

Pantaleon

Responsible
Development
Report





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 ninth year, we have published the Responsible Development Report, outlining the information corresponding to the period from January to December 2017. In certain instances, the data of the execution of the corresponding harvest period are reported from November 2016 to October 2017. For the fourth time, the report is prepared under the G4 methodology of the Global Reporting Initiative (GRI) following the guidelines of its "Essential" compliance option. The latest version of this report under the GRI standards was drafted in 2017.

The scope of the report covers the operations of the organization in Guatemala, Honduras, Nicaragua and Mexico. The Vale do Paraná Sugar Mill in Brazil works in partnership with Manuelita, for this reason, only human management indicators and changes in the operation are included. We identified key topics in order to reflect the organization's economic, environmental, and social impacts. Throughout the document, various indicators corresponding to the different areas of impact are detailed. The prioritization of the topics was evaluated and approved by the Responsible Development Committee.

The report was drafted by the Responsible Development department and was approved by the Board of Directors. It should be noted that this report has not been subjected to an external validation process.

The report is available on the organization's website www.pantaleon.com

Any comments or questions regarding the content of the report can be addressed through the email: desarrolloresponsable@pantaleon.com





Pantaleon in figures

28,000+
Employees

Harvest 2016/2017



694,341 MWH
Energy Sold



155,581 M³
Alcohol produced



1,329,000 Tons
Sugar produced



84,000 TC/day
Milling capacity

169 Years of experience

46 Export destinations

6 Countries of Operation

81% **Customer satisfaction:**
of our clients recommend us

13,364,075 Tons of harvested cane



Letter from Our CEO

For over 169 years, we have successfully generated sustained growth in our operations, reaching a total production of 1.32M tons of sugar in 2017, while also innovating our product portfolio. In 2017, the sugar industry was benefited with improved climate and a partial recovery of sugar prices compared to previous years. These factors, together with the efforts made by our team, have led us towards a clear and strong path to achieve our medium and long term goals.

Throughout these years, we have improved the group's competitiveness; positioning our mills among the best in the countries where we have a presence. We have encouraged our employees at all levels to occupy positions of greater responsibility and complexity. We have implemented cutting-edge technology in our different business processes, making it available to our professional, technical and operational staff. We have also set challenging goals, and thanks to the cooperation of diverse teams, the organization has become more effective. All of these goals have been achieved by respecting and promoting our culture of ethics and responsible development that has identified us from our beginnings.

For 2017 we have committed ourselves to, and prioritized, the improvement of occupational health and safety conditions of all our employees. We started an aggressive enhancement program focusing on infrastructure, systems, procedures, and communication, while strengthening our employees' commitment to safety at all levels. This program has generated important advances, but has not sufficed to eliminate the occurrence of accidents. Unfortunately, in 2017 we had two fatalities. In 2018, we will continue to prioritize this initiative and reaffirm our commitment to guarantee the safety and health of our employees.

We have advanced towards our goal of being one of the top companies in the sugar industry, but we know we still have a long way to go. We continue to work hard to accomplish our purpose of promoting development, transforming resources responsibly and we are pleased to share our progress for 2017.

Francisco Baltodano
Pantaleon CEO

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Main Achievements 2013 - 2017

People

72% Reduction in the Incapacitating Injuries Index.



Responsible Labor Policy approved and implemented in all our operations.



Code of Ethics and Conduct updated and communicated to employees.

Prosperity

\$4.11M+ In charitable or social investments per year.



1,842 Employees and children of employees participate annually in our free educational programs.

Planet

Water:
48% Reduction in industrial water use.
87% Of industrial water is reused



7,240.12 Hectares conserved in forests, along rivers and in ecological trails. **56.5%** of the cane is harvested without burning.

Product

Energy:
93% Of energy utilized comes from renewable sources. In 2017, **we sold 694,203 MWH**; equivalent to the energy required by **280,900 homes***.



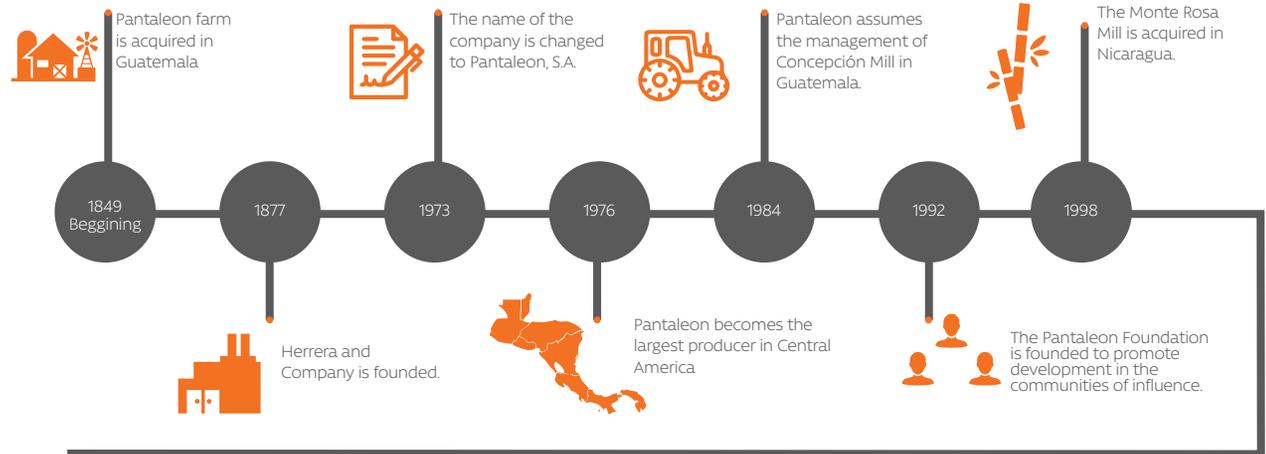
80% Of the total cane received by cane providers in Guatemala participates in our "Responsible Supply Chain" program.

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



Pantaleon

We are an agroindustrial organization dedicated to the responsible processing of sugarcane for the production of sugar, molasses, alcohols and electric power. With more than 169 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 six countries: Mexico, Guatemala, Honduras, Nicaragua, Chile, and Brazil.



Purpose

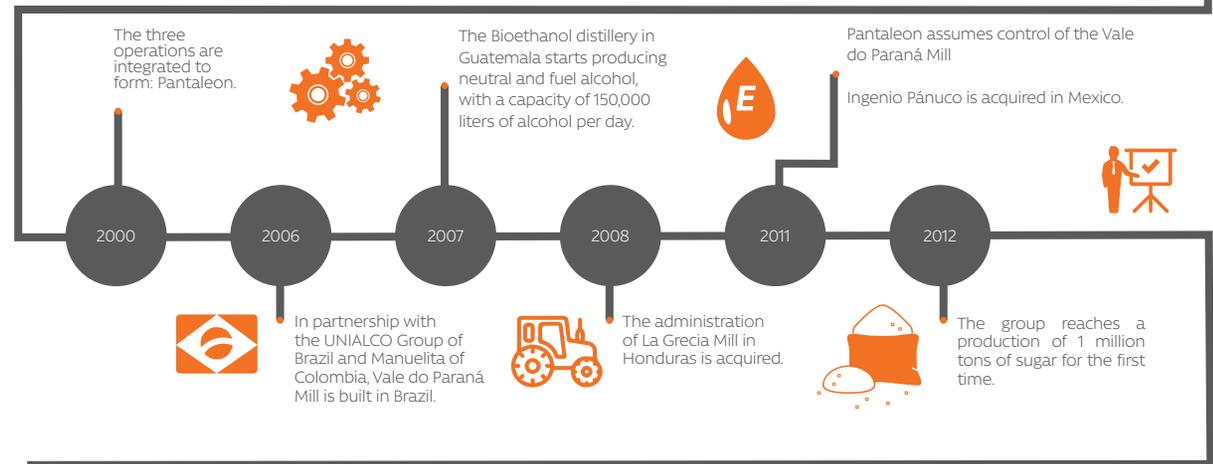
- Promote development, transforming resources responsibly.

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



Our Operations, Products and Markets

6 countries of operation:

 **Guatemala**
 Pantaleon Mill
 Concepción Mill
 Bioethanol Destillery

 **México**
 Pánuco Mill

 **Honduras**
 La Grecia Mill

 **Brasil**
 Vale do Paraná Mill

 **Nicaragua**
 Monte Rosa Mill

 **Chile**
 Warehouse Panor

16 New Markets in 2017

9 Varieties of products offered:
 Sugar, Molasses, Alcohol, Energy



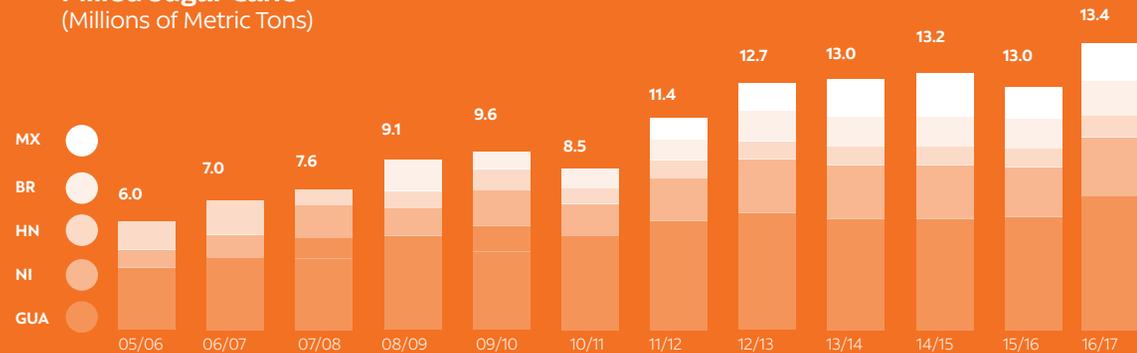
 **Sugar**
 Guatemala, Nicaragua, Honduras, Mexico, Brazil

 **Energy**
 Guatemala, Nicaragua, Honduras, Mexico

 **Molasses**
 Guatemala, Nicaragua, Honduras, Mexico

 **Alcohol**
 Guatemala, Brazil

Milled Sugar Cane
 (Millions of Metric Tons)



In terms of milled sugarcane:

- #1 Central America
- #2 Latin America (Excl. Brazil)
- #15 Worldwide

Major Export Destinations

America

- Antigua and Barbuda
- Aruba
- Bahamas
- Barbados
- Belize
- Canada
- Chile
- Colombia
- Curacao
- Ecuador
- United States
- Grenada
- Guyana
- Haiti
- Jamaica
- Mexico
- Montserrat
- Peru
- Dominican Republic
- Saint Kitts and Nevis
- Suriname
- Trinidad and Tobago
- Venezuela

Europe

- Belgium
- Spain
- Italy
- United Kingdom

Africa

- Cameroon
- Egypt
- Ghana
- Kenya
- Ivory Coast
- Mali
- Senegal
- South Africa
- Tanzania
- Togo
- Tunisia
- Democratic Republic of the Congo

Asia

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



New Projects

Productivity Improvements

In all operations, we made investments in our agricultural and industrial processes to achieve improvements in operational indicators.

International Certifications

The group's mills were certified under new international sustainability standards. Pantaleon and Monte Rosa Mills and the Bioethanol Distillery were certified under the international Bonsucro standard. This third-party certification is designed specially for the sugar industry and contains specific criteria and metrics to demonstrate compliance with economic, environmental and social aspects. Pantaleon Mill, Concepción Mill, and Bioethanol were certified ISCC Plus and non-GMO. In addition, all operations made the transition to ISO 9001-2015.

