

AGREEMENT BETWEEN CORPORACIÓN MONTELIMAR AND THE ASOCIACIÓN MONTELIMAR BENDICIÓN DE DIOS

1. BACKGROUND

The office of the Compliance Advisor Ombudsman of the World Bank Group (CAO) is the independent accountability and recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) with regards to environmental and social issues.

In October of 2015, CAO received a claim filed by the Asociación Montelimar Bendición de Dios (AMBED), stating their concerns regarding the negative impact on the health of their members and the environment attributed to the Montelimar Corporation, a client of the IFC.

Both parties expressed their desire to meet under the auspices of the dispute resolution function of the CAO. After a series of joint meetings carried out between February and November of 2016, the parties reached this agreement. The representatives of AMBED submitted the central elements of this agreement for consideration by the Members' Assembly in CAO's presence, receiving its approval to sign this document. The representatives of Montelimar Corporation, for their part, have the approval of their Board of Directors for its signature.

For the purposes of this agreement, "the Parties" are AMBED and the Montelimar Corporation, and the "beneficiaries" are the members of AMBED who comply with the requirements established to access each specific benefit.

2. PURPOSE

This Agreement has a dual purpose:

- a. To support former workers at the Montelimar Corporation who worked under the current management (from 2002 and thereafter), who suffered from an impediment to continued work, whether for reasons of illness, accident, or old age and who comply with the requirements of the Montelimar Corporation's support programs.
- b. To contribute to the continuous improvement of the operations of Montelimar Corporation through the incorporation of AMBED as an additional channel for the reception of complaints, claims, and suggestions.

3. AGREED ACTIONS TO SUPPORT FORMER WORKERS

The Montelimar Corporation and AMBED signed a Collaboration Agreement, which is an integral part of this Agreement, included here as Annex 1. Said Agreement augments the actions that Montelimar Corporation has been taking as part of its Corporate Social Responsibility Strategy (CSR) in order to benefit former workers who worked under the current management (beginning in 2002 and thereafter), who suffered an impediment to continuing to work, whether for reasons of illness, accident, or old age and who comply with the requirement of the Montelimar Corporation's support programs.

The Collaboration Agreement combines temporary short-term health and nutritional benefits with sustainable actions in the medium-term to implement income and job generation projects and collaborate with national authorities in order to improve health services in the neighboring communities to the Montelimar plant.

4. AGREED ACTIONS TO CHANNEL COMPLAINTS, CLAIMS, AND SUGGESTIONS THROUGH AMBED

The parties believe that the mechanisms in place at the Montelimar Corporation to respond to internal and external complaints are capable of responding to several of the issues raised in the claim filed with CAO, but that it is still necessary to make a greater effort to publicize their existence and function.

To this end, in their meeting on June 3, 2016, the parties agreed that AMBED will act as an additional conduit to divulge the existence of said mechanisms, and to channel the complaints of workers, former workers, and members of the community more generally. With this objective, the parties have held three specific meetings, and have defined a procedure attached to this agreement as Annex II.

5. NEXT STEPS

The Parties express their satisfaction with regards to the respectful way in which conversation have been conducted so far, and undertake to commence implementation of the agreed upon actions immediately and to continue engaged in dialogue under the auspices of the CAO in order to identify new opportunities to collaborate and reach agreements.

With the aim of supplementing the agreements reached, and supporting its members who do not qualify to access the benefits specified above, AMBED will contact other national and international institutions that can provide additional resources. These actions will not affect the signed agreement or the spirit of the dialogue engaged in thus far.

The CAO, for its part, shall continue to accompany the Parties in its role as convener of meetings to continue to build a collaborative relationship, address - by mutual agreement - other issues mentioned in the complaint, seek additional sources of funding that can support the implementation of their Collaboration Agreement and resolve any impediments that may arise to the fulfillment of the commitments undertaken.

In the Municipality of San Rafael del Sur, on the 26th of the month of January 2017, 3 (three) copies of this Agreement are hereby signed.

For AMBED:

José de la Cruz Bermúdez Sánchez - President	
Víctor Manuel Solórzano Flores - Vice president	

Basilio Antonio Martínez - Secretary	
Yoban Sebastián Rodríguez Núnes - Treasurer	
Víctor Hernández Sequeira - Chairman	
Edwin Cáceres Rojas - Advisor	

Cecilio Rojas – responsible for oversight

For Corporación Montelimar S.A.:

Oscar Montealegre – General Manager	
Oscar Gutiérrez – Administrative Manager	
Danelia Baltodano – HR Manager	
Marlon Vargas – Supervisor of the agricultural production	
Varinia Herrera – Coordinador of CSR and communication	
Erick Prado – Occupational doctor	

For the CAO team:

