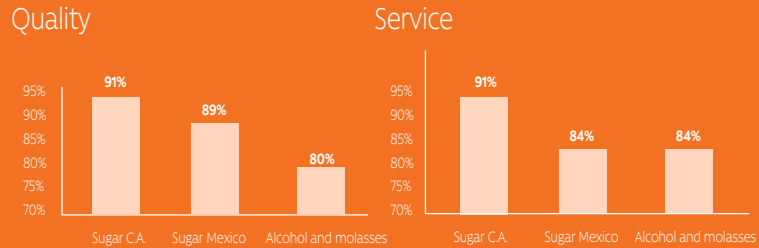
Bioetano: Bonsucro EU / ISCC EU / RFS2 / ISO 9001 / FSSC 22000 / Kosher

Monte Rosa: Bonsucro / ISO 9001 / ISO 22000 / OHSAS 18001 / HACCP, BPA / Kosher / GMP +



Our Clients

Internationally, we are recognized as an efficient and reliable sugar producer that competes with high quality products. In 2018, we conducted a survey with 72 of our clients. In it, we evaluate issues of appreciation and satisfaction for the quality of our products.



40 clients responded our survey. Among the answers we found various comments, some general and some specific to our products.

General

"A method of direct negotiation, excellent execution of contracts and a very good customer service."
"Excellent service and a generalized professionalism. We enjoy working with Pantaleon."
"Pantaleon is an organization governed by professionalism; they provide high quality services and are quite flexible with customer requests."
"Very good customer service and good logistics coordination in shipping matters."
"Pantaleon has two things: the highest standards of quality, and a genuine interest in good service to its customers. We believe that our questions and concerns are taken seriously and addressed promptly."

Sugar

"Pantaleon sugar is well recognized in the market. It is synonymous with quality."
"Sugar is always of the best quality. We have never had problems with the packaging or with the product."

Alcohol

"Good quality of product and service".
"Both the commercial attention, the quality of the product and the execution of Pantaleon's logistics are above other suppliers".
"Very good service and personalized attention when required."

Molasses

"The service is good and the product is excellent."

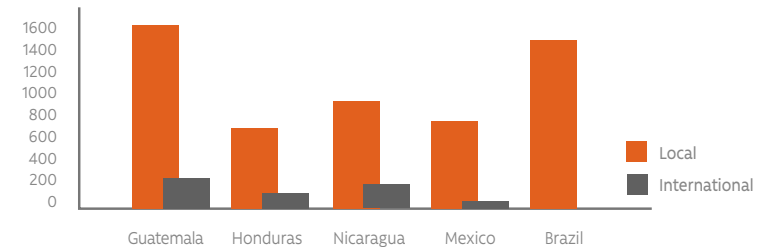
Responsibility in Our Supply Chain

We acquire materials and services through 5,601 suppliers, in which 90% are local suppliers, allowing us to promote the local economy in the countries of operation.

In 2018, we redefined our Purchasing Policy, which establishes the guidelines that the entire organization must comply. Likewise, the purchasing team is utilizing a technology platform that allows for a more transparent bidding and adjudication process and makes the process more efficient, saving time and resources.

Our contractors and service providers are considered strategic allies of the business, so we have established a procedure in order to evaluate them in safety, occupational health and environmental requirements that must be met in the different stages of the contracting and operation process under our responsibility. We implement a technological service with a special focus on the processes of registration, approval and evaluation of suppliers that allows us to guarantee the control of contractor companies and their elements.

Suppliers by Country



In 2018, 10,552 items were evaluated including companies, workers, machinery and vehicles. This allowed us to:

- Guarantee that all contractors meet the established requirements before being granted access to the facilities.
- Standardize processes
- Base decisions on indicators that are updated daily
- Oversee the hours, payment and overtime of contractors' employees.



Sugar Cane Suppliers

We support our cane suppliers in their productive management training them in order to provide solutions making them more productive and profitable. Likewise, we facilitate compliance with the standards of our Code of Ethics and Conduct by providing updates on social, environmental and legal practices

Training Topics

- Legislative updates on labor issues
- Occupational Health and Safety
- Agronomic Practices
- Sugar Cane Varieties

The standards for the evaluation of value chains presented by the International Finance Corporation (IFC) highlight several elements that can contribute to the identification of modern slavery. Among them, we find that there are contextual elements that can increase the probabilities of cases of modern slavery, such as poverty, or the nature of flexible labor markets. From this account, under an impact analysis conducted, we identified that the potential risk in our value chain is in the sugarcane suppliers. In compliance with the standards of the "UK Modern Slavery Act", we decided to implement the Responsible Sourcing Program, this allowed us to reduce the identified gaps and strengthen our suppliers in legal compliance in terms of Occupational Health and Safety and Human Rights and in turn, decrease the probabilities of incurring in modern forms of slavery.

Responsible Sourcing



Since 2014, Pantaleon in Guatemala implemented the "Responsible Sourcing" program.