Brazil

Sugar production plant

Vale do Paraná Mill began production of sugar with

109,000

tons to sell to the global market.



Guatemala

Industrial water recirculation system

We installed a recirculation system for the reduction of water consumption of Pantaleon Mill. In 2017, we completed the second phase of the project, achieving a 79% reduction in water consumption.

Total investment:

US\$4.3MM

New entrance

We inaugurated a new entrance to Pantaleon Mill to ensure road safety for our employees and visitors.

Investment: US \$380,000.

Honduras

Efficient irrigation system

We invested US\$1,000,000 in improvements to the agricultural irrigation system, in order to make water use more efficient and improve productivity.



Mexico

Increase in mechanized green Harvest

1,500

We increased the mechanized green harvest capacity by tons per day.

Growth of milling capacity

The milling capacity of Pánuco Mill increased by 1,000 tons per day.

Nicaragua

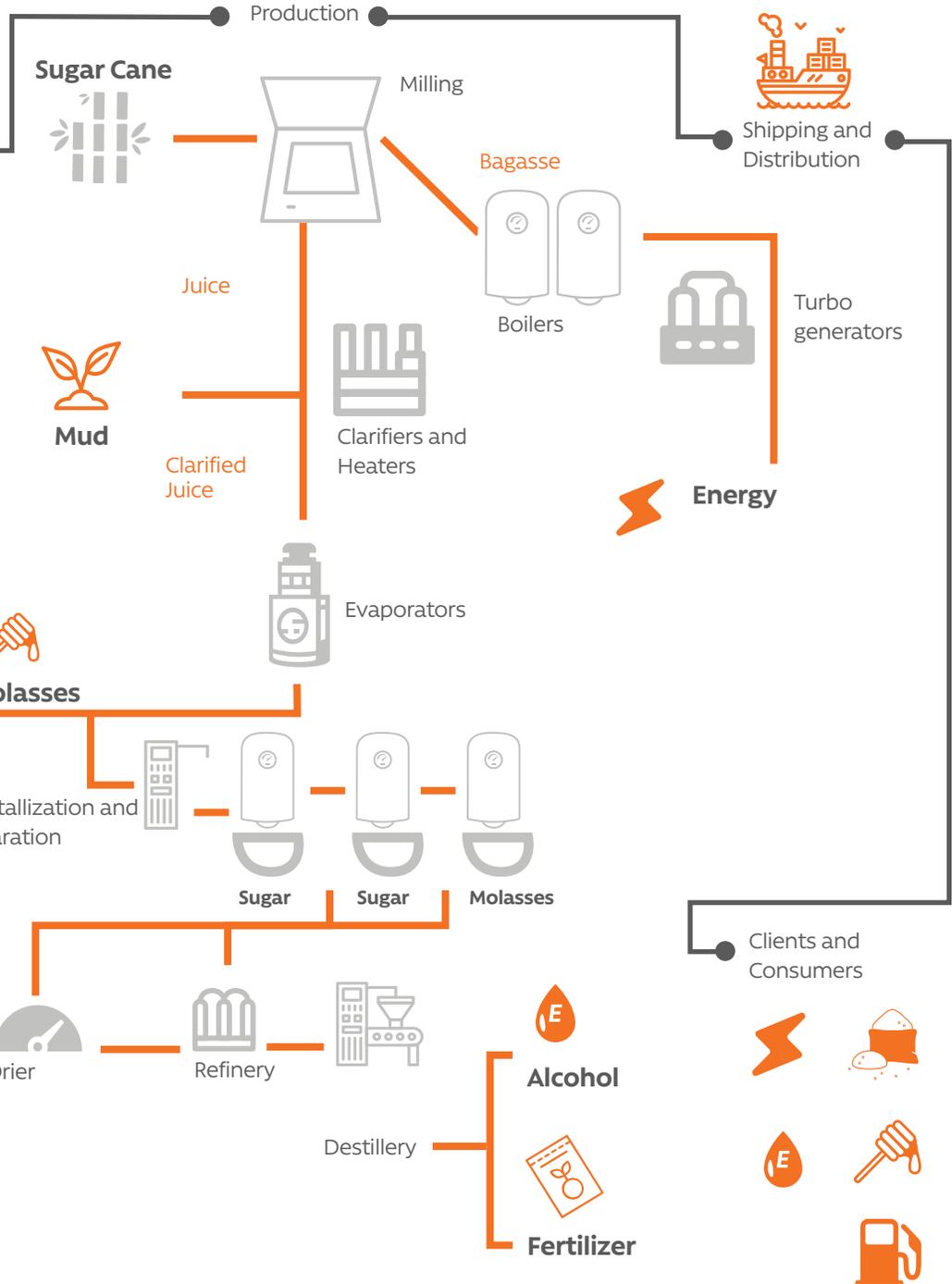
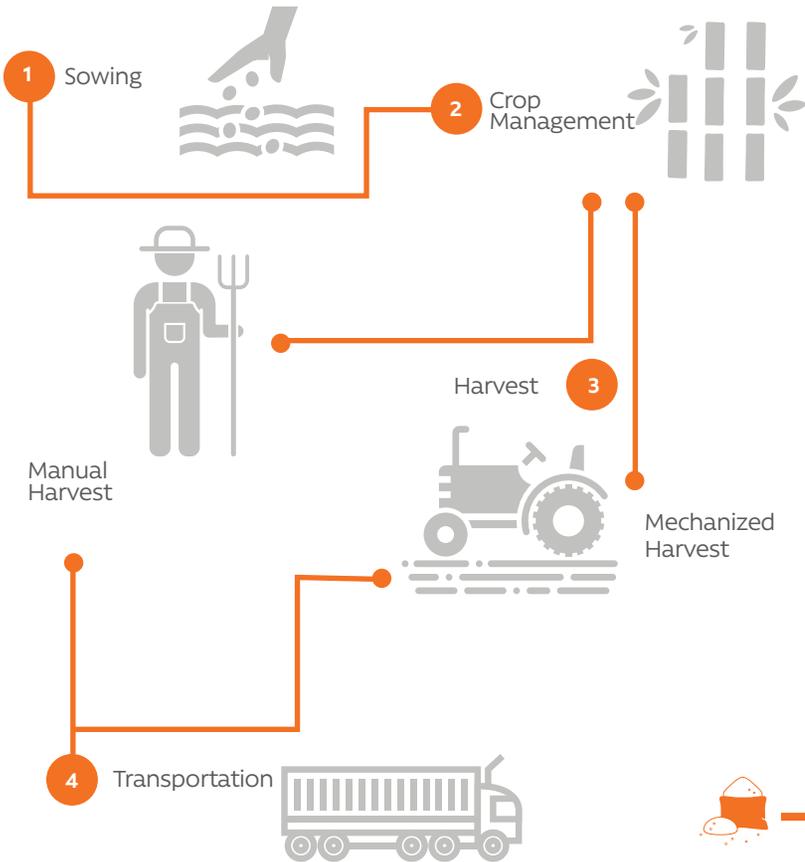
Industrial efficiency

We made a series of investments to improve industrial efficiency. Investment: US \$9.0MM.

Supply Chain

Cane Providers

Cane Cultivated by Pantaleon



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, such as Guatemala, Honduras, Nicaragua and Mexico 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 2020
- Universidad Del Valle de Guatemala
- Asociación de Gerentes de Guatemala (AGG)
- 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)
- 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
- INCAE

Honduras

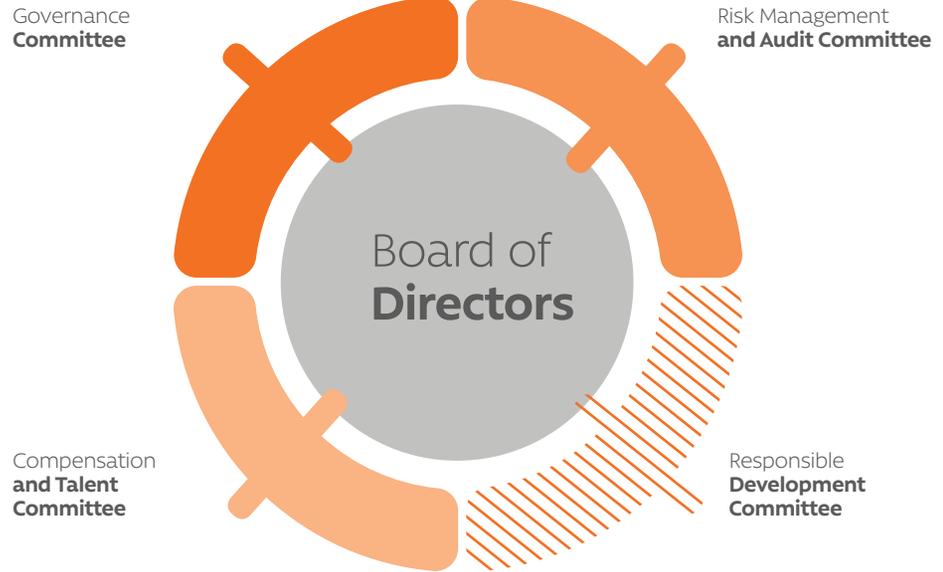
- Asociación de Productores de Azúcar de Honduras (APAH)
- Asociación de Técnicos Azucareros de Honduras (ATAHON)
- Fundación de la Agroindustria Azucarera de Honduras (FUNAZUCAR)
- Fundación Hondureña de Responsabilidad Social Empresarial (FundahRSE)

México

- Cámara Nacional de las Industrias Azucareras y Alcoholera (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)

Corporate Governance

Since 1849, Pantaleon has and continues to be a family owned 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.



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 maintain the consistency of the governance system of a family business.

Responsible Development Committee

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

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.

Risk Management and Audit Committee

Oversees the establishment of a risk management system that identifies, evaluates, and manages risks that can impact 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.





Example of banners promoting Code of Ethics and Conduct.

Code of Ethics

We nurture our culture of ethics with everyday actions, with our peers, environment, customers and the communities around us.

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.

A Culture of Ethics

Our culture of ethics defines our commitment to long-term growth and establishes how we conduct our business. It is 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 more 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 those of us who are part of Pantaleon under a set of values that guide our daily decisions and actions. We communicated the new Code to all employees and updated each employee's 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 Department

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 of violations to the Code of Ethics, ensures that they are investigated and recommends disciplinary measures.

The fundamental principles from which our Code of Ethics and Conduct is developed 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 laws and regulations.
- 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.

