



2017 Sustainability Report



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Throughout this report, all amounts are expressed in U.S. dollars (\$) unless otherwise stated

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Contents

Message from our Chairman	4
Our impacts at a glance	6
About Feronia Inc.	8
Our Plantations	10
Our Operations	11
Palm Oil & the DRC: Background on DRC palm oil and what Feronia is trying to achieve	12
Stakeholder commentary - CDC Group Plc	14
Our ambition	16
Our challenges	17
Stakeholder commentary - Kuramo Capital Management	18
Overview of strategy by Hugues Ekani	19
Our approach to sustainability	20
Our progress so far	22
Our people	24
Local communities	32
Responsible plantation practices	38
Managing our concessions sustainably	41
ESG Governance	42
Our stakeholders	44
Ethical business practices	48



Message from our Chairman

I would like to welcome you to Feronia's second Sustainability Report. The response to our inaugural 2016 report has confirmed the important role the report plays in not only explaining our sustainability activities but also aligning and motivating our own internal organization.

2017 has been a milestone year. After several years where the Company struggled to secure sufficient financing for maintaining its core operation and executing its strategy, the entry of a new equity investor in the form of Straight KKM 2 Limited which is owned by a consortium consisting of a number of funds managed by Kuramo Capital Management LLC, as well as Kalaa Mpinga, a successful Congolese entrepreneur, has secured our financial sustainability; a critical pre-requisite for executing our overall sustainability plan.

The challenges facing our business remain significant. Operating in such remote areas, with the Congo River as the main artery of connection, means that everything we do demands so much more commitment, resource and patience.

It also means that our responsibility towards communities and the environment is of a much higher level than companies operating in more developed geographic areas. We have of course the responsibility for our employees and the overall running of the estates, but because of a lack of state run infrastructure, thousands more rely on us. The roads we maintain serve the general population on their travels to the surrounding cities. The hospitals and medical centres we provide serve the wider population: a revealing statistic is that only 13% of the children born on the estate have parents who actually work for Feronia. The shops and trading activity that serve the estates employees, equally benefits the wider community. This is a huge responsibility we carry, and our ambitious sustainability plan reflects this.

We are clear that this plan and all the actions reflected in it not only serve the employees, communities and environment but all stakeholders. We say without hesitation, that we are not a charity but an enterprise that aims to deliver a profit for its shareholders so that we become financially sustainable. To do this it is clear that investing in social and environmental infrastructure is business critical. We must nurture and retain the trust of the communities that surround us, as without their support our presence will not be sustainable. This requires an involvement that goes well beyond what happens on the estates themselves. We must help to create economic activities around the estates so that more people have access to better livelihoods.

This report will give you a comprehensive overview of not only our ambitions but also our actions. We are proud to be part of an organization that affects, and will also improve, the livelihood of thousands of Africans. We are conscious that a lot remains to be done: As we recognized in our 2016 report, living conditions on the estates are not yet optimal and community outreach remains a huge area of work. But we make progress, every day, and with the business maturing and nearing a point of financial sustainability, we will soon be in a position to accelerate our overall sustainability efforts.

We hope you enjoy reading this report.

Frank Braeken

Chairman, Feronia Inc.

April 2018



We must nurture and retain the trust of the communities that surround us, as without their support our presence will not be sustainable.

Our impacts at a glance

Economy: contributing to the DRC economy

CDF 5.5bn (\$3.7m)

paid in taxes and fees to the DRC government in 2017

(2016: CDF 4.0 billion / \$3.3m)

\$20.5m

estimated Feronia production that replaces imports into the DRC

(2016: \$16.9m)

\$19.4m

direct operating costs paid in the DRC (2016: \$18.2m)

People: taking care of our workforce

8,401

direct employment opportunities created (2016: 8,067)

21%

increase in wages of plantation workers to counteract impact of inflation in 2017

4,060

permanent staff (2016: 3,807)