Rogério Cuadra Cardoze	
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ANNEX I

**COLLABORATION AGREEMENT BETWEEN CORPORACIÓN MONTELIMAR
AND THE ASOCIACIÓN MONTELIMAR BENDICIÓN DE DIOS**

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BACKGROUND

The Corporación Montelimar S.A. (hereafter referred to as “Montelimar Corporation”) assumed, as of 2002, the management of Ingenio Montelimar, which is located 62 kilometers from Managua in the Municipality of San Rafael de Sur in the Department of Managua. The mission of the Montelimar Corporation is to contribute to the sustainable development of Nicaragua through efficient and responsible production of sugar, molasses and energy; a commitment that is upheld by 6 values that are practiced throughout its value chain: integrity, quality, innovation, responsibility, efficiency and leadership.

As part of this commitment, it established a voluntary Policy of Corporate Social Responsibility (CSR), as a new way of managing and doing business, ensuring that its operations are sustainable in economic, social and environmental terms, recognizing the interests of the different groups with which it has relationships. Furthermore, it has defined a CSR Strategy based on principles, guidelines and standards of performance established by the IFC, ISO Standard 26000 and the Global Compact, whose central pillars are: Sustainable Communities; Development and Opportunity; and the Environment. In the framework of these pillars, the company executes a variety of projects focusing on education, health and the environment, whose primary beneficiaries are communities located in its area of influence. To this end, it develops strategic alliances with other institutions, agencies and companies that support the same aims.

The Asociación Montelimar Bendición de Dios (hereafter referred to as **AMBED**) was founded in February of 2014 with the principal purpose of seeking solutions to the problem of Chronic Kidney Disease (CKD) in the area. It is made up of 316 residents afflicted with CKD, of whom AMBED reports that 213 are former workers and employees of the Montelimar Corporation. It also includes 52 people who allege to be widows and beneficiaries of former workers who have died from CKD. AMBED considers CKD to be an epidemic that strongly impacts the communities in the zone. People affected by Stage 3 CKD cannot continue working, their families are left without their main source of support, and they have to cover medical expenses. Not everyone who suffers from CKD manages to gain access to an INSS pension, and some only receive pensions in very reduced amounts. AMBED wishes to work with the Montelimar Corporation to conduct a joint search for solutions so that the community, workers and former workers can improve their quality of life. AMBED would also like to have the support of the Montelimar Corporation to approach other organizations that might help AMBED members to improve their situation.

Since 2008, the Montelimar Corporation has had a Comprehensive Health Program with 3 components: prevention, health monitoring and benevolent support for former workers and employees who suffer from chronic diseases, including CKD. After an exhaustive analysis of the positions put forward by AMBED, the Montelimar Corporation has identified the opportunity to incorporate some of these needs into its Strategy for Corporate Social Responsibility on behalf of its former workers and employees. Having defined the background, and taking into consideration points held in common, both parties have agreed to sign this collaboration agreement:

ARTICLE ONE.- PURPOSE: To support former workers at the Montelimar Corporation who worked for at least two years under the current management, and who cannot continue working for reasons of disease, accident or old age.

ARTICLE TWO.- SCOPE: This agreement applies to all those workers and former workers at the Montelimar Corporation who worked for at least two years under the current management, which extends from 2002 onwards. This entails that every member of AMBED who meets the requirements described in this agreement shall have the right to access to the benefits set forth herein.

ARTICLE THREE.- ACTIONS TO SUPPORT WORKERS AND FORMER WORKERS:

1. Health Support Program:

The Montelimar Corporation shall assimilate former company workers into its Health Support Program, which includes the following benefits:

- education and training about the disease that afflicts them,
- counseling on procedures for applying to receive the INSS pension,
- counseling on managing resources for appeal before the INSS when former workers with pensions of very low amounts may so require;
- medical care at the Montelimar Corporation clinic,
- support with basic medications¹, and
- transportation to doctor's appointments, medical exams and medical care for cases of hemodialysis.

These benefits are interrupted when the beneficiary completes processing of his or her pension application and has access to medical care and medications through the INSS or the Public Health System.

2. Management to improve care and coverage of public health services in the zone:

The Parties state their intention to contribute to the efforts the Government of Nicaragua is engaged in through the Ministry of Health (MINSa) and the INSS to offer better public health service in the zone. To this end, both parties agree to work with MINSa, the INSS and the Mayorality of the Municipality of San Rafael del Sur to set up an inter-institutional Commission to coordinate initiatives to strengthen the public health system, and access to pensions in the zone.

The Montelimar Corporation will cover transportation costs in order for AMBED members to be able to participate in these meetings.