The main objective of this program is to provide our sugarcane suppliers with the best practices of compliance and sustainability, in order to improve the living conditions of their employees and families. We seek to strengthen compliance with labor practices, occupational health and safety, human rights and local legislation. In 2018, 28 cane suppliers participated, representing 85% of the supply of third-party cane in Guatemala.

The implementation mechanisms include field evaluations on key compliance indicators, accompaniment by external consultants, and customized action plans according to their respective gaps and capacities. In addition, we provide a manual with 38 key indicators and a detailed explanation of Guatemalan legislation, to guide our suppliers gradually in compliance with sustainability practices.

The program has been recognized internationally by Bonsucro as finalists in Social Impact category and by Sedex in the category of Best Labor Program.



Sugarcane Production and Quality Committee - Pánuco

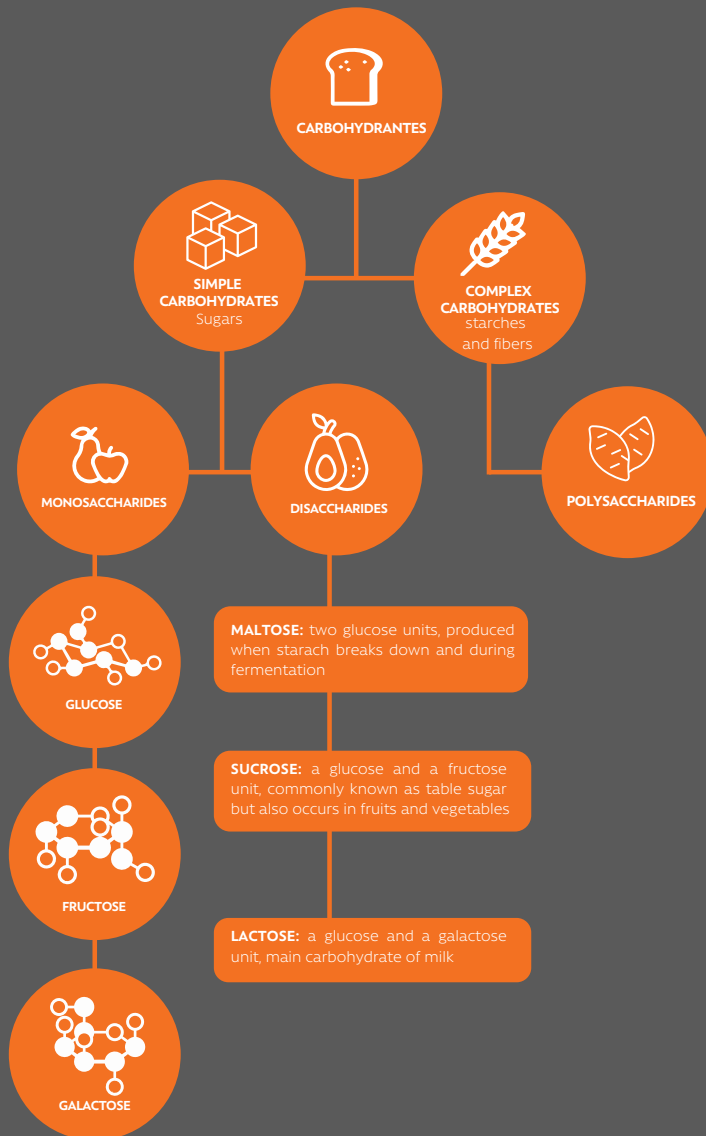
The Sugarcane Production and Quality Committee, made up of Pánuco Mill, the National Union of Sugar Cane Workers (C.N.C.), and the National Confederation of Rural Producers (CNPR), has invested in improving the working conditions of cane cutters and their families. Currently, there are three schools available for the children of cane workers, promoting spaces free from child labor. Our employees on the field are provided with drinking water, rehydrating serum, thermal carafes and personal protective equipment (PPE) such as shin guards, long sleeve shirts and a cap. A medical brigade accompanies employees in the field and carries out vaccination campaigns as well. Likewise, we hire 26 buses to transport the cane cutting employees to the fields and in 2017 two housing units were built for agricultural personnel. The units, El Cepillo and Alto del Ojite have space for sleeping, sanitary services, dining rooms, a classroom and recreation spaces. Two housing units were also enabled, La Norma and Tanchiquín for agricultural production employees in Mexico.



Sugar and Health

CARBOHYDRATES

Carbohydrates are nutrients that provide energy to our body. All carbohydrates are converted into glucose for energy. Our brain needs approximately 130 grams of glucose per day to function.



What is sugar for?

Sugar gives a taste of sweetness to food, but it has many more functional properties. Due to its versatility, it is difficult to find a good substitute for this ingredient.