3,856

houses for employees (2016: 3,812)

4,341

seasonal workers and day labourers (2016: 4,260)

Free

healthcare for employees

\$11.0m

paid in wages and salaries in 2017 (2016: \$10.2m)

8,223

hours of Health & Safety training in 2017 (2016: 4,613 hours)

1st

company in the DRC to index wages to national inflation rate (2017)

50

accidents per million hours worked in 2017 (2016: 48)

Communities: improving the livelihoods and well-being of the communities in and around us

95

schools supported (2016: 95)

70

safe water sources drilled or rehabilitated in last three years. 17 more to be drilled in 2018

17

dispensaries, 6 health centres, 4 hospitals, owned and maintained

134

skilled medical staff at Feronia health facilities (2016: 139)

117,134

medical consultations in our healthcare facilities (2016: 95,353)

27%

of medical consultations were for non-PHC people

13,450

hospital treatments provided by our healthcare facilities (2016: 11,584)

66%

of hospital treatments were to non-PHC workers and their families

2,222

births attended by trained medical personnel (2016: 2,101)

87%

of births were to non-PHC people

1,090

major medical surgeries performed in our healthcare facilities (2016: 1,094)

69%

of major surgeries were to non-PHC people

\$1.3 m

spent on providing healthcare (2016: \$0.8m)

c.850

worker homes repaired or rebuilt to date, benefitting approximately 5,000 people

2,126 km

of company and nationally owned roads maintained (2016: 2,126 km)

28

community development committees established to select and implement community development and livelihood projects

Plantations: promoting environmental stewardship and good agricultural practices at our plantations

Zero

deforestation

No burn

approach to replanting land where oil palms are no longer productive

Commitment and targets in place to achieve RSPO certification

Working towards the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012)

About Feronia Inc.

Feronia is an agribusiness operating in the Democratic Republic of the Congo (DRC), which is listed on the TSX Venture Exchange in Toronto, Canada.

We operate principally through the palm oil business, Plantations et Huileries du Congo (PHC), which we acquired from Unilever in 2009. We own 83.37% of PHC, with the remaining 16.63% held by the DRC government through its Ministry of Portfolio.

Feronia's three largest shareholders are the CDC Group plc (37.86%), the UK government's development finance institution ("DFI"), Golden Oil Holdings Ltd (19.54%), which is owned by the African Agriculture Fund, a leading Pan-African agribusiness and food investment fund and Straight KKM 2 Limited (37.86%), which is owned by a consortium consisting of a number of funds managed by Kuramo Capital Management LLC, as well as Kalaa Mpinga, a successful Congolese entrepreneur.

Feronia also has a \$49 million debt facility in place with a syndicate of European DFIs.

Although PHC is incorporated under the laws of the DRC, Feronia's DFI lenders and shareholders are located in different parts of the world. This underpins our ambition to operate to the highest standards of international practice, especially in regards to the environmental, economic and social impacts of our business.



LOKUTU

Our Plantations



Lokutu

1,675
permanent employees (2016: 1,583)

2,553
casual workers (average, full time equivalent) (2016: 2,585)

63,619
hectare concession

11,943
hectares planted with oil palm (2016: 12,258 hectares)

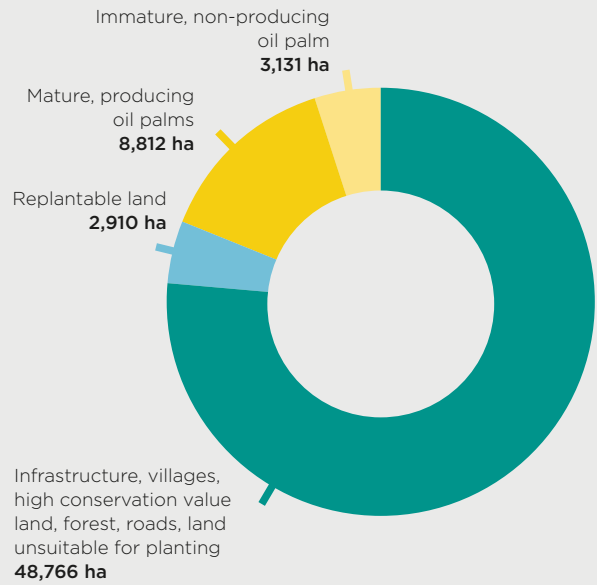
8,812
hectares of mature producing palms (2016: 6,927 hectares)