3. Nutritional Package:

During the process of application for their INSS pension, the Montelimar Corporation will offer its former workers, for a maximum period of 4 months, a monthly nutritional package valued at C\$ 1,000.00, which will include food and hygiene products, validated in advance by a doctor to ensure that they contribute to balanced nutrition for beneficiaries. The requirements that beneficiaries must meet to opt for this benefit are as follows:

¹ Basic medications provided through the Program are iron sulfate, calcium carbonate, Alopurinol and multivitamins. Additional medications provided through the Program are Enalapril, Etenonol and Eritroprovetina.

- Be a former worker of the Montelimar Corporation having worked at least two years under the current management (from 2002 onwards),
- Have an illness or physical disability for reasons of an accident or old age,
- Not be working or receiving additional income, and
- Be actively engaged in applying for a pension from the INSS.

4. Project for Generating Employment and Income

With the aim of helping to improve the quality of life for its former workers and the development of their communities through creation of opportunities for employment and income, the Montelimar Corporation shall include within the pillar of **“Development and Opportunity”** of its CSR Strategy a Project for Self-Sustainable Business Development in garment production with the necessary capacity to meet the Montelimar Corporation’s annual demand of uniforms. The project envisions the setting up of a Cooperative comprised of former workers of the Montelimar Corporation who cannot work owing to illness, accident or old age, which the Montelimar Corporation will support in the following manner:

- Paying all legal expenses for establishing the Cooperative;
- Offering advice and follow-up in the legal establishment of the Cooperative;
- Helping with the financial assessment of the project;
- Providing the financial contribution for the project's initial investment, with respect to premises and the acquisition of equipment, machinery and raw material;
- Offering training to members of the Cooperative in matters of: legal requirements, legal and fiscal responsibilities, project management, conflict resolution, cooperativism, leadership, team work, innovation, entrepreneurship and continuous improvement, among others;
- Providing capacity building to those who would work for the Cooperative;
- Temporary support with initial operating costs; and
- Allowing the Cooperative to participate in bidding for the contract to provide uniforms for personnel of the Montelimar Corporation, meeting conditions for competitiveness in terms of price, quality and delivery dates, just like any other supplier.

The proposal for this garment production project was selected taking into account the following:

- There is already a similar success story at the Monte Rosa Plant (*Ingenio Monte Rosa*)
- From the outset, the Montelimar Corporation will be able to be its first client
- This kind of project in the zone has short-term growth opportunities because of the different companies located in the zone with this same need
- This project can be developed in the short term, and with almost immediate impact
- The project will allow for the development of new technical and behavioral skills.
- The project will be a source of employment and income generation for the community
- The project will be a starting point for new business initiatives that can be identified with the experience acquired, and
- The project establishes the opportunity to create strategic alliances with the Cooperative of Multiple Love and Peace Services (COSEMUAP)

ARTICLE FOUR.- NEXT STEPS:

1. Upon signing this agreement, AMBED will send a list of those of its members who are candidates for eligibility to the programs mentioned in this agreement.
2. The Montelimar Corporation shall verify with its records that such individuals qualify for the programs, and will decide on the most convenient form of identification document that would ensure its access to the Ingenio.
3. The Parties will promptly prepare an implementation plan for the constitution of the cooperative and the development of the garment project, which will detail the activities, the deadlines, the responsibilities and the resources.
4. Based on other successful experiences, AMBED will start to explore options in order to design an additional project to support creation and strengthening of individual businesses, to be developed by the Cooperative. Once designed, the project will be presented to the Montelimar Corporation and other institutions that could be interested in co-financing it.

Given in the Municipality of San Rafael del Sur on the 26th of the month of January 2017, 3 (three) copies of this Agreement are hereby signed.

For AMBED:

José de la Cruz Bermúdez Sánchez - President	
Víctor Manuel Solórzano Flores - Vice president	
Basilio Antonio Martínez - Secretary	
Yoban Sebastián Rodríguez Núnes - Treasurer	
Víctor Hernández Sequeira - Chairman	
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For Corporación Montelimar S.A.:

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Varinia Herrera – Coordinador of CSR and communication	
Erick Prado – Occupational doctor	

For the CAO team:

Rogelio Cuadra Cardoze	
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ANNEX II

PROCEDURE FOR THE JOINT COMMITTEE OF CORPORACIÓN MONTELIMAR AND THE ASOCIACIÓN MONTELIMAR BENDICIÓN DE DIOS TO RESPOND TO COMPLAINTS.