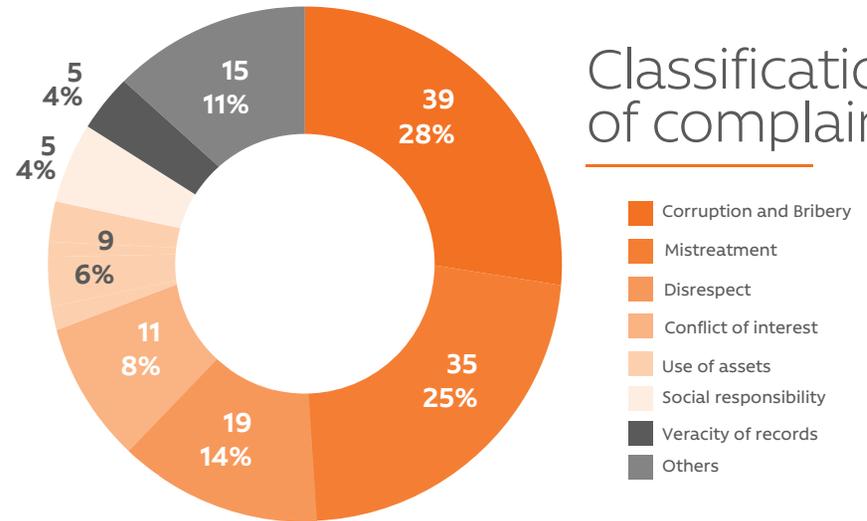


Complaints

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

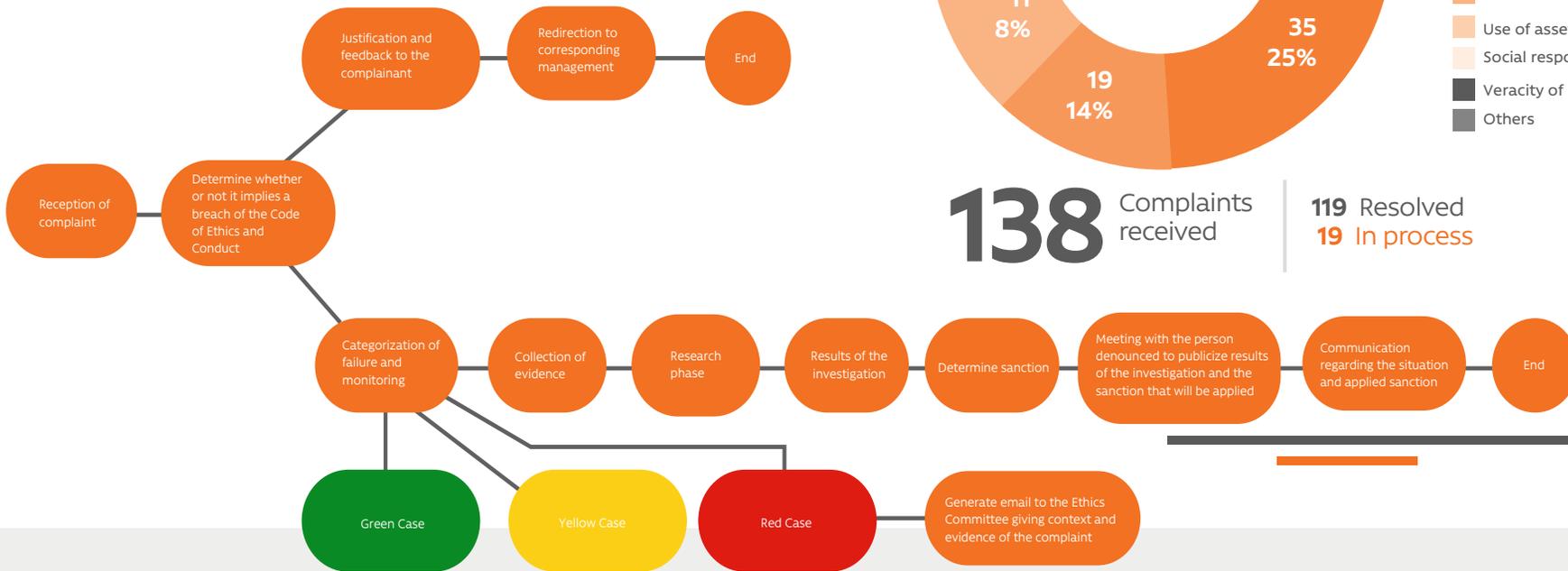
The process of receiving, monitoring and resolving complaints is carried out by the Ethics and Conduct Committee. The committee periodically presents relevant topics and statistics of non-compliance to the Board of Directors.

Classification of complaints



138 Complaints received

119 Resolved
19 In process



Communication Channels



Extension 5115
Internal Calls

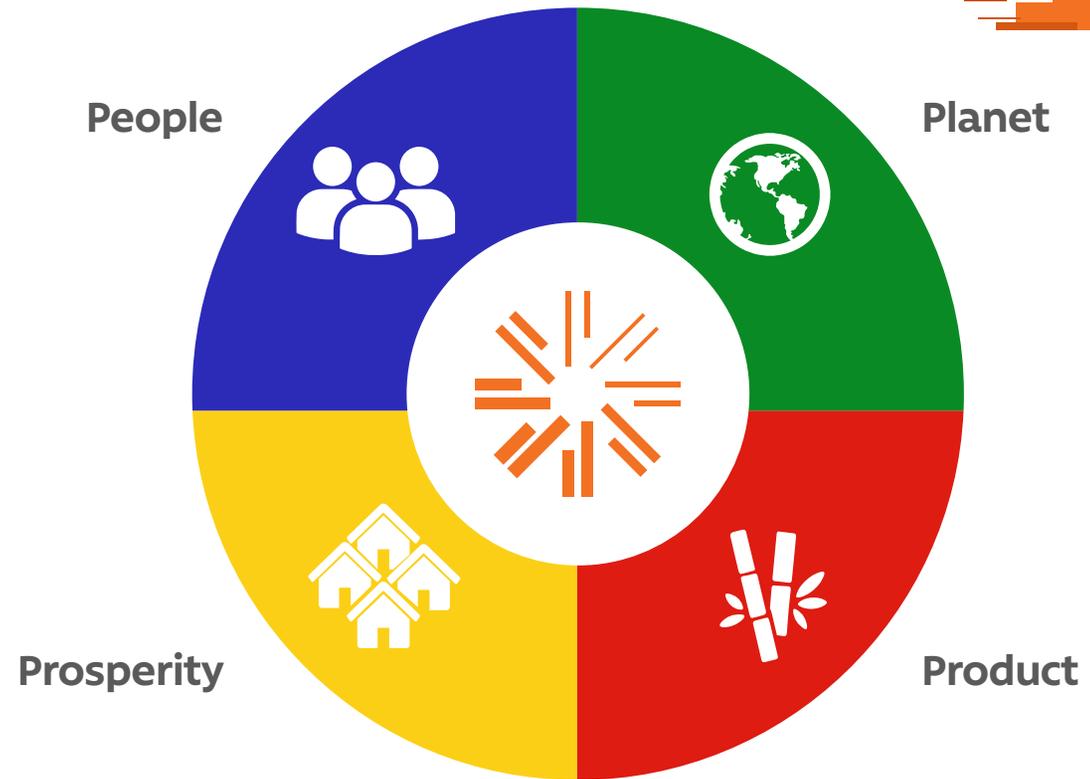
- Guatemala:** (+502) 2377-2424
- Honduras:** (+504) 2705-3900 (+1+5115)
- Nicaragua:** (+505) 2342-9040 (+1+5115)
- Mexico:** (+52) 846-2660934 (+1+5115)
- Brasil:** (+55) 18 3706-9011

E-Mail
codigo.conducta@pantaleon.com

Ethics online
www.ethikosglobal.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 public of interest.

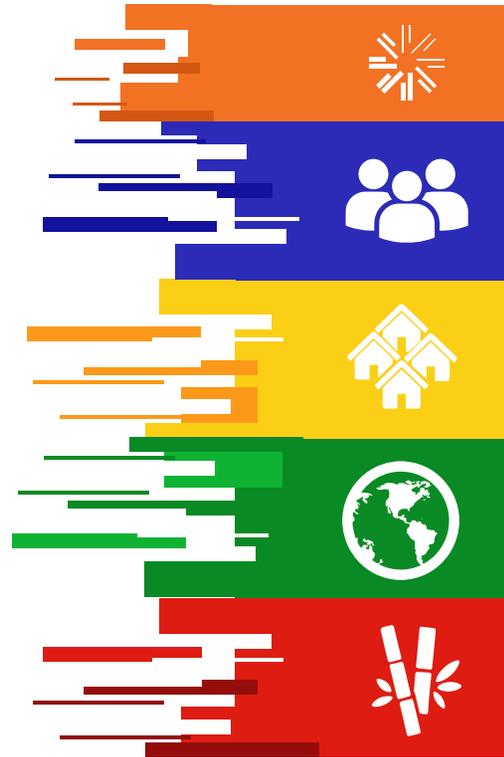
Materiality Analysis

In 2017, we reviewed the analysis under the materiality exercise prepared by the Sustainable Accounting Standards Board (SASB) for agricultural products and biofuels. This has allowed us to focus our Responsible Development strategy on the issues that matter the most.

For the identification of topics, we take as reference the material aspects identified through perception surveys conducted in previous years: Guatemala (2015), Nicaragua (2016), Honduras (2014), as well as the materiality elements identified by the SASB. This information is presented and validated by the Responsible Development Committee.

Our stakeholders include the communities that surround the operations, local and national authorities, suppliers, clients and local and international NGOs. We consult these groups about topics that are of relevance to them.

Annually, the General Management and the Board of Directors evaluate the priorities, risks, and opportunities of the operation, and they also review the executed actions. In comparison with 2016, the priority level increased in both GHG Emissions and Air Emissions.



Risk Management
Culture of **Ethics**
Transparency

Fair **Labor Practices**
Zero Child Labor and **Forced Labor**
Effective Communication and **Social Dialogue**
Compensation and **Benefits**
Recruitment, **Development and Retention**
Employee Health, **Safety and Wellbeing**

Community **Development**
Human Rights and **Community Relations**
Environmental and **Social Impacts**

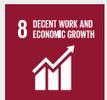
Energy **Management**
Water and **Wastewater Management**
GHG **Emissions**
Air **Quality**
Waste and Hazardous **Materials Management**
Biodiversity **Impacts**

Product **Quality and Safety**
Supply **Chain Management**
Cane **Sourcing**
Impacts of **Health**

1) 2017 Sustainability Accounting Standards Board (SASB)™ Materiality Map (<https://www.sasb.org/materiality/sasb-materiality-map/>)

The United Nation’s 17 Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

The SDGs call upon the private sector to contribute to achieving these goals, and Pantaleon has joined this commitment. Through an analysis of the areas where we can have a greater contribution, Pantaleon has aligned its sustainability strategy with the Responsible Development Goals.



**Decent Work
Economic
Growth**



**Responsible
Production
and Consumption**



**Sustainable
Cities and
Communities**



**Terrestrial
Ecosystem
Life**



**Non-polluting and
Affordable Energy**

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

- Universal Declaration of Human Rights of the United Nations
- International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- United Nations Framework Convention on Climate Change (UNFCCC)





People

We are aware that our employees represent one of the most important pillars of the organization; they are the heart, the strength and the driving force of our businesses.

At Pantaleon, we recognize the responsibility we have to respect human rights in 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) Fundamental Principles and Rights at Work.

The Responsible Labor Conditions Policy complements the provisions of our Code of Ethics and Conduct. Any employee, contractor or relevant stakeholder, can report breaches to the policy through the complaint mechanisms of the Code of Ethics and Conduct.

Responsible Labor Conditions Policy



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, gender, age, nationality, ethnic or social origin, religion, disability, language, sexual orientation, 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 development and education of children and youth, we reject child labor in all its expressions.



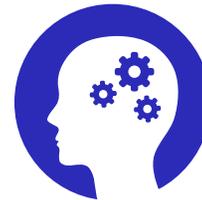
Effective communication and social dialogue

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 necessary, 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.