3,131
hectares of immature palms (2016: 5,331)

12,391
tonnes of CPO produced in 2017 (2016: 8,843)

763
tonnes of PKO produced in 2017 (2016: 461)

15 tonnes/hour:
fresh fruit bunches capacity. The mill produces CPO and PKO



Yaligimba

1,490

permanent employees (2016: 1,306)

1,495

casual workers (average, full time equivalent) (2016: 1,301)

33,928

hectare concession

8,572

hectares planted with oil palm (2016: 8,722)

4,638

hectares of mature producing palms (2016: 4,788)

3,834

hectares of immature palms (2016: 3,934)

10,073

tonnes of CPO produced in 2017 (2016: 8,635)

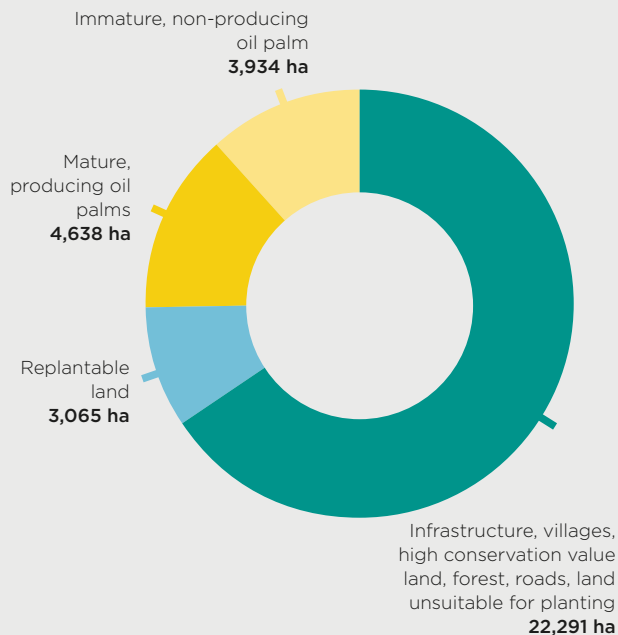
651

tonnes of PKO produced in 2017 (2016: 586)

23 tonnes/hour:

fresh fruit bunches capacity.

The mill produces CPO and PKO



Boteka

841

permanent employees (2016: 866)

293

casual workers (average, full time equivalent) (2016: 355)

6,066

hectare concession

3,668

hectares planted with oil palm (2016: 3,668)

3,231

hectares of mature producing palms (2016: 2,556)

437

hectares of immature palms (2016: 1,112)

5,412

tonnes of CPO produced in 2017 (2016: 3,248)

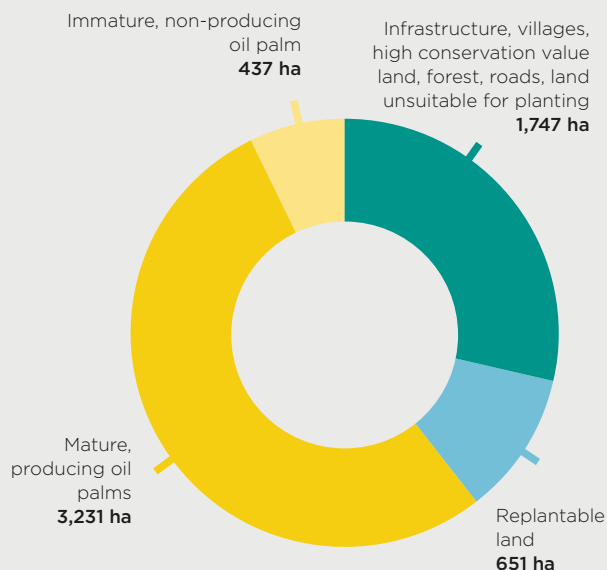
178

tonnes of PKO produced in 2017 (2016: Zero)

10 tonnes/hour:

fresh fruit bunches capacity.

