

Brussels, 25th November 2019

BIO's mission is to invest in the most difficult places and circumstances.

A joint statement from CDC Group, BIO, DEG, and FMO in response to the Human Rights Watch Report (HRW) on Feronia in DRC

As Development Finance Institutions (DFIs), our principal purpose is to deploy long-term investment in some of the poorest and most challenged regions to bring about positive social, environmental and economic change. In many instances we are challenged to do “the hardest things in the hardest places” – such as PHC/Feronia’s efforts in the Democratic Republic of the Congo (DRC).

Today’s Human Rights Watch (HRW) report concerning our shared investment in PHC/Feronia, a palm oil producer for the domestic DRC-market, highlights the need for further investment to improve environmental and working conditions at the company. Improving the working conditions and community infrastructure is central to the DFI’s engagement with Feronia. We therefore welcome HRW’s research and will continue to work with PHC/Feronia on how best to address these challenges. We take our role as long-term, socially responsible DFI-investors very seriously and will keep managing salient impacts and helping to achieve positive change in challenging and imperfect contexts.

Over the past years PHC/Feronia already made a lot of progress and we expect the company to continue to build on further progress in these matters in the years to come. Special attention should be given to improving working conditions and we will certainly take HRW’s observations into account in our future dealings with the company.

After all, do not forget that PHC/Feronia operates in very remote and poverty-stricken areas of the DRC, by many measures the poorest country in the world. The surrounding populations of around 100,000 people rely on the 100-year-old company as the sole source of employment and social care in the region.

Over the last six years, we (CDC as an equity investor, and BIO, FMO, and DEG as debt-lenders) have invested \$100m in PHC/Feronia after it was effectively abandoned by its previous owner. At that point the company and surrounding areas were severely neglected; 8,000 jobs were at risk, people were working barefooted, housing was in severe disrepair, medical facilities were derelict, and wages were significantly lower than today.

Today, worker wages have tripled, protective clothing has been provided, a major worker housing renovation project is underway, 72 wells have been drilled or renovated to provide clean water, and restored medical facilities are helping thousands of patients every year.

These achievements have been made in the context of a company that is hundreds of miles from the nearest major population center, with little to no public infrastructure and enormous logistical challenges.

When we invested, we knew it would take a good many years to put the company back on a sound footing. We are proud that PHC/Feronia has increased palm oil production and that considerable progress has been made concerning social infrastructure. However, we are also aware that the task at hand will take more years of hard work.

Throughout our engagement with HRW we have been transparent about the company's challenges. PHC/Feronia provided complete access to the company's operations, as can be seen by the detail in the report, and both the DFI's and PHC/Feronia alike have provided detailed answers and context to their questions, which is less evidenced in the report. The issues raised by HRW are important and the company, owners, and lenders are committed to tackling them. Our detailed response to the specific issues may be found below.

Investments like Feronia are never quick fixes. They take a great deal of investment, expertise and – most importantly – time and commitment to put right. That is why the DFI model involving the deployment of long-term investment and support is so critically important.

When DFIs invest in the hardest things in the hardest places, it is vital not to judge us only on what is left to be done, but also on the progress that has already been made, and on the credibility of our plans on what is still lacking. We choose to work with companies like PHC/Feronia because that's where we have the potential to have the greatest impact in some of the poorest and most needy countries in the world.

Our role in supporting the company will not be satisfactorily concluded until it is financially self-sufficient and operating to international standards concerning working conditions and environmental best practice. To that end, our motivation and goals are the same as HRW.

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As a lender we welcome the HRW-report and are committed to tackling the important issues it raises. We recognise many of the issues through our own due diligence and monitoring, recognising the challenges that the company is facing. As an initial response to the report, we required CDC, as shareholder, to urgently engage with Feronia on the aspects below and to incorporate these commitments into an updated Environmental and Social Action Plan.

Wages and Labour Relations

Progress since investment

- Since 2013, minimum wages for Feronia staff have tripled and are now substantially above the minimum wage in DRC.
- The workforce is now unionised and benefits from free healthcare provision, sick leave and holiday pay for employees and their families.
- Feronia is committed to increase the number of contract workers and reduce the number of casual workers and is currently working with the Labour Inspectorate on this.
- Pay levels have been agreed with unions with the average worker earning? \$3.30 per day – higher than a nurse or teacher would earn locally.
- Even the lowest paid workers earn one and half times the national minimum wage in DRC.

Actions following the HRW Report

- Strengthen the role and independence of trade unions to support the representation of worker rights to management.
- Ensure that pay slips for day workers are provided with their monthly payment. Ensure the Company's human resources department is able to provide clarification and confirmation of questions from workers, and that these interactions are aggregated and reported to Feronia's ESG committee.
- Require the company to confirm wage parity between the work undertaken by men and women. If this is not the case, we will require a plan of action to be presented to the ESG committee to achieve this in the near term
- Provide copies of contracts to all contract workers, clearly outlining the terms of employment, including any benefits the worker and their family members are entitled to, in line with Congolese labour law
- Continue to actively work with Congolese Authorities (i.e. Labour Inspectorate) to transfer casual workers to contract workers.

Palm Oil Mill Effluent (POME) Disposal

Progress since investment

- Palm Oil Mill Effluent (POME) is an organic mix of natural waste oils and fats and has been discharged into rivers since the plantation came into being in 1911. The discharge does not threaten human health and therefore the decision was taken to prioritise other improvements such as medical, educational and new housing provision.
- 72 new and refurbished water wells have been drilled for local communities.

Actions following the report

- To resolve the issue at the Boloku and Yaligimba settlements we will require Feronia to undertake a review of POME disposal and to present recommendations to address community concerns at the next ESG Committee meeting.
- Ensure that the company implements regular monitoring of disposal through an appropriate water quality monitoring programme, which is supported by appropriate laboratory equipment and analysis.
- Undertake a review of effluent disposal at each site to ensure that leaks in infrastructure are repaired, and that effluent discharge points are configured to minimise the impact on local communities.

Health and safety

Progress since investment

- In 2013 workers had no personal protective equipment (PPE) and often worked the fields while barefoot.
- From the start of the DFI investment in Feronia, the company has had a significant budget for PPE and Feronia has spent well over \$300,000 on protective equipment since 2016 and all workers have received training on its use.
- Long-standing supply issues that have hindered the company's ability to source appropriate protective equipment have now largely been resolved since HRW's visit.

Actions following the report:

- Additional training and training materials (including in Lingala) to be provided for workers in relation to agrochemicals
- Company medical staff will provide feedback and guidance to workers on their health checks and advise on indications of agrochemical exposure.

- Company health care professionals to provide training to workers on agrochemical application, and safety.
- Ensure the construction of appropriate washing facilities for workers, their clothes and PPE to be cleaned after the use of agrochemicals.
- Ensure that medical checks are conducted on all agrochemical operators every six months and that results are communicated to them.
- Ensure that PPE is provided to women to ensure they are not disproportionately vulnerable to occupational health hazards.
- Require Feronia to undertake a review on the appropriateness of PPE used.