Workers on average

21,049

Employees during the harvest season

+28,800



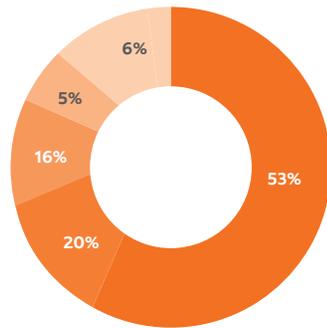
Our Human Capital



Our Human Capital

Employees by operation

- Guatemala
- Honduras
- Nicaragua
- Mexico
- Brazil

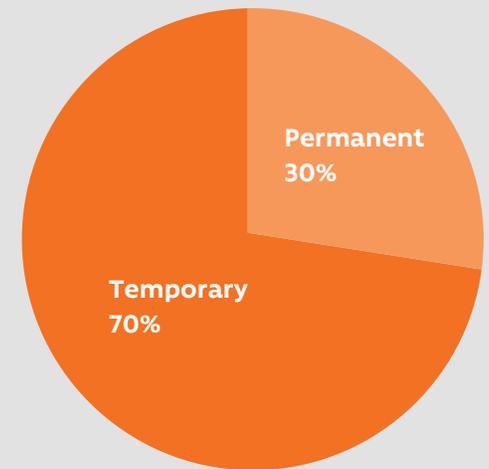


Area	Employees
Guatemala	11,184
Honduras	4,223
Nicaragua	3,370
Mexico	1,106
Brazil	1,166
Total	21,049

Employees by hierarchical level

Area	Administrative	Supervision/ Technical	Administrative Support	Operational	Total
Guatemala	277	157	580	10,170	11,184
Honduras	95	66	146	3,915	4,223
Nicaragua	107	127	162	2,974	3,370
Mexico	85	106	84	831	1,106
Brazil	33	181	70	882	1,166
Total	597	638	1,042	18,774	21,049
	2.8%	3.0%	5%	89.2%	

Employees by type of contract



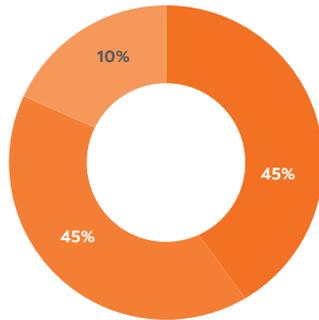
	Permanent	Temporary
Guatemala	3,539	7,645
Honduras	856	3,367
Nicaragua	655	2,715
Mexico	394	712
Brazil	906	260
Total	6,350	14,699

Turnover rate 12.8%*

*only considering employees with permanent contract.

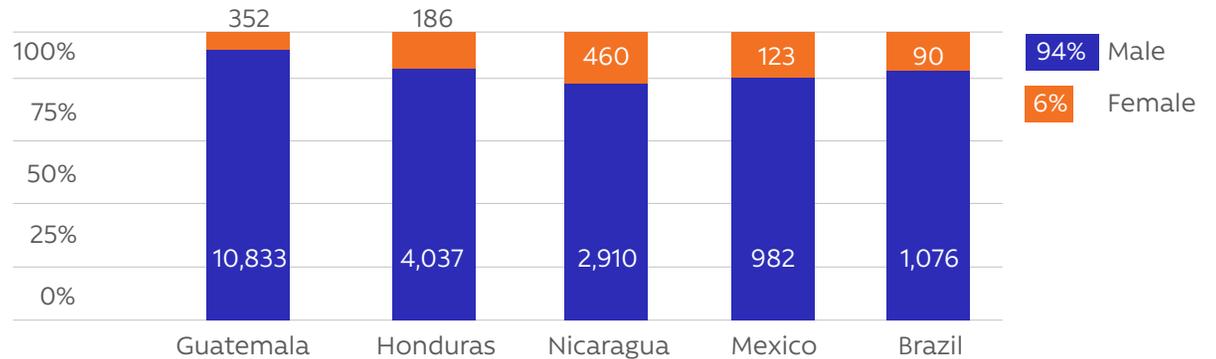
Employees by age

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



Our employees exceed eighteen years of age, complying with ILO regulations and exceeding national legislation in each country of operation.

Employees by gender



Employees by hierarchical level and gender

Area	Administrative		Supervision/ Technical		Administrative Support		Operational	
	Male	Female	Male	Female	Male	Female	Male	Female
Guatemala	225	51	154	4	474	106	9,980	190
Honduras	80	15	63	4	103	43	3,791	124
Nicaragua	78	29	118	9	82	80	2,632	342
Mexico	68	17	93	14	48	35	773	58
Brazil	31	3	157	24	59	11	829	52
Total	482	115	585	55	766	275	18,006	766



PROMOTING HUMAN RIGHTS

We comply with all the labor requirements that the law requires in each of the countries where we operate, as well as with the conventions of the International Labor Organization (ILO) and the internal standards that Pantaleon establishes. For that reason, we hire all our employees directly through a transparent process. All our employees are over 18 years of age, complying with ILO regulations and exceeding the national legislation in each country of operation.

Human Rights for **field workers**

We 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 inspires well-being.

Decent **Work**

One hundred percent of our employees have a written contract that defines the working 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 contributions to Social Security; which allows them access to medical assistance. All employees are paid above the minimum wage and are able to 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.

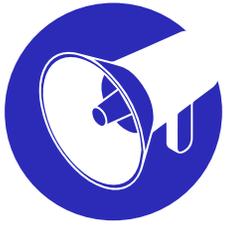
At the time of hiring, workers receive a half-day induction session that includes topics related to: health and safety, use of protective equipment, explanation of payment mechanisms and their payment receipt, and an introduction to the code of conduct and QHSE policy.

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

Recruitment and Hiring

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





Moments of Dialogue

Moments of Dialogue is a tool used within the organization with the aim of promoting communication with employees. It seeks to strengthen certain values such as: credibility, pride, respect, impartiality, and camaraderie.

Using this tool, periodic meetings are held, either weekly or biweekly, with the work teams to promote communication from both sides, identify opportunities for improvement and recognize achievements. The meetings are led by the employees, in a participatory and independent format, and an archive is kept of the topics discussed. The duration of each of these meetings is approximately 20 minutes.



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, opportunities for improvement are identified, which are channeled and implemented by the department known as the "Strength of the Social Voice".

Numbers
of Meetings
465

Mini SIMAPRO
Groups
15

516

Unionized
employees at
Pânuco Mill

92

Employees affiliated to
the collective
bargaining agreement
Monte Rosa Mill

1,403

Employees affiliated
to a union
Vale do Paraná Mill





Benefits

For Pantaleon, it is very important 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 comply with all the labor benefits required by the legislation of each of the countries in which we operate. Additionally, employees enjoy some of the following benefits:



Disability coverage



Training



Medical insurance



Housing and accommodation



Nutrition and food



Adult education



Posthumous assistance



Life insurance



Savings bank



Medical clinics



Educational centers



Uniforms



Consumer cooperative



Transportation



Recreation programs



Pension plans



Personal protective equipment



Developing Our Talent

We offer our employees guides and support programs to improve their work performance and foster their professional development.

100% Administration employees have an annual performance assessment.



Internships

We seek to promote education through the incorporation of high school seniors, undergraduates or postgraduates in different areas of the organization. The main purpose of the program is to provide young people with work experience and prepare them for a professional role.



Scholarship Program

In order to improve knowledge, skills and help our employees in their development, in 2017 we awarded 3 undergraduate scholarships in Mexico, 8 in Nicaragua and 7 in Guatemala. We also awarded 5 master's scholarships in Mexico, 6 in Guatemala, 8 in Nicaragua, and 4 in Honduras.



Trainee Program

We provide young university students or recent graduates with the opportunity to gain work experience and prepare them for leadership roles within the organization.



Promotions

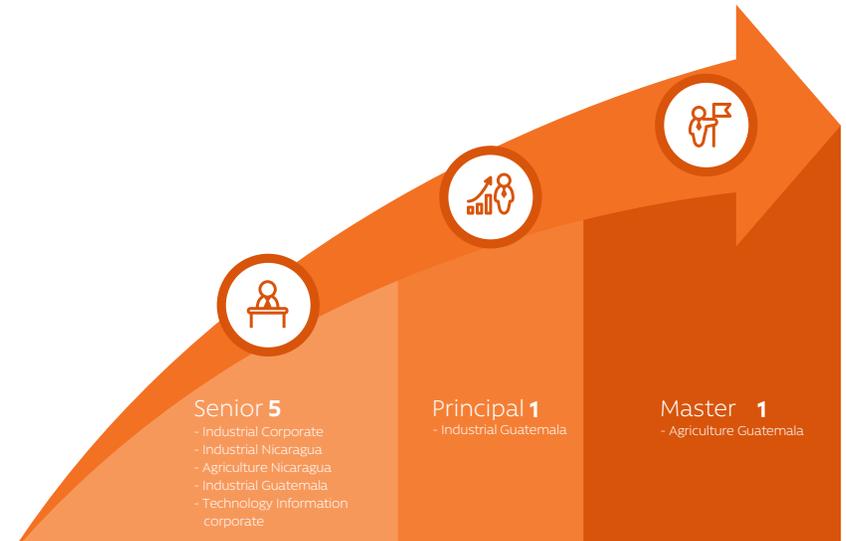
We are committed to the success of our employees, which is why we encourage employees to apply to vacancies within the organization. During 2017, 99 employees were promoted in administrative positions.



CORE

Program whose main purpose is to develop and recognize technical talent within our organization. CORE offers a path of professional growth as leaders in the technical branches: agricultural, industrial, energy, and information technology.

Through this program, we certify our employees who have proposed creative, sustainable solutions. Additionally, we encourage that our technical leaders propose improvements in their processes, researching new technologies and increasing and transferring their knowledge.



Training

We believe that our competitive difference is our human talent, which is why in 2017, we invested more than US\$400,000.00 in training, equivalent to 143,217 hours of training to our administrative and operational staff.



Avanza

Its objective is to train more than 60 leaders within the working groups of the operating personnel. Since 2013, we held monthly meetings where we train the leaders to replicate these tools to more than **2,000** work teams. Topics include teamwork, communication, occupational safety, organizational culture, among others.

Training for Machinery Operators

We promoted this program in 2015, in order to provide an opportunity for employees to train as operators of tractors, harvesters and foremen. One of our main objectives is the inclusion of women, thus promoting gender equity in the company, so we named this part of the program "**Women at the Wheel**".

My Productive Harvest School



In 2017, we launched the "Mi Cultivo Productivo" School, which trains our employees in leadership and technical skills to help them qualify for new positions within the organization. During the training, we reinforce important topics such as ethics, health and safety, and internal policies.

School for Supervisors and Foremen

- 33 manual harvest employees
- 254 agricultural production employees

School for Mechanized Harvester Operators

- 9 employees

Certification of Technical Competences

In alliances 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.



Pantaleon Trajectory

This event seeks to recognize the years of service and contributions that our employees have dedicated to the organization. We recognize periods of 5, 10, 15, 20, 25, 30, 35 and 40 years.





Occupational Health and Safety

At Pantaleon, we are committed to providing safe and healthy work environments. Our main objective is to protect our employee 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.

In 2017 we reduced the Incapacitating Injuries Index by 28% as compared to 2016, however, in Guatemala we suffered two unfortunate accidents with fatal consequences. As a result, we took immediate action to reduce risks and continue to promote a safety culture through the visible commitment of our leaders and employees.