The mill produces CPO and PKO



Our Operations

Research & Development

In 1968 the Yaligimba Research Station was established, initiating an ongoing programme of oil palm seed breeding and innovation with oil palm variants bred at Yaligimba in use today throughout the world. The breeding programme continues to this day with new seed variants being developed which address assorted issues including higher yields, disease resistance and palm oil containing different nutritional benefits.

Seeds and seedlings

In 2017 we sold 441,983 oil palm seeds and provided technical advice to small scale palm oil producers in the DRC (2016: 439,605); enough seeds for them to plant 2,500 hectares of oil palms.

Plantation & Harvesting

As at 31 December 2017 we had a total planted area of 24,183 hectares, of which 16,681 hectares was productive oil palm and 7,502 hectares is immature (and so not yet producing) oil palm.

Milling

We have one mill at each of our three plantations which, by the end of 2018 will be solely powered with biomass and eliminating the use of 2,000 tonnes of diesel and heavy oil fuel. In 2017 we produced 27,876 tonnes of CPO and 1,592 tonnes of PKO (2016: 20,726 tonnes of CPO, 1,047 tonnes of PKO) all of which was for consumption by the DRC domestic market.

Palm Oil & the DRC: From Survival to Revival

Background on DRC palm oil and what Feronia is trying to achieve

Palm oil originates from the DRC. The Congolese palm trees grandfathered virtually all of the palm oil trees currently under industrial exploitation throughout the world. The very first industrial plantations started exactly where wild palm trees were naturally growing, in the Congo, and gradually evolved into the modern-day palm oil industry.

Back in the 1960s, on top of fulfilling its own domestic consumption with abundant local production, the DRC was the world's second largest exporter of Palm Oil. The Congo was the flagship of the industry, where expertise was gained, and later on exported to the rest of the world.

The sad events which took place since the 1980s brought the entire agro industry of the DRC to its knees, including the palm oil sector, and turned the country into a massive net importer of agricultural commodities. A country where the very concept of "long term" ceased to exist for the vast majority of the population could not possibly continue to sustain an industry like Palm Oil, which requires many years of investment before becoming profitable.

Hence, the country started to replace its domestic production by imports, destroying employment in the process and exporting its scarce forex reserves.



Since Feronia became involved in 2009, our objective has remained unchanged: we want to make things as they should be; for economic, social, environmental and moral reasons.

Economic: By producing palm oil in the DRC, for consumption in the DRC, we develop the local economy in a country that desperately needs it.

Social: Palm oil production is heavily labour intensive. As a result, we employ thousands of people and provide them, their families and surrounding communities with valuable incomes as well as social infrastructures, including access to scarce medical services.

Environmental: We replace imported palm oil, which travels half the way around the world at great environmental cost, with locally produced oil from rehabilitated existing plantations, with zero deforestation. We care for the land that we use and maintain it for the future of the company. We teach people how to cultivate their land in a sustainable manner to limit deforestation arising from traditional slash and burn practices. We educate our workers and our communities about the importance of balanced environmental management, because they need it, and because we need it, for our own futures.

Moral: We strongly believe in a more balanced world, where people have a future wherever they are born. We believe that our children will have a better life if all children have a better life. The World is only one tiny ship, where we need balance, in the best interest of all. Currently, the DRC is one of the most imbalanced economies in the world, with a striking poverty level, almost no agro industry, huge unemployment, derelict infrastructure, and a huge uncertainty about their future for the vast majority of its 80 million people. This is exactly where we have to make it happen, and create a showcase which will act as a trigger for an upward spiral of betterment.