- Taste and aroma: chocolates
- Volume: breads and cookies
- Reduction of freezing point: ice cream
- Fermentation: beer
- Preservation and retention of moisture: cereals
- Color: candy
- Texture: yogurt

Impact of **Sugar on Health**

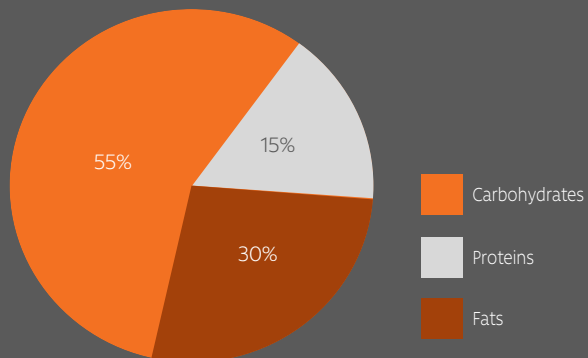
Types of sugar you find in your kitchen

- Granulated sugar: white or refined sugar, which we use to sweeten coffee or make a cake
- Brown sugar: white sugar mixed with molasses to give it color, moisture and more flavor
- Fine sugar: powdered sugar with added cornstarch, which is used to make a meringue or decorate a cake

Macronutrients	Energy Contribution	Example
Fats	9 calories per gram	Avocado, oils, butter, nuts
Proteins	4 calories per gram	Chicken, egg, meats
Carbohydrates	4 calories per gram	Sugar, bread, milk, apples, broccoli

Sugar and Health

Approximately 55% of our total dietary intake should come from carbohydrates, including sugars and starches. The rest of the diet should be composed of proteins (approximately 15% or 0.75 g of protein per kilogram of body weight per day for adults) and fats (30%, of which 11% or less should be saturated fats). As a reference, a male daily caloric intake should be around 2000 calories and a female around 1800 calories. The amount of calories that can be consumed depends on a particular individual's metabolism, their physical activity, age and body composition. The World Health Organization recommends that, in both adults and children, the consumption of free sugars should not exceed 10% of caloric intake. Free sugars are added to foods and beverages as well as sugars that are naturally found in honey, syrups and fruit juices. The sugars found in milk, fruits, and vegetables are not classified as free sugars.



10 tips for a balanced diet:

- Include foods rich in fiber and starch: potatoes, pasta, and rice contain less than half the calories from fats. The products based on whole grains contain more fiber, which is important for intestinal health and can contribute to a feeling of satisfaction.
- Eat a variety of fruits and vegetables, as they contain different combinations of vitamins, minerals and fibers.
- Eat fish regularly, at least two servings per week.
- Reduce the consumption of salt and choose products low in salt to no more than 6 g per day for adults and even less for children. High consumption of salt in the diet can increase the risk of developing high blood pressure.
- Drink about 8-10 glasses of water per day. Water is the healthiest option to minimize caloric intake and ensure hydration.
- Find simple ways to reduce calorie intake by making small changes in food choices.
- Start each day with a healthy breakfast. Whole grains or whole-grain toast provide a good balance of fiber, vitamins and minerals.
- For weight loss, set realistic goals and stay physically active. A healthy weight loss rate is around 0.5 to 1 kg (1lb-2lb) per week.
- Decrease portions. Changing a large plate for a smaller one could help you eat a little less.
- Stay active! At least 30 minutes of moderate exercise or 15 minutes of vigorous exercise, including resistance exercises, at least 5 days a week. Moderate exercise includes cycling or a quick walk and vigorous exercise includes running, tennis, or lifting weights



Sustainability Awards 2018

Mexican Center for Philanthropy (Cemefi)

Pánuco Mill

Socially Responsible Company

Award received for the seventh consecutive year.

FUNDAHRSE

La Grecia Mill

Socially Responsible Company

Award received for the eighth consecutive year

Institute for Adult Education of Veracruz

Pánuco Mill

Company Free from Educational Gap and Company Committed to Education

Recognition awarded for the effort to promote literacy amongst all employees.

United Nations Global Compact

Pánuco Mill

Adherent

Adherent for the fifth consecutive year

National Forestry Institute (INAFOR)

Monte Rosa Mill

Special award

Recognition awarded for leadership in reforestation, conservation and ecosystem protection.

MasterCana

Vale do Paraná Mill

MasterCana Social

Recognized for the promotion of sustainability. Also awarded as best program for our volunteering efforts in the category "Communities".

Pantaleon Foundation

Pantaleon Foundation benefits communities in different projects, such as education, health and environmental topics. For more than 25 years, it has contributed to the responsible development and quality of life of people, promoting projects that improve their well-being in communities in Guatemala, Nicaragua, Honduras and Mexico. The main purpose of the Pantaleon Foundation's education programs is to be a benchmark for educational quality. This is why it focuses its efforts on educational programs: pre-schools in Guatemala, Nicaragua and Honduras, technical and labor training for the development of entrepreneurship in Guatemala and Mexico, as well as the administration of the Pantaleon Schools in Guatemala and Nicaragua. In the domain of health, free medical and pediatric care clinics are administered in Guatemala; maternity wards provide pre and post-natal care in Nicaragua, Honduras and Mexico. These and other projects have allowed us to have a profound impact on the communities, enabling us to achieve our mission of opening sustainable opportunities for people.



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Fundación Pantaleon



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