 **82,312.3**
Training hours in occupational safety

 **1,475**
Training events in occupational safety

 **4,415**
Unsafe practices addressed

 **618**
Trained safety brigade members

 **41**
Drills

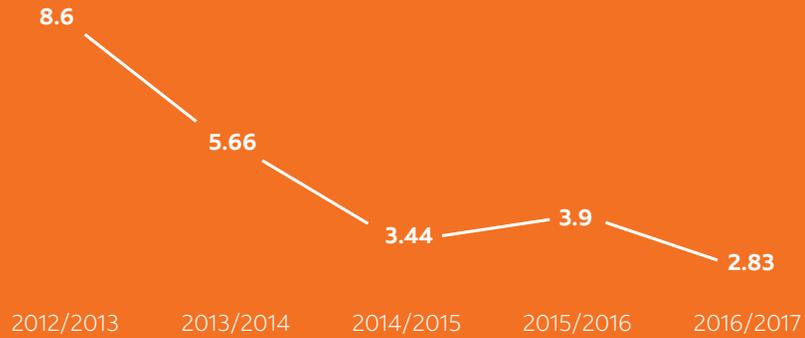
 **100%**
Employees signed the Safety Commitment

 **189**
Third-party companies audited on occupational safety issues

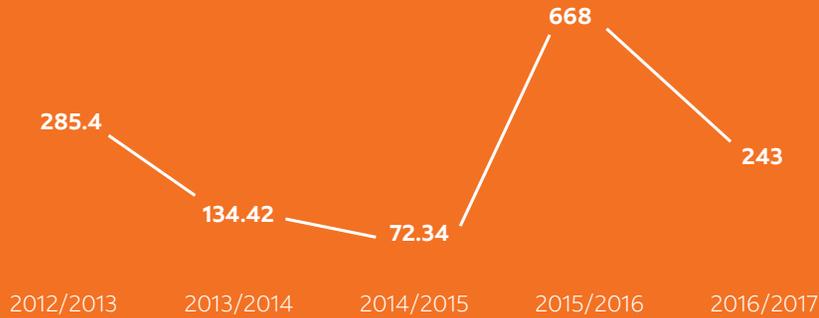
 **10,004**
Inductions in occupational safety carried out with employees and third-party personnel

*Data includes operation in Brazil

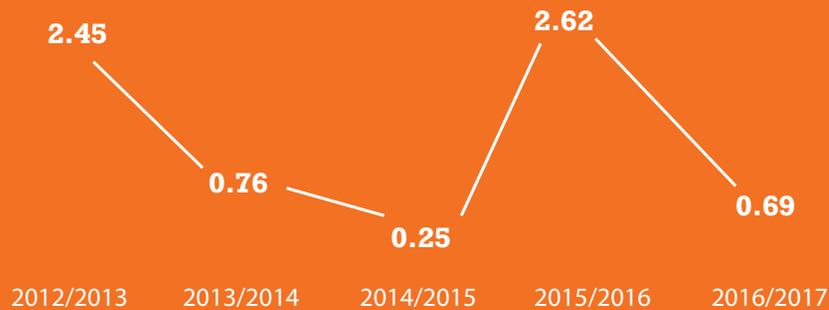
Frequency Rate



Severity Rate



Incapacitating Injuries Index



- Implemented the "high-intensity" special initiative in Guatemala and Mexico with the assistance of an external advisor, whose objective was to act with urgency on the most critical security issues.
- Executed a "Major Hazards Analysis" in Guatemala, to identify the potential risks that could result in multiple fatalities, significant damage to assets, chemical spills, explosions and fires.
- Updated the risk scenarios in order to improve the visualization of the main risks and their consequences and thus be able to establish the necessary control measures.
- Elaborated and implemented the Execution Plan focused on correcting unsafe infrastructure and implementing protective measures to guarantee safety in the facilities.
- Put into practice a dynamic preventive risk planning method for the non-harvesting period.
- Established the Prestart-up Safety Review (PSSR) in industrial areas.
- Completed a study on fire loads, adaptation and expansion of water networks against fires according to the National Fire Protection Association (NFPA) regulations in Guatemala, Mexico, Nicaragua and Honduras.



Total Health

Since 2016, we adopted a Total Worker Health approach. Total Worker Health is defined as policies, programs, and practices that integrate protection from work-related safety and health hazards with promotion of injury and illness prevention efforts to advance worker well-being. The term is adopted by the National Institute for Occupational Safety and Health (NIOSH) of the United States.

In 2017, Pantaleon implemented an external validation project, based on international best-practices and scientific evidence, on the company's occupational health programs for noise, particulate matter, chemical substances, thermal stress and musculoskeletal disorders. The evaluation project was executed by an external entity and resulted in a more robust occupational health department with a wider range of focus areas.

To further promote the Total Worker Health approach, Pantaleon has partnered with the Center for Health, Work and Environment of the University of Colorado. The objectives of this alliance are to identify and eliminate occupational health risks for our workers and evaluate the effectiveness of our current occupational health programs.

The scope of the alliance has grown and since then, multiple studies have been launched, yet, the main goal of reducing the risk of thermal stress remains. Pantaleon has been providing a Rest, Shade and Hydration program for more than 10 years to mitigate the risk of kidney disease. Seeking continuous improvement, the collaboration with the University of Colorado is systematically evaluating the occupational and non-occupational risks of chronic kidney disease and exploring different preventive measures. The study results will be published in scientific journals.

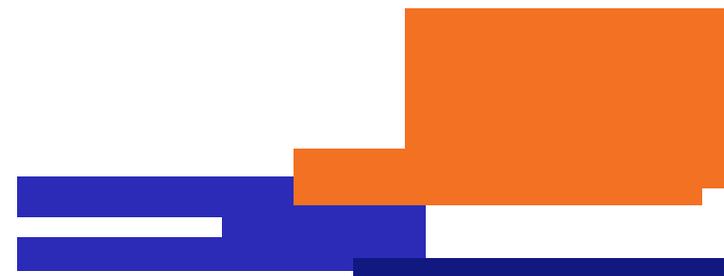


Primary Health

All mills have health clinics that offer primary care, ophthalmology, and dentistry services. These services are part of the benefits that the employees and their family receive. In 2017, the clinics served 80,469 consultations.

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

To ensure the integral management of the health of employees and their families, the following actions are carried out:



Medical Consultations 2017





Prosperity



Prosperity

At Pantaleon, we seek to contribute to the well-being of the communities surrounding the operations.

We maintain proactive relations with our neighbors and work together to promote development by carrying out actions and programs where the community and local authorities take an active role in the execution. We use the community development plans and community characterization studies in order to understand local needs and provide support in the areas of education, health, water and sanitation.

Recognizing the impact that our operations can have on our neighbors, we continuously evaluate actions that allow us to prevent and mitigate negative impacts and augment the positive ones. We value honest and transparent communication and interaction, and promote different mechanisms to achieve this.

Some community development projects in 2017:

23,040 People directly benefited by our programs

94 Communities benefited

\$4.11MM Community investment

64 Education Projects

- Pantaleon schools
- Pre-school centers "Arcoíris del Futuro" (Rainbow of the Future)
- Adult education for employees
- Construction of community schools
- Improvement of educational infrastructure
- Enabling of computer centers and technological classrooms
- Donation of furniture, equipment and teaching materials
- Scholarships and awards for academic excellence
- Technical skill courses for community members
- Construction and equipment of community pre-schools
- Training for local teachers on early education

4 Water and Sanitation Projects

- Drinking water systems
- Community cleanup campaigns

12 Health Projects

- Construction of health centers
- Mobile medical unit
- Remodeling of health centers
- Equipment of early stimulation centers
- Health centers for pregnant women
- Educational campaigns

30+ Community Development Projects

- Capacity training for community leaders
- Financial and in-kind donations for community projects
- Support for cultural, sports and religious traditions
- Support to communities affected by natural disasters
- In-kind donations and school breakfasts
- Community infrastructure
- Volunteer program

Adult Education Program



During the harvest season, field workers have the opportunity to continue and conclude their studies at the elementary and high school levels at the sugar mill's facilities at the end of the workday. In Guatemala, 147 employees received their diploma. In Honduras, 42 employees participated in the EducaTODOS program with the support of Funazúcar and the Ministry of Education.

In Mexico, 69 factory employees received their certification in January: 14 at the primary level, 52 high school level and 2 in literacy. 27 other factory employees received academic leveling in the facilities of the mill during 2017. In the same year, the National Council of Education for Life and Work certified that all our employees are literate granting us the recognition of "Company Free of Educational Gap".

285 Employees

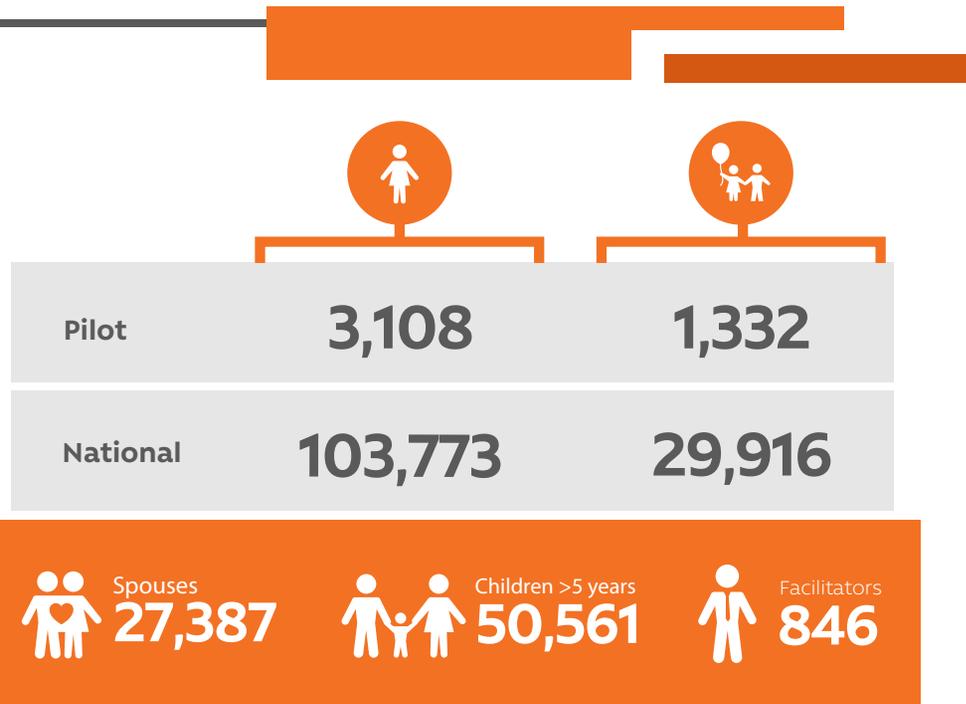
Better Families



This program is an innovative model of women empowerment, which also promotes Nutritional Food Security - SAN - with a focus on learning by doing. In 2017, the Secretary of Development and Social Inclusion (SEDIS) of the Government of Honduras, with the support of La Grecia Mill, culminated the pilot plan of this program benefiting 3,108 women and giving follow-up of anthropometric measures to 1,332 children. This year, the program was also expanded nationally, benefiting more than 107,000 families.

During the pilot, Pantaleon supports the training of the Technical Unit under the Fundazúcar Guatemala model and at the national level, we support as an intermediary for the management of didactic and technological resource purchases.

The program focuses on the formation, organization and education of women, recognizing their capacity as agents of change to improve their well-being and that of their families. The organized women community groups receive training and home visits on four pillars: self-esteem, health and nutrition, responsible motherhood and fatherhood, and reproductive health. The program also supports the creation of a Nutritional Surveillance Unit where representatives of the community monitor the development and growth of children from 0 to 5 years old.





Mobile Medical Unit

In 2016 we started the Mobile Medical Unit in order to support the communities of influence of Monte Rosa Mill, in partnership with the Ministry of Health, the Ministry of Education and the communities.

During the months of August to October, the unit provided 1,270 services, benefiting 14 communities. Some of the services include: consultations, laboratory tests, vaccines, Pap tests, educational talks, medicines, preventive monitoring of weight and height of children, among others.