We want to transform Congo; we want to change the prevalent business model of the country, from Survival to Revival.

Xavier de Carniere

CEO, Feronia Inc.

April 2018



We want to make things as they should be; for economic, social, environmental and moral reasons.



Stakeholder commentary - CDC Plc



Without our investment, it was likely that this historic company – which employs thousands of workers in a region where there is virtually no other formal employment – would not have survived.

CDC is the U.K.'s development finance institution wholly owned by the U.K. government. CDC invests in businesses in the poorest parts of the world to support economic growth and create jobs.

Between black walls of impenetrable forest, the huge Congo River glides along more than a mile wide. What strikes you when visiting the Congo, as I did in September 2017, is how little it has changed since Henry Stanley first navigated the great river almost 150 years ago. Dotted along its bank are small villages. Their inhabitants have no electricity, no sanitation, no mobile phones or internet, no roads, almost no connection with the world outside. The vast majority still exist, as they did in Stanley's day, through subsistence farming and paddling wooden canoes along the river searching for fish.

I went to this remote part of the world to visit two palm oil plantations owned by Feronia, a company CDC financed in late 2013. We flew first to Kisangani, a town of 1 million people, and less than a four-hour flight from the capital Kinshasa. A further four hours downstream on a small motorboat is Feronia's Lokutu plantation. The journey to their Yaligimba plantation is four more hours down river.

Feronia controls PHC, the Congolese company operating the plantations. Founded by Unilever in 1911, it has been producing palm oil for local consumption ever since. It remained in Unilever's hands through independence from Belgium in 1960 and through subsequent rebellions and civil wars.

During the most difficult periods, the local senior management and a core staff of 4,000 people kept the business running to the best of their ability, often at great personal risk. Despite their efforts, the years of underinvestment and disruption severely affected operations, and when Feronia acquired PHC from Unilever in 2009, the business was nearly extinct.

CDC and the other shareholders, supported by a group of development finance institutions from Germany, the Netherlands, and Belgium, have funded a redevelopment of the PHC plantations while committing to zero deforestation. We did this because the company has huge potential. As the trees replanted over the past seven years come into production, revenues will rise and costs will fall. We also did it because without our investment, it was likely that this historic company – which employs thousands of workers in a region where there is virtually no other formal employment – would not have survived. The company has replanted old acreage left to rot, they've restored and expanded the mills, refurbished and re-equipped the health care facilities, renovated housing, drilled new drinking water boreholes, and secured 8,000 jobs in an area with no other employment opportunities. Those employees support a wider population of around 45,000 people, many of whom are children.

The challenges of doing business here are unique.

The first challenge is the widespread lack of public services and basic infrastructure. The only visible evidence of the state are the soldiers, police, and a network of officials focused mostly on tax collection. Feronia is subject to 178 different taxes — including loading, offloading, production, and employment. Government reportedly employs 1 million administrators in a country with just 200 formal companies — so every one of these businesses is guaranteed a great deal of attention. Yet the government struggles to provide the resources to maintain a road system, basic levels of hospital and school provision and — at least in the areas of the plantations — sanitation, power, or clean water.

Second is logistics. There are few functioning roads in the DRC. That isn't because they never existed. In 1960 it was possible to travel by car the 1,200 kilometres from Kinshasa to Kisangani in two days. Today that same trip would take weeks. The small number of railroads that existed have long since disappeared. The only way to transport goods is on the river. That takes time. Three weeks downstream from Lokutu to Kinshasa and four weeks to return. The journey is subject to long delays, theft, and taxes at almost every step. Feronia needs to import large pieces of heavy industrial equipment to support its mills. This can only be done through the DRC's large port at Matadi, meaning more delays and costs.

