

## **FOURTH PROGRESS REPORT**

### **Sustainability Policy Implementation**

#### **April 2020-April 2021**

In April 2017, in dialogue with our Stakeholders, we were the first Peruvian agricultural sector company to make our sustainability policy public, in which we committed to ensure the sustainable oil palm and cocoa production, respecting the Amazon and reducing the deforestation and poverty in the Peruvian rainforest. In all our subsidiaries as Grupo Palma (GP), we have been working actively in the implementation of various actions represented in the 6 Sustainability Policy principles:

1. No deforestation and responsible plantation development
2. Use of best practices in agricultural and industrial processes
3. Compliance with the applicable legislation and regulation.
4. No exploitation and respect our employee's rights
5. Inclusion of small producers in the supply chain
6. Respect communities, dialogue, and provide clear information for Stakeholders

We have been ordinary members of the Roundtable on Sustainable Palm Oil (RSPO) since April 2016, and we have been implementing the RSPO Principle and Criteria in our Palmawasi headquarter. Furthermore, since February 2017, we have been members of Earthworm Foundation, with whom we have developed annual work plans for the implementation of our Sustainability Policy.

As part of our commitment with the transparency, we organize half-year progress report meetings and provide our Stakeholders annual public implementation reports in our website ([www.palmas.com.pe](http://www.palmas.com.pe)). Since 2020, Grupo Palma sustainability roadmap has been reviewed to adjust our commitments and add any activity related to any new commitment in our way towards the sustainable palm and cocoa production.

This is the fourth progress report of commitment implementation we assumed in 2017. The balance is performed on our four headquarters: Palmawasi, Nuevo Horizonte, Shanusi and Tulumayo during April 2020 – April 2021. Please note the alteration in deadline compliance during that period due to restrictions established by the state of health emergency by COVID-19 pandemic.



**Renzo Balarezo Cino**  
**General Manager-Grupo Palmas**  
April 2021

## Environmental Management

PURPOSE	COMMITMENT	PROGRESS
To implement the Remediation and Compensation Plan (PR&C) of Grupo Palmas – GP within the framework of the proceeding established by RSPO.	Approval of GP's PR&C by RSPO.  Start of implementation of the remediation and compensation plan approved by RSPO.	<ul style="list-style-type: none"> <li>• RSPO approved 03 of 04 LUCA studies submitted. One study is pending approval.</li> <li>• The first draft of the Remediation and Compensation Concept Note is available, which will be submitted when RSPO approved the fourth LUCA study.</li> <li>• Conservation activities are currently performed in the corresponding land for compensation.</li> <li>• 27.05 ha of marginal strip has been recovered as part of the remediation process in Palmawasi headquarter within the re-sowing process framework.</li> </ul>
100% de nuestras operaciones agroindustriales cuentan con estudios de AVC y planes de manejo.	Palmas del Espino plantation implements HCV management plan.  Palmas del Shanusi and Oriente plantations have HCV management plan.	<ul style="list-style-type: none"> <li>• We conserve more than 5,300 ha with HCV in our Palmawasi and Shapusi plantations.</li> <li>• HCV management plans for Palmawasi and Shapusi headquarters are available.</li> <li>• Satellite monitoring for areas to be conserved is performed using Geobosques<sup>1</sup> early warning platform.</li> </ul>
Ajustar los proyectos Maniti y Santa Cecilia en predios adjudicados al Grupo Palmas para adaptarlos a la Política de Sostenibilidad del Grupo.	Alternative Project proposal submitted to the competent authorities.	<ul style="list-style-type: none"> <li>• The reconsideration proposal of Santa Cecilia and Maniti projects was submitted to the Regional Government of Loreto. They are currently under appraisal by the Regional Government.</li> </ul>
100% de la base de suministro propia GP certificada en P&C RSPO.	Certification in Principles and Criteria – P&C RSPO of Palmas del Espino.	<ul style="list-style-type: none"> <li>• Palmas and Industrias del Espino have implemented 100% of P&amp;C-2018. Certification is conditional upon the approval of Remediation and Compensation Plan studies by RSPO.</li> </ul>
100% de las operaciones industriales certificadas en Cadena de Suministro – SCC RSPO.	To certify the Supply Chain – SCC RSPO of the Industrias del Espino's extraction plant, refinery, and palm oil processing plant.	<ul style="list-style-type: none"> <li>• Certificate SCC-RSPO of the refinery Industrias del Espino renewed. Effective until December 2021. Annual follow-up Audit with Non-Conformities<sup>2</sup>.</li> <li>• The SCC-RSPO certification of the extraction plant and palm oil processing plant will carry out with P&amp;C<sup>3</sup> certification.</li> </ul>