During the harvest months, the unit provides care to our field workers.

845 Consultations

229 Laboratory Tests

103 Pap smear tests

93 VPH Tests

Pantaleon Schools and Day Care Centers **"Arcoíris del Futuro"**

For more than a century, we have made important investments in the education of the children of our employees. In Guatemala, we have two schools, free of charge, benefiting 706 children of employees and the communities near the operations. In 2017, we started an alliance with Universidad del Istmo (UNIS) to implement pedagogical and administrative improvements. An additional achievement for 2017 includes being certified as the first and second school in Central America "Free of Dental Cavities", as a result of the dental health services offered to students.

In Nicaragua, we have two schools benefiting 800 students. In 2017, we invested more than US \$30,000 in infrastructure improvements to La Curva School. In 2017, all high school graduates that applied to a university were admitted.

Additionally, with the support of Pantaleon Foundation, we offer early stimulation to 120 children of employees ages 0 to 5 in the day cares - Arcoiris del Futuro - in Guatemala and Nicaragua.



1,626 Students

Water for All

With the slogan "Water for All", the Monte Rosa Mill has supported communities in installing their own drinking water supply system. Working together with community leaders and local governments, we fund well drilling, pump assembly, water storage and purification, and/or installation of home networks. To ensure self-management and sustainability of the projects, we train and support community leaders in establishing and formalizing their Potable Water and Sanitation Committee (CAPS).

This program has guaranteed access to safe and sustainable water, impacting the health and wellbeing of **11 communities benefiting 6,731 people**.

In 2017, we inaugurated the project in the community of La Curva; built with funds from the company and the support and coordination of the mayor's office, the community, the Enecal, and the FISE. The project benefits more than 400 people as well as Pantaleon's school La Curva. In 2017 we also implemented, through partnerships with Leon's Rotary Club and local government, the installation of a drinking water system in the community of La Norwich, benefiting 373 people. We also conducted two workshops with 23 representatives of the Potable Water and Sanitation Committees (CAPS), where we trained the committees on legislative issues, conservation, administration, meter reading, among other topics.



Bootcamp for Social Entrepreneurs

Enactus Bootcamp is an acceleration program for innovative ventures that have a social impact on communities. In 2017, we sought to strengthen companies that promote the use and efficient management of water resources in Guatemala. Together with Enactus, a global network that develops social entrepreneurs and Pomona Impact, an impact investment fund that seeks to catalyze the entrepreneurial ecosystem, we carried out an incubation program for 14 ventures.

Throughout this process, we had the support of prominent businessmen, including Pantaleon employees, who helped the teams develop their idea and business model.

The winning venture was Llenamaster, whose idea is the creation of an automated water valve that does not require electricity, to benefit the more than 1.8 million Guatemalans who receive water at home with irregularity. The winning team was granted seed capital of US \$5,000.00, 6 months of mentorship from Pomona Impact and 6 months of membership in a co-working space.





Nido Águila

Nido Águila is a soccer school at the Pánuco Mill that seeks to promote sports and provide a healthy and safe space for children and adolescents. In 2017, 150 boys and 10 girls ages 4-14 years participated in the soccer school where they received training according to México's Club América methodology and participated in activities that promote high academic performance and environmental awareness. This year, the teams participated in two Inter-Nido tournaments in Mexico City and the mill organized a local tournament with more than 200 participants from the local communities.

Carrera del Azúcar

We annually support "Carrera del Azúcar", a race that aims to promote a healthy lifestyle and diet. At Concepción Mill, the Association of Sugar Technicians of Guatemala hosted the XXX race with more than 1,700 runners and with the participation of 252 employees coined the "Pantaleon Runners".

In Honduras, more than 2,000 volunteers from La Grecia Mill and citizens of Choluteca participated in the race. The funds raised were used to support El Arca de Honduras, an organization that works with people with special needs.

In Mexico, 700 adults and 100 children participated in the 4th Annual Race. The funds raised by the sale of tickets were allocated towards a health campaign that provides support to children and young students by offering free ophthalmological consultations and glasses to those who need it.



Community Engagement

We cultivate proactive relationships 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 mechanisms of communication such as:

- Community newspapers
- Radio programs
- Flyers
- Open door policy
- Participation in multi-sector dialogue tables
- Visits to communities

Impact Workshops

At Pantaleon, we run our processes under the guidance of our Responsible Operations Protocols. These protocols establish guides and standards to ensure that our practices do not impact the communities negatively. We periodically invite community leaders to the mills to demonstrate the processes, where experts can answer any inquiry. Among the topics covered 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.

300

Leaders

21

Impact Workshops

58

Communities

Leaders of Tomorrow



In Honduras, with the support of FUNAZUCAR, we implemented a training program for leaders and community organizations to find solutions to local problems. We use South Korea's GILL Institute's "Learning in Action" methodology that strengthens community leadership skills. The leaders receive trainings and replicate these in their communities, where they then form committees to address issues in Health, Education and Environment. In 2017, 15 leaders were trained in 3 communities, who later implemented the methodology to 55 members of their communities. The program has trained over 100 leaders in 20 communities, and as a result, the communities have executed 36 improvement projects. Among these, we highlight public lighting projects, repair of main streets and infrastructure improvements to a local health center.

A Day at Pantaleon

Visits include community groups, schools, universities, government entities, NGOs, media, companies, among others.

1,216

Visits

46

Groups

Promoting Corporate Social Responsibility

We support events and activities focused on promoting Corporate Social Responsibility in the countries where we operate. In 2017, we participated in the forum of Socially Responsible Companies of UNIRSE in Nicaragua, we were recognized as a Socially Responsible Company by FUNDHARSE in Honduras and Socially Responsible Company by Cemefi in Mexico. In Guatemala, we sponsored and presented the success case "Responsible Sourcing" during the 10th National CSR Forum of CentraRSE and sponsored the first Local CSR Forum in Escuintla titled, "Ethical leadership to transform Guatemala". More than 200 community leaders, local authorities, entrepreneurs and academics attended the event with the aim of strengthening sustainable dialogue between different actors.



Community Management Initiative

In 2016, we began a community management initiative in Guatemala where the mills that operate in the Southern Coast collectively promote impact mitigation through commitments between communities and mills.

During the non-harvest season, we visit community leaders to strengthen the relationship and present the approach. With their support, the leaders summon the community to a Participatory Workshop, where the community and the mills together propose ideas on how to carry out a more responsible operation. Once the ideas are gathered, the participating mills assume commitments related to each community.

Then, during the Session of Agreements and Commitments, the mills present the acquired commitments. Throughout the harvest period, we monitored compliance with these agreements, and with the support of community leaders, we provided feedback to the operational teams.

In 2017, we expanded our reach to 28 additional communities under this approach, where we acquired 156 commitments of responsible operation.



Watershed Management

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 spaces have allowed the coordination of river users to decide on responsible and rational use of water, thus guaranteeing access to the communities and producers.

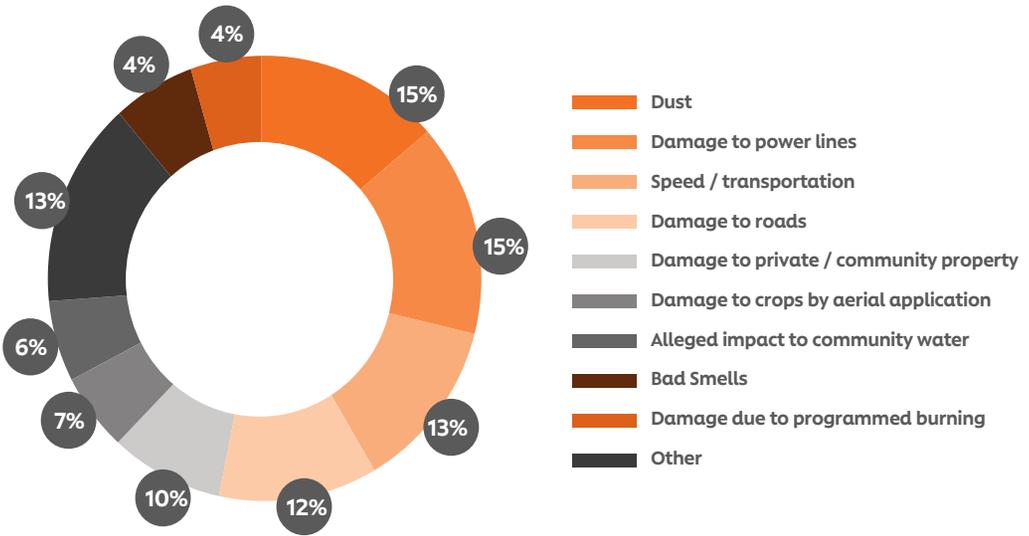
This management model has generated a positive impact at a social, environmental and economic level. In the Technical Tables of the Madre Vieja River, five key agreements were reached, including the coordination of users during critical periods and the reforestation of the basins. In 2017, collectively, the table committed to the reforestation of more than 30 hectares equivalent to 24,480 trees planted.

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 River were systematized. These reports were elaborated as part of the project "Public-Private Alliance to face the Risk of Disasters in Guatemala" and presented to local and national government representatives.

Communication and Impact Mitigation

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 of Complaints



Example of billboards placed in communities of Guatemala



68 Complaints received

100% Resolved

95% of the complaints were answered 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 adopt, within our practical operating protocols, 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
-  **Honduras:** (+504) 9452-5656
-  **Nicaragua:** (+505) 8927-5441
-  **Mexico:** (+52) 8461019850 ext.9301

 **E-mail**
pantateescucha@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

We promote the development and implementation of prevention systems, controls, and mitigations of the environmental impacts of our operations, ensuring the optimal and rational use of natural resources. We continuously sensitize and train our staff on environmental issues and management. We prioritize the management of energy, water, air emissions, greenhouse gas emissions (GHG), waste, handling of agrochemicals, biodiversity and soil preservation.

We are committed to complying with all legal requirements regarding environmental matters in accordance to the legislation of each of the countries where we operate and by the standards set forth by our clients and customers. Additionally, we are governed by the performance standards on environmental sustainability of the International Finance Corporation (IFC) of the World Bank. We seek continuous improvement by monitoring our environmental performance and benchmark it to international standards. In addition, we seek to optimize the use of natural resources, establishing environmental efficiency goals.

27% Reduction in GHG emissions

48% Reduction in the industrial water consumption of the organization from 2013-2017

79% Reduction in the industrial water consumption in Pantaleon mill, from 2013-2017

- Completion of the industrial water recirculation project at Ingenio Pantaleon
- Installation of more efficient irrigation systems
- Increase in green harvesting

During the 2017 period, we received a US \$3,307 fine in Guatemala due to the fact that the environmental instrument required for one of the farms was not presented in due time to the Ministry of the Environment.



Annual Budget

US\$1.2 MM environmental management



Pantaleon

Responsible Development
Report 2017



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 seek to reduce internal energy consumption through investments in technology and monitoring.

Electricity

401,294 MWh

of consumption; of which more than 97% was supplied by our own cogeneration.

Fuels

97%

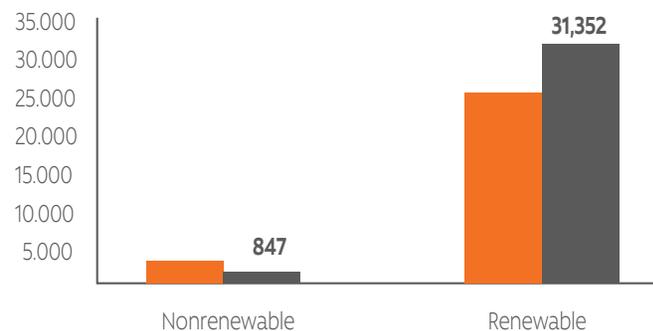
of fuels used come from renewable sources such as Bagasse, Chips, and Firewood.