Third is the challenge of building a management team and workforce. The local education system is run by government and lacks investment. Countrywide, illiteracy is 77 percent. Experienced managers, whether from Europe, the Congo or other African countries, are hard to find, expensive, and difficult to attract to such a remote location.

Fourth is the challenge of working and providing locally. Feronia is the only employer for hundreds of kilometres. More than 2,000 children are born every year in the plantation hospitals. They need water, schools, sanitation, and better housing. They need health care: 40 percent of deaths in the local hospitals still come from childhood malaria. Sadly, help is unlikely to come from government. Grants are helpful but don't provide permanent solutions. The life-changing ingredient is an employer with a sustainable business willing to invest not just in jobs, but in critical social infrastructure.

Lastly comes the environmental challenge. DRC has the second largest rainforest in the world. Feronia plants only on brownfield areas that have already been planted and adheres to strict global environmental standards. In 2018 its palm oil mills will be run entirely by palm oil biomass.

Since 2013, CDC and its partners have invested over \$100 million in Feronia. We have not yet made any financial return while Feronia loses money. However, we expect the company to become profitable soon, as new infrastructure has allowed it to more than double production and as the thousands of recently planted trees reach maturity. CDC's investment has helped deliver improved engagement with the local community and better education for local children, who are the company's potential future employees. Through continued investment in the plantations, a sustainable business that protects and improves the lives of workers and community alike can be built.

Support for DFIs such as CDC is growing among all major developed countries. They recognize that only private sector development can bring us close to achieving the Sustainable Development Goals. Meanwhile, the impact investment community grows apace with almost every major financial institution showing interest. This is hugely positive, but a visit to the DRC and Feronia graphically illustrates the sheer difficulty of investing successfully and creating real developmental impact in the most fragile and conflict affected states.

Why do we do this? For the same reason CDC was created almost 70 years ago: to invest in the most difficult places in a way that makes a lasting difference. A trip down the Congo River demonstrates that this work has never been more necessary and more valuable than it is today.

Nick O'Donohoe
CEO of CDC Group Plc

Our ambition

Despite being an industry born in the DRC over 100 years ago, the DRC now barely registers on any list of the largest palm oil producing countries in the world and is a net importer of palm oil products.

And yet, it is one of the few places in the world where considerable expansion in global palm oil production is possible as there are both extensive historical abandoned plantations and also the right climatic conditions.

The country could benefit considerably from such an expansion through inward investment, the creation of thousands of jobs, tax revenue and the production of a commodity with considerable demand both domestically and internationally.

However, should that expansion come, it is essential that it occurs in a sustainable and responsible way so that the DRC can avoid the negative impacts experienced elsewhere in the world.

That is why, as the largest producer of palm oil in the DRC, we are striving to become a showcase of sustainability for the DRC palm oil industry. We want to help create a standard of operation which others wishing to enter the DRC palm oil market are required to emulate. We believe that palm oil should be produced in a sustainable way and hope that through our endeavours we can help ensure that any future expansion in the DRC palm oil sector occurs in a similarly sustainable manner.



We want to help create a standard of operation which others wishing to enter the DRC palm oil market are required to emulate.

Our challenges

The size of the DRC, its lack of infrastructure and the remoteness of our plantations bring considerable challenges. We are heavily reliant on the River Congo to transport produce, materials, people and equipment to and from the plantations; including food, fertiliser, fuel, building materials and spare parts. Whilst a relatively economical solution, this does hinder the pace of our redevelopment.

We are a considerable employer in a country with high unemployment and one of just a few employers in the areas we operate. As well as our circa 4,000 permanent employees, we also currently provide seasonal work to approximately 15,000 people who occasionally work for the Company but which equates to an additional 4,000 full time equivalent workers each year. Such a situation creates considerable administrative challenges and responsibilities to our workers, their families and the wider community.

The infrastructure on our site is extensive and suffered from under-investment during the years prior to Feronia's involvement. We are continuing to implement essential improvements on the ground in the DRC and, as the Company strengthens financially, such improvements will be accelerated. To date, despite being a loss making business at present, we have spent \$8.8 million improving healthcare, housing and access to safe drinking water. However, the task is considerable and a lack of government funded infrastructure and strong population growth puts additional pressure on Feronia to provide social and community services at a time when finances are still constrained.

A lack of economic opportunity also causes other sustainability pressures. Many communities on our concessions currently undertake subsistence farming but the disruption rural agriculture suffered during the period of civil conflict in the DRC, especially access to equipment, seed and fertiliser, means that agriculture is inefficient and basic. As a result, some communities rely heavily on the natural environment as a source of timber, fuel and bush meat. Rapid rises in population and the associated increase in pressure on natural resources mean that this lifestyle is not sustainable.



Despite being a loss making business at present, we have spent \$8.8 million improving healthcare, housing and access to safe drinking water.





Stakeholder commentary - Kuramo

Our decision to invest in Feronia towards the end of 2017 was naturally driven by our belief that the company has tremendous commercial potential and can become a great agri-business in Africa. But, as well as delivering long-term value for investors, we also believe, as CDC Group does, that investing in Africa creates jobs and opportunities which can make a lasting difference to people's lives.

We hope that this investment draws attention within the local and international community as to the great potential of the DRC and, in particular, its agricultural sector. Feronia is playing a leading role in helping the DRC regain self-sufficiency in the supply of palm oil to its vast and rapidly growing population of over 80 million people and, in the process, starting to replicate the success of many other African countries which have already revitalised their palm oil industries.

Walé F. Adeosun

Founder and Chief Investment Officer
Kuramo Capital Management

Kuramo Capital Management is an Africa-focused alternative investment management firm headquartered in New York. In October 2017 it invested \$17.5 million in Feronia Inc. on behalf of a consortium made up of several of Kuramo's funds and Congolese entrepreneur Kalaa Mpinga which currently owns 37.86% of Feronia Inc.



We believe that investing in Africa creates jobs and opportunities which can make a lasting difference to people's lives.

Overview of strategy by Hugues Ekani



The history of PHC goes back more than 100 years. During that time, it has benefited many stakeholders in the three areas we now operate, but it also has a lot of baggage that can come with being a long established business.

The business which Feronia acquired in September 2009 was, to all intents and purposes, defunct. Factories were barely operational, infrastructure was crumbling and its approach to sustainability, health and safety and corporate responsibility were antiquated.

Feronia's first aim for the business had to be to ensure its survival. Achieving survival would mean we would have the opportunity to rebuild and update all aspects of the business.

The business survived, in no small measure, because of the belief in what we are doing on the part of our Development Finance Institution (DFI) stakeholders. With their involvement, quite rightly, came a requirement for a coherent and well defined Environmental, Social and Governance programme and for the Company to show its delivery. The Environmental and Social Action Plan (ESAP), which came into effect in October 2013 and was created with the assistance of CDC Group plc, was a first step in PHC's "up-to-date" sustainability journey. It enabled us to put in place, for the first time, systems, processes, people and infrastructure to begin our new sustainability journey. Just as importantly, it also helped us develop a real understanding of the scope and scale of the task we face; both of which are considerable.

Whilst the actions in the ESAP are now largely complete, it has always represented only the start of our sustainability journey. It has provided us with a much needed foundation on which to build and put in place a new far reaching, longer term, and holistic sustainability plan to guide us from 2019 to 2025.

Our 2019-2025 sustainability strategy is currently being developed. It will clearly define our ambitions for the next seven years, will form part of our wider Business Strategy and will help guide us in delivering and attaining our sustainability objectives. It will also provide a mechanism by which our ongoing progress with regards to Sustainability can be measured and future sustainability reports will be structured.

Seven years may appear to be a long time but the challenges we are looking to address and the improvements we are seeking to make are both considerable and, in some cases, long standing.

It is our vision that by the end of 2025, Feronia Inc. and PHC will become a showcase of sustainability in the DRC's agriculture sector, we will set the standard for those that follow and we will create a real and positive legacy in the areas we operate and the DRC.

Hugues Ekani

Director of Sustainability
Feronia Inc.
April 2018



It is our vision that by the end of 2025, Feronia Inc. and PHC will become a showcase of sustainability in the DRC's agriculture sector.

Our approach to sustainability

Feronia is rebuilding a 107-year-old palm oil business which has the opportunity to improve the lives of many thousands of people in the regions in which we operate and the DRC as a whole.



We have embedded sustainable agricultural practices, principles of environmental protection, community inclusion and socio-economic development at the heart of our business



With this comes significant responsibility: to our employees, our wider communities, and the environment and forests that fall within our concession boundaries.

When we acquired the business in 2009, there was little in the way of Sustainability embedded in the business and we have had to, essentially, invent Sustainability as a concept for PHC and, in some regard, agriculture in the DRC; which is no small task.

Nevertheless, we are committed to this task. We are committed to improving the living and working conditions of our people and their communities and protecting the environment in which we operate. We have embedded sustainable agricultural practices, principles of environmental protection, community inclusion and socio-economic development at the heart of our business and believe that our business benefits considerably from this approach.

Three elements of our company have a material impact on achieving our sustainability goals:

- 1) People:** taking care of our workforce
- 2) Plantations:** promoting environmental stewardship and good agricultural practices at our plantations; and
- 3) Communities:** continuing to improve the livelihoods and well-being of the communities within and around our concessions

Developing a plan of action

In 2013 we launched a comprehensive Environmental and Social Action Plan (ESAP) with financial and technical support from CDC Group, the UK DFI. The ESAP helped us put in place a sustainability framework, address environmental and social compliance, implement a number of projects and programmes and enabled us to identify opportunities to add value to local communities.

Understanding our impacts

In December 2014, we commissioned an independent consultant to conduct an Environmental and Social Assessment (ESA) of our plantations to establish a baseline understanding of the socio-economic conditions and conservation value of our plantations.

This was an essential exercise and has helped ensure that our ongoing rehabilitation and development efforts are having a positive impact. It was based on two internationally respected frameworks – RSPO Principles and Criteria and the IFC Performance Standards on Environmental and Social Sustainability (2012). It was an extensive project and its findings are available on our website.

It provided us with a good understanding of our operating environment, has helped us evaluate our existing activities, identified areas which required a greater focus and helped us to start development of an all-encompassing sustainability strategy.

We do recognise, however, that the ESA, whilst extensive, was not exhaustive and that the situation on the ground is constantly evolving. We therefore remain flexible and adjust our understanding as our knowledge grows.

Implementing our strategy

Since the ESAP was put in place in 2013, the Company has, with CDC's assistance, put in place the people, systems and policies required by a company wishing to operate at the highest level of sustainability and responsibility. We have also spent approximately \$11m to date on environmental and social improvements with the biggest focus of our expenditure being healthcare (circa \$5.0m), housing (circa \$2.7m) and access to safe water (circa \$1.1m).

We have built and trained a dedicated ESG team on the ground in the DRC, with the help of expert external advisers and trainers and we have also put in place a comprehensive ESG information management system across all of our sites which ensures that our activities, be they community engagement, community development, environmental monitoring, social assessments, grievance management, community requests, or the monitoring of incidents, are accurately recorded, measured, monitored, reported on and auditable.

There is an ESG team of managers and staff based at each of our plantations with specific areas of responsibility including community relations, community development, the environment, and health & safety. They proactively engage with our workers, their families and the communities and provide an easy access point for local stakeholders to engage with the Company (and vice versa) to share their requests, concerns and grievances.

The future

A great deal has been achieved and the action points set in the original ESAP are now largely complete. We are now building on the ESAP to develop a wider, long term sustainability strategy which is embedded centrally in our business, aligned with our operations, internationally recognised