<sup>1</sup> <http://geobosques.minam.gob.pe/geobosque/view/moduloalertas/index.php>

<sup>2</sup> <https://palmtracedoc-prod-0001.commondatastorage.googleapis.com/LicenseDoc/Certificate/a7f6113f191f6cea8cfd22d886627290.pdf?GoogleAccessId=pt-googlecloudstorage@rspo-sf-pt-gcp-0001.iam.gserviceaccount.com&Expires=1619708654&Signature=PB6U0KCnoiVNHwGvEKMMVxV5yXgX3P%2FZqgbsbtEc%2BWe7buD8NMqx2o0MXh2Le70YBL%2FvfuLW9Ljnu1Cltt6Zp1LzL7%2BS2euMXvxUj5SbVZ83gMQBskGKz9wZVcoY5p%2FZVIBpcyLVOZO398pB1N1AHurzvMEmuEX9qIP9yHR5OQCFIC1SIGIvQKVi3CmKAjcrjWK7xkubZQa69JnCb5ct05fwKB1XSTZxbEN2yqzGJKWn%2Bh4cZJo8k8CoTmlyjI9HhB9jIOV17vqEM8Xx37Af9pnnrD%2FQ%2Fi%2BL2kB2ebqC%2B1UbGp2nO01Ldj4C8ToInfb8QjATKfjAsbOina91jEqA%3D%3D>

<sup>3</sup> This commitment has been updated in the new version of the Grupo Palmas roadmap. Available in: [https://www.palmas.com.pe/politica\\_sostenibilidad](https://www.palmas.com.pe/politica_sostenibilidad)

## Sustainable Expansion

PURPOSE		COMMITMENT	PROGRESS
1	Our plantations are adjusted to the Proceeding of New plantations - PNP RSPO	Submission of Grupo Palmas New Plantation Proceeding aligned with the RSPO.	<ul style="list-style-type: none"> <li>We have a proceeding of Grupo Palmas new plantations aligned with the P&amp;C requirements, which will be evaluated within the certification framework.</li> <li>Grupo Palmas has not established or planned a new plantation<sup>4</sup>.</li> </ul>
2	Maintain 100% of palm kernel and palm oil traceability aligned with the extraction plant and plantation.	<p>Maintain 100% of Fresh Fruit Bunch (FFB) origin from the company's own supply base and from independent suppliers.</p> <p>Update annually the information of CPO (Crude Palm Oil) and FFB origin in the specific section of the website.</p>	<ul style="list-style-type: none"> <li>We maintain the 100% of traceability for the extraction plant and plantation.</li> <li>We maintain the Grupo Palmas traceability information in public domain on the website by 2020 (<a href="https://www.palmas.com.pe/trazabilidad">https://www.palmas.com.pe/trazabilidad</a>)</li> </ul>
3	Ensure a sustainable and traceable FFB supply of independent producers through a value-sharing production chain model.	<p>FREDEPALMA-Solidarity Project Implementation for RSPO certification of 30 producers grouping 350 ha.</p> <p>To increase from 60% in 2020 of supply base of Industrias del Espino's FFB independent suppliers affiliated to the Tocache<sup>5</sup> production chain to 90% in 2023.</p> <p>To implement an HCV/HCS areas monitoring system for Tocache chain small independent producers' lands.</p> <p>To complete the HCV/HCS study of the Campo Verde expansion area.</p>	<p><b>Grupo Palmas Production Chain:</b></p> <ul style="list-style-type: none"> <li>The registry proceeding of new Fresh Fruit Bunch (FFB) suppliers has been implemented to ensure suppliers have an orderly and traceable supplier in the chain.</li> <li>The proceeding of claim, complain and suggestion service has been implemented for FFB suppliers affiliated to production chain to collect incidents and opportunities for improvement in our production chain.</li> <li>The proceeding for pricing and calculating discounts for FFB purchase has been implemented.</li> </ul> <p><b>Tocache Production Chain:</b></p> <ul style="list-style-type: none"> <li>80% of FFB volume processed in the extraction plant of Grupo Palmas of Tocache came from suppliers affiliated with the production chain.</li> <li>50 producers have management plans for their HCV/HCS areas implemented with Rurality support. In addition, 18 training events on HCV/HCS study results and conservation importance were carried out with 100 palm growers.</li> </ul>

<sup>4</sup> This commitment has been updated in the new version of the Grupo Palmas roadmap. Available in: [https://www.palmas.com.pe/politica\\_sostenibilidad](https://www.palmas.com.pe/politica_sostenibilidad)

<sup>5</sup> **FFB supplier affiliated to the production chain:** The supplier that has a commitment letter to adhere to the sustainability policy, micro-zoned and georeferenced parcel. Please note that 100% of FFB suppliers are traceable at origin level according to the note 2.