Draft Procedure for the Joint Committee of the Corporación Montelimar and the Asociación Montelimar Bendición de Dios to respond to complaints

1. BACKGROUND

- 1.1 On June 3, 2016, the Corporación Montelimar (Montelimar Corporation, hereinafter, “the CM,” or “the Plant,” or “the company”), and the Asociación Montelimar Bendición de Dios (hereinafter, “AMBED,” or “the association”) agreed that AMBED will publicize the existence of the mechanisms the Plant has at its disposal to respond to internal and external complaints. They also agreed that AMBED will function as an additional channel to receive any complaints that its members or their relatives from neighboring communities may file. To this end, they agreed to establish a Joint Committee through which AMBED can forward to the CM the complaints it has received in order for the management of the Plant to address them through the mechanisms that have now been established.
- 1.2 On June 22, 2016, AMBED and CM held a first meeting at which the company submitted a proposal for the functioning of the Committee. The proposal was well received by AMBED’s representatives, and it was agreed to prepare a procedure for the functioning of the Committee.

2. PURPOSE OF THE PROCEDURE

- 2.1 The purpose of this procedure is to establish the rules that will govern the functioning of the Committee, and by which AMBED will be able to bring complaints to the attention of the CM.
- 2.2 This procedure does not involve a modification of the procedures established by the CM for its mechanisms to respond to internal and external complaints, on which the functioning of the Committee is based, and which description is attached as an Annex to this proceeding.
- 2.3 While the procedures of the CM distinguish between “complaints” and “claims” and grant them a slightly differentiated treatment, both terms are to be used indiscriminately for the purposes of this procedure.

3. PURPOSES OF THE COMMITTEE

- 3.1 The Committee aims to establish an accessible, transparent and effective mechanism to respond to and resolve any complaints and claims that may be submitted through AMBED, its members and communities.
- 3.2 The Committee seeks to facilitate an effective dialogue and open lines of communication in order to address complaints and claims of AMBED members.
- 3.3 The Committee contributes to the continuous improvement of the company’s mechanism to respond to complaints.

4. COMPOSITION OF THE COMMITTEE

- 4.1 The committee shall be made up of two representatives from each one of the parties. The Montelimar Plant shall be represented by Human Resources Management and the Department of Corporate Social Responsibility (CSR), while AMBED shall be represented by the Vice President and the chairman of the Board of Directors.
- 4.2 Each party is free to change its representatives as it may deem appropriate.

5. FUNCTIONS OF THE PARTIES

- 5.1 AMBED shall facilitate communication between its members and communities and Montelimar.
- 5.2 The CM shall guarantee that complaints and claims received by AMBED are addressed by the mechanism for internal and external complaints established by the company. It shall also provide feedback to AMBED on the responses it gives to complaints received, as appropriate.

6. COMMITTEE MEETINGS

- 6.1 Committee meetings shall be ordinary or extraordinary, and are to be held in the offices of the CM.
- 6.2 Ordinary meetings are to be held on the last Tuesday of each calendar month if there are new complaints or claims for AMBED to present, or there are responses for the CM to report concerning complaints submitted by former workers who are AMBED members. In such cases, the chairman of AMBED shall request the meeting.
- 6.3 Extraordinary meetings are to be held whenever necessary at the request of either one of the parties, indicating the matter to be addressed.
- 6.4 Requests for an ordinary or extraordinary meeting are to be made by e-mail, in writing or by phone call to Human Resources or CSR.

7. RECEIPT AND PROCESSING OF COMPLAINTS

- 7.1 AMBED can submit claims by former workers, active workers and members of the communities.
- 7.2 Although the CM accepts verbal or written complaints in any format, both parties agree that in order to provide a better response, it is appropriate for complaints to be submitted in the format provided by the company.

- 7.3 Although complaints can be submitted anonymously, both parties agree that it is appropriate to try to reduce anonymity as much as possible in order to be able to provide a better response.
- 7.4 AMBED may compile the complaints it receives and submit them to the company at ordinary meetings, or else it can encourage its members to use the channels already available to submit complaints to the CM.
- 7.5 The Montelimar Corporation shall process all complaints received from AMBED following the procedures it has established for its mechanisms to respond to internal and external complaints.
- 7.6 AMBED's role is not to verify the claims that it may submit to the Plant. It shall fall within the discretion of the company while processing a complaint to decide whether it wishes to call upon AMBED to carry out any joint management prior to issuing a response.
- 7.7 The CM shall inform AMBED at ordinary meetings as to how many of the complaints submitted have been answered, and how many remain to be answered, explaining the reason and status of the process. With regard to the content of the response provided, the CM is only required to provide such information to AMBED for complaints coming from former workers who are members of AMBED, not when complaints are submitted by active workers or members of the community who are not former workers.
- 7.8 In addition to the record that the company itself keeps as part of the functioning of its complaint mechanisms, AMBED may keep its own record of the complaints submitted to and addressed by the company.

[SIGNATURES IN MARGINS AND ANNOTATIONS OF THE DATE: *September 30, 2016*]