Energy

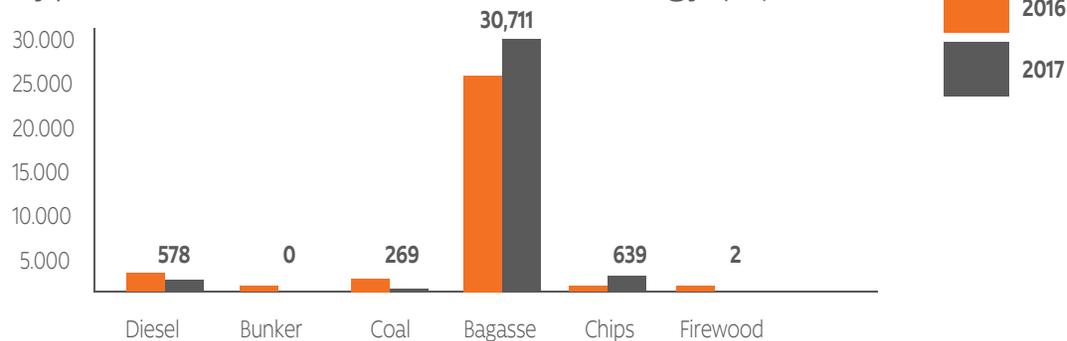
685,667 MWh

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

Type of fuels used (TJ)



Types of Fuels Used to Produce Energy (TJ)





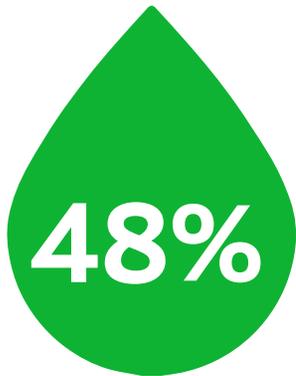
Water

Water is a key resource in our agricultural and industrial processes, especially for irrigation. For several years, we have made extensive efforts to optimize the use of water and properly manage effluents. Based on data from 2013, as a group we reduced industrial water consumption by 48%.

At Pantaleon Mill, we installed a water recirculation system, through the installation of a cooling pool with sprinkler technology, for the reduction of industrial water consumption. In 2017, we completed phase two of the project, achieving a 79% reduction in water consumption based on 2013. Total cost of the investment US \$4.3MM.

While our main goal is to reduce water consumption, we also invest in initiatives to reutilize water within our processes. During 2017, 3.41% of the water used in our production processes came from the reuse of this resource.

We are also implementing projects to reuse water from industrial effluents for use in agricultural irrigation, in accordance with the local legislation.



reduction of 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
- Dry cleaning of sugar cane
- Investment in more efficient technology



GHG Emissions

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 mitigate our emissions of greenhouse gases. We have constant control and measurement of the emissions generated in each of the processes.

Our GHG inventory protocol includes CO₂ emissions from direct fuel combustion and indirect purchased electricity consumption, infield cane burning, direct N₂O emissions from managed soils, emissions from urea fertilization, and emissions from wastewater. Calculations follow the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. Our primary GHG emissions sources derive from non-mechanical agriculture emissions. Emissions are offset through the use of bagasse for energy generation as well as green cane harvesting. In addition, cane is a plant that efficiently fixates carbon, due to its photosynthetic mechanism. We are in the process of fine-tuning the amount of carbon fixation, storage, and emissions offset in order to provide a more precise balance of GHG emissions per harvest season.

Pantaleon's Guatemala operation, through the International Sustainability & Carbon Certification (ISCC), has voluntarily adopted the GHG Emissions Requirements add-on. 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 gets externally audited on a yearly basis. Similarly, the cogeneration plant in Mexico is registered as a Clean Development Mechanism (CDM) by the United Nations. CDM is one of the Flexible Mechanisms defined in the Kyoto Protocol whereby emission-reduction projects in developing countries can earn certified emission reduction credits. These saleable credits can be used by industrialized countries to meet part of their emission reduction targets.

338,417 Metric tons of CO₂ emitted in 2017.

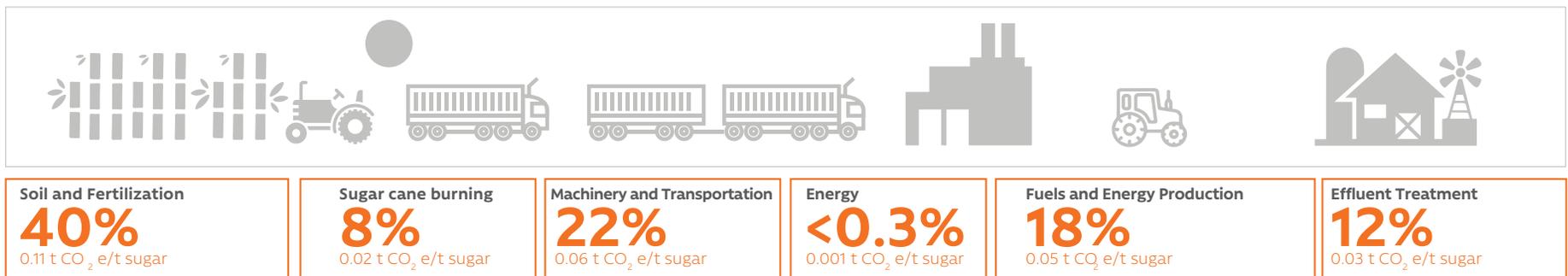
100,965 Metric tons emitted in the industrial process.

237,452 Metric tons emitted in the agricultural process.

27% Reduction compared to 2016.

The intensity of greenhouse gas emissions in 2017 was 0.27 tCO₂ per ton of sugar produced*.

*(Scope 1.2) Calculation based on IPCC methodology





Air Emissions

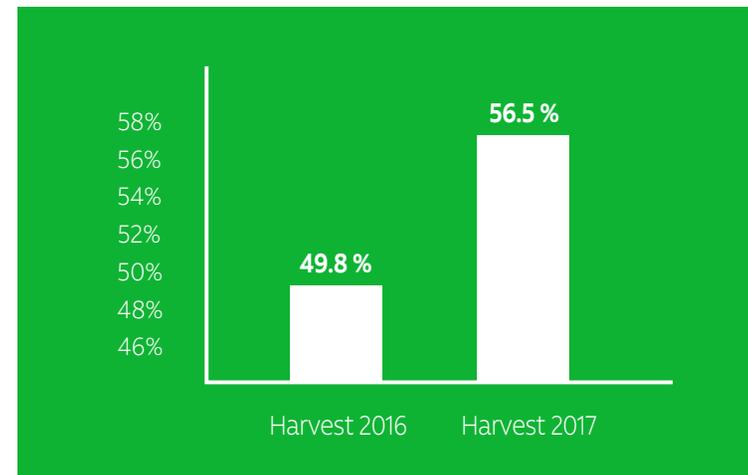
We continuously monitor our environmental performance, including air emissions. One of the most relevant impacts is the emissions of particulate material from the boilers. We have invested in new and improved equipment to manage boiler gases.

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



Mechanized Green Harvest

At Pantaleon, we have continuously increased the proportion of mechanized green harvest. Through the use of machinery of the highest standards, mechanized harvesting increases production productivity while also decreasing our environmental footprint. By eliminating the need to burn sugar cane for harvest, the process reduces GHG emissions, among other benefits.



6.7 Percentage points increase in mechanized harvest.

Responsible Waste Management

Part of our vision is to take advantage of waste from the sugar production process and reuse it to create byproducts, or as sources of fuel.

To take effective measures, we constantly monitor the types and quantities of waste generated in each operation and thus establish reduction, reuse, and recycling strategies.

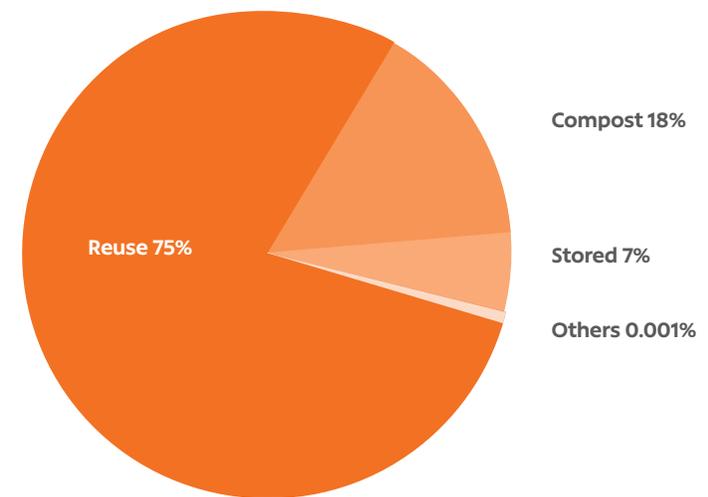
Among the elements that we consider as waste are: bagasse, mud, ash, paper, scraps of sugar cane, cardboard, plastics, lubricants and oils.

The majority of waste generated is reused and/or composted and the remainder is disposed in accordance to environmental criteria and local environmental legislation. Within our vision for the future we aim to find better ways to dispose of these residues.

93% Of waste is reused or composted

20% Reduction of waste generated

Type of Waste	Volume of Generated Waste Metric Tons
Reuse	2,232,412,845
Compost	552,779,955
Stored	199,745,049
Recycling	2,701,622
Dumpsite	1,520,854
Landfill	718,316
Incineration	546,660
Total	2,990,425,301



Management of Agrochemicals

We use products and doses of allowed agrochemicals according to the national rules and legislations of the countries where we operate. We verify that we do not use banned products of the markets to which we export, including the European Union.

The containers and waste generated by the use of these products are managed by the Department of Environmental Management in conjunction with the processes. The handling of containers complies with environmental regulations according to national legislation and company standards.



Triple Rinse

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

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.

Disposal

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

Soil Conservation

The sustainability of the business depends highly on the quality of the 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 we renew and recondition the field according to its needs.



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.

Preparation of the Soil

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

Biodiversity

We seek to conserve of protected areas and biodiversity. We have developed several projects within the Company, and others in partnerships with external institutions, focusing on: Forest Management, Reforestation and Conservation

85.29

Hectares reforested in 2017

Pantaleon

We reforested 30 hectares on the banks of the Madre Vieja River as part of the commitment acquired in the technical tables and with the technical assistance of the Institute of Climate Change (ICC).

Monte Rosa

We reforested 52 hectares with native species in partnership with the government and municipal authorities.

La Grecia

We reforested 3.9 hectares alongside employees, schools of the communities, the municipality and government officials in the "Green Schools" program.

San José de las Marías

As part of our commitment to biodiversity, we have established a **223 hectare** conservation area known as "San José de las Marías". Its conservation is of vital importance since it is a water recharge zone and home of endangered migratory and native fauna. The development of this ecological path also allows students to acquire practical knowledge of the ecosystem and the biological interactions between the species; as well as promoting ecotourism locally and scientific research.

Likewise, in order to involve company employees, community leaders, students, teachers, and producers in the area; we trained guides in educational methodology to better serve visitors. The Department of Environmental Management coordinates tours open to the public.

Plant Nursery

We cultivated more than **400,000** native plants and eucalyptus in our nursery to support the reforestation campaign of the basin. Together with government institutions and mayors, we support the planting of native species to protect the water recharge areas of the basins.

7,240.12

Hectares conserved in natural forests, on the banks of rivers, and ecological trails.

4,730.71 Pantaleon
2,286.41 Concepción
223 Monte Rosa



Product

We process sugarcane to produce different qualities of sugar as our main products, and we also produce other byproducts that complement our sales portfolio.

Sugar



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

Molasses



High Test Molasses
(HTM)
Molasses

Alcohol



Hydrous ethanol
Anhydrous ethanol
Extra neutral ethanol

Energy



Biomass Based
Renewable Electric
Power

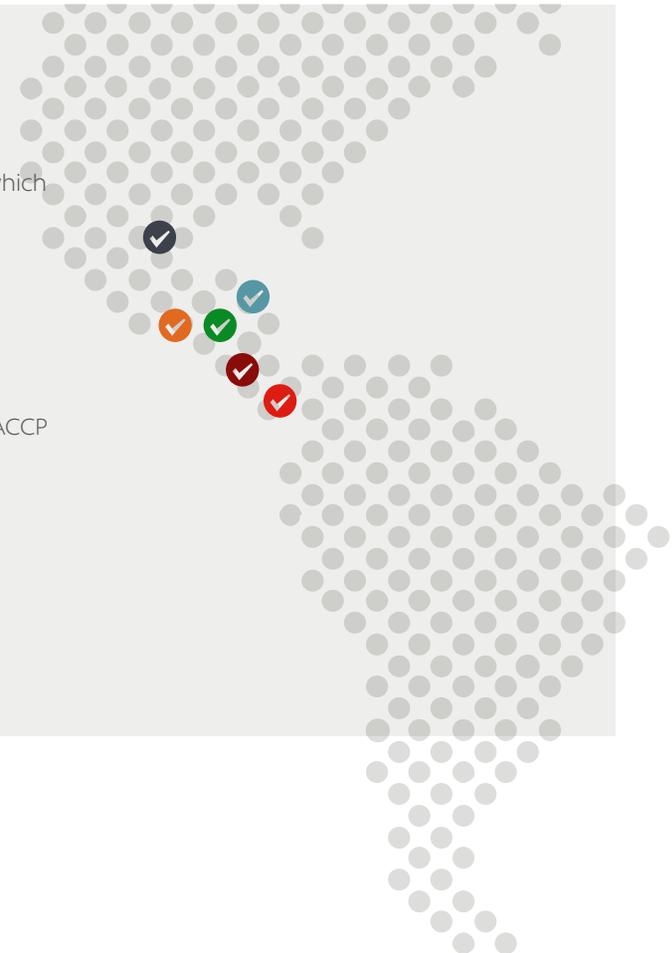
Certifications

To guarantee the quality of our products and production processes, we seek to comply with the highest standards.

We seek the implementation of best practices, recognized internationally, in terms of quality, health and occupational safety and the environment. Through this, we add value to our products and we ensure the sustainability of our operations and the satisfaction of our customers.

Each of our operations has different certifications, of which the following can be mentioned:

- ✔ **Pantaleon:** Bonsucro / ISCC Plus / ISO 9001 / FSSC 22000 / HACCP / Kosher
- ✔ **Monte Rosa:** Bonsucro / ISO 9001 / ISO 22000 / OHSAS 18001 / HACCP, BPA / Kosher / GMP +
- ✔ **La Grecia:** ISO 9001 / HACCP, BPM
- ✔ **Concepción:** ISCC Plus / ISO 9001 / FSSC 22000 / HACCP / Kosher
- ✔ **Pánuco:** ISO 9001 / FSSC 22000 / OHSAS 18001 / ISO 14001 / Kosher
- ✔ **Bioetanol:** Bonsucro / ISCC EU / RFS2 / ISO 9001 / FSSC 22000 / Kosher



Our Clients

In 2017, a survey was conducted to 69 customers who purchased our products during the 15/16 harvest, of whom 49 responded, receiving a response rate of 71%.

Satisfaction Index

81%

Probability of Recommendation

77%



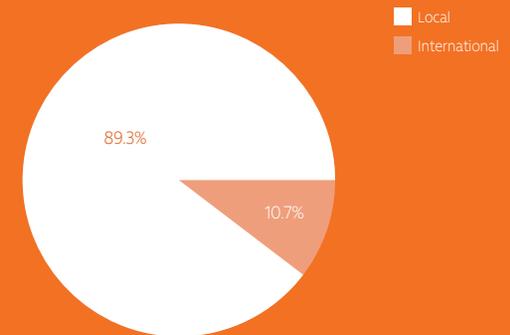
Responsibility in our Supply Chain

We acquire materials and services through 5,932 suppliers, of which 89.3% are local suppliers, thus promoting the economy of the countries where we operate.

In 2017, we re-examined our Purchasing Policy to define the guidelines that the entire organization must comply with during the bidding and adjudication process, which will be implemented in 2018. Our policy focuses on developing and maintaining strategic relationships with suppliers in order to achieve better conditions, quality, performance and results of the materials and services acquired.

In addition, during this year we introduced the Ivalua project to the organization. Ivalua is an electronic platform that allows us to centralize and manage purchases, contracts and supplier evaluation. This system ensures the transparency of the negotiation, allows us to ensure that all suppliers adhere to our Code of Ethics and Occupational Health and Safety Regulations. The system allows the verification of standards on safety, quality, technical information registration, commercial aspects and compliance with our environmental and social sustainability policy. The project will be completed in 2018, becoming the first company in Central America with this modern system.

Suppliers by country



Sugar Cane Suppliers

We support our cane suppliers in their productive management by providing training that offers solutions to make 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.

Responsible Sourcing Program



Participating suppliers represent **85% of total cane volume from suppliers in Guatemala**

Since 2014, Pantaleon in Guatemala started the **"Responsible Sourcing"** program that reached 12 cane suppliers. The program was born as an initiative of the INTEGRARSE Network where large companies supported SMEs to consciously incorporate corporate social responsibility practices. The aim is to promote suppliers to grow competitively, while creating better living conditions for their employees and their families, and contributing to the sustainable development of the country.

The program was expanded in 2017 with the support of the Embassy of the Netherlands and the INTEGRARSE Network in Honduras, Nicaragua, Guatemala and El Salvador. The program seeks to strengthen the business capacities of SMEs in the value chain of the sugar sector, incorporating CSR and sustainability as business strategies to improve their competitiveness.

As a group, we participated in the program incorporating 28 suppliers in Guatemala, 6 in Nicaragua and 8 service providers in Honduras. The program developed a Guide for Sustainability Requirements for the Central American Sugar Sector, a reference for suppliers of sugarcane.

In Guatemala, under the coordination of the Center for Corporate Social Responsibility (CentraRSE) and ASAZGUA, cane suppliers participated in a diagnostic process on labor practices, health and safety. In 2018, we will support our suppliers in the elaboration of Action Plans to seek continuous improvement.

Training topics:

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



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. For the employees in the field, drinking water, rehydrating beverages and latrines are provided, and the staff is accompanied by a medical brigade. Likewise, 20 buses are hired to transport the cutters 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, an area for literacy and recreation spaces.

Two housing units were also enabled, La Norma and Tanchiquín for agricultural production employees in Mexico.



Impact of Sugar on Health

Sugar or sucrose is a carbohydrate, which is an ingredient and natural nutrient that brings sweetness to beverages and foods. It is found in fruits, vegetables, molasses, table sugar, cereals and dairy products. It is an ingredient of traditional cooking that has been used for centuries. In addition, it provides other functionalities to food. All sugars, like the rest of carbohydrates, have the same calories = 4 kcal per gram.

Recently, the media has focused on sugar, particularly in relation to weight and health. The information shared by the media may or may not be based on evidence with high scientific rigor. At Pantaleon, we are interested in knowing the role played by sugar in human nutrition and that this knowledge is based on scientific evidence. Therefore, we participate in the World Sugar Research Organization (WSRO).

World Sugar Research Organization (WSRO) is an international scientific organization dedicated to providing research information on the various functions of sugar in nutrition, health, and well-being. The organization evaluates, monitors and communicates reliable scientific evidence globally and has its own program that supports research on sugar and health in areas where knowledge gaps exist. The research program adheres to the Ethical Research Principles.

The benefits of sugar are that it is the only carbohydrate that provides immediate energy and represents an important source of energy in the form of glucose, which is the staple food for the brain, muscles, red blood cells, retina and nervous system.

The uses and benefits of sugar are several:

- It represents an important source of energy for the body.
- It is a fundamental ingredient in the preparation of food, contributing to the flavor and texture.
- It has medical uses; it can help prevent dehydration.
- Fortified with Vitamin A, sugar contributes to the correct development and growth in children. Pantaleon voluntarily fortifies with Vitamin A the sugar in Guatemala in response to the deficiency of this micronutrient in the population.
- Industrial uses for the manufacture of other products; from molasses to cement.

Did you know?

Sugar = 4 kcal / g
 Proteins = 4 kcal / g
 Fat = 9 kcal / g
 Alcohol = 7 kcal / g

Did you know?

1 teaspoon of sugar = 4 g
 1 teaspoon of sugar = 16 kcal

Sustainability Recognitions 2017

MasterCana Award	Pantaleon	Sustainability of the Year	Award granted by the Brazilian agro-industry to the organization that stands out for "human, technological and socioeconomic improvement".
Mexican Center for Philanthropy (Cemefi)	Pánuco Mill	Socially Responsible Company	Recognition received for the sixth consecutive year.
FUNDAHRSE	La Grecia Mill	Socially Responsible Company	Recognition received for the seventh consecutive year.
Secretary of Labor and Social Security of Honduras	La Grecia Mill	Safe Company Recognition	Recognition received for the third consecutive year for our policies, practices and legal compliance in matters of Occupational Health and Safety.
National Forest Institute	Pantaleon	First Place National Forestry Award	Award granted for the forest management, social responsibility, economic aspects and mitigation measures in the Energy Plantations category.
Government of Nicaragua	Monte Rosa Mill	Clean production 2017	Award received for implementing internal changes in the production processes to improve efficiency and environmental performance.
Institute for Adult Education of Veracruz	Pánuco Mill	Company Free from Educational Gap and Company Committed to Education	Recognition for the efforts to promote literacy within our organization.
United Nations Global Compact	Pánuco Mill	Adherent	Adherent for the fourth consecutive year.
National Forestry Institute (INAFOR)	Monte Rosa Mill	Special award	Recognition granted for being a leading company in reforestation, conservation and ecosystem protection.
Veracruz State Government	Pánuco Mill	Special award	Awarded for the contributions to the municipality of Pánuco.

The activities of the group were also recognized in publications, including the compendium of good practices in risk management for the Fire System at the Pantaleon Mill, and the book of Good Labor Agro-industrial Practices for its Responsible Sourcing program in Guatemala and the work of Pantaleon Foundation.





Pantaleon Foundation 25 years contributing to **responsible development**

Over the past 25 years, Pantaleon Foundation has benefited communities surrounding Pantaleon's operations in projects focused on Education, Health and Environmental Education in Guatemala, Honduras, Nicaragua and Mexico. Fundación Pantaleon is characterized by promoting sustainable projects that foster the well-being of the communities.

In education, Pantaleon Foundation is recognized for funding and managing Child Development Centers in Guatemala, Nicaragua and Honduras, as well as formal education and technical training programs. In regards to health, they run free medical and pediatric care clinics in Guatemala and provide prenatal and postnatal care in Nicaragua, Honduras and Mexico. These and other projects have a profound impact on the communities, improving their quality of life.

Learn more at:
www.fundacionpantaleon.org

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