		<p>To increase from 30% in 2020 of supply base of Industrias Tulumayo's FFB independent suppliers affiliated to the production chain<sup>6</sup> to 70% in 2023 (see note 3).</p>	<ul style="list-style-type: none"> <li>• 31 independent producers concluded the “Closing sustainability gaps based on RSPO standard for small independent producers” project with the support of SOLIDARIDAD<sup>7</sup>.</li> </ul> <p><b>Campo Verde Production Chain:</b></p> <ul style="list-style-type: none"> <li>• 74% of FFB volume processed in the Tulumayo extraction plant came from suppliers affiliated with the production chain.</li> <li>• 284,000 hectares are in study phase based on the HCV/HCS methodology in the Campo Verde production chain. The start-up was delayed due to the limitations settled by the state of health emergency by COVID 19<sup>8</sup>.</li> </ul>
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<sup>6</sup> The Tulumayo extractor dedicated exclusively to processing independent producer FFB has started operations on March 2021.

<sup>7</sup> <https://www.palmas.com.pe/noticias/cierre-de-brechas-para-certificacion-RSPO-palmiticultores>

<sup>8</sup> This commitment has been updated in the new version of the Grupo Palmas roadmap. Available in: [https://www.palmas.com.pe/politica\\_sostenibilidad](https://www.palmas.com.pe/politica_sostenibilidad)

## Social and Labor Management

PURPOSE		COMMITMENT	PROGRESS
1	Complaints, claims and ethics hotline “Palmas te Escucha” (Palmas is listening to you) system implemented at 100% in all GP headquarters and in its direct influence areas.	Operating system in the Shanusi headquarter and in its direct influence area.	<ul style="list-style-type: none"> <li>• The virtual version and complaint and claim system’s phone line is fully operational for Shanusi headquarter.</li> <li>• Complaints and claims are maintained in public domain in the Grupo Palma website’s respective section<sup>9</sup>.</li> <li>• The mailboxes implementation and the training development in the influence area’s communities and camps has been postponed due to social isolation measures established in the state of emergency by COVID<sup>10</sup>.</li> </ul>
2	Grupo Palmas has social management strategies and action plans related and appropriate to each of its headquarters and developed from a risk approach.	<p>Shanusi headquarter has a social management strategy developed from risk analysis and social impact. Action Plan in implementation.</p> <p>Shanusi headquarter applies social dialogue in communities with latent conflicts. Beginning of the dialogue with the Coyatacu community with the Eartworm Foundation (EF) experts support.</p> <p>Palmawasi headquarter has a social management strategy developed from a risk analysis. Action plan in implementation.</p>	<p><b>Shanusi Headquarter</b></p> <ul style="list-style-type: none"> <li>• It has a social risk factors evaluation developed with EF.</li> <li>• It implements an action plan aimed to strengthening the dialogue and good relationships with the surrounding communities and prevent undesired operational impacts and social investment aligned with the community priorities.</li> <li>• It developed co-created projects such as the construction of the Peru Port community hall using a participatory methodology given by the NGO Aula.</li> <li>• The process of strengthening trusting relationships with Cotoyacu community through dialogue approach provided by EF experts.</li> </ul> <p><b>Palmawasi Headquarter</b></p> <ul style="list-style-type: none"> <li>• It has an action plan aimed to strengthening the dialogue and good relationships with the surrounding communities and prevent undesired operational impacts and social investments aligned with the community priorities.</li> <li>• Development of the following actions: social complaint and claim mechanism implementation, beginning of identification process and legal rights recognition of use and custom, contributions to community road infrastructure.</li> </ul>

<sup>9</sup> [https://www.palmas.com.pe/palmas\\_te\\_escucha](https://www.palmas.com.pe/palmas_te_escucha)

<sup>10</sup> This commitment has been updated in the new version of the Grupo Palmas roadmap. Available in: [https://www.palmas.com.pe/politica\\_sostenibilidad](https://www.palmas.com.pe/politica_sostenibilidad)



3	<p>Grupo Palmas has action plans to improve labor standards, especially in health and safety areas, living conditions and gender aspects.</p>	<p>Shanusi headquarter has an action plan in implementation.</p>	<ul style="list-style-type: none"><li>• Shanusi headquarters has a RESPECT methodology diagnosis developed in 2019, which has a plan prioritizing community relation and labor issues (complaint and claim mechanism, health and safety, freedom of association, labor stability, gender, and non-discrimination).</li></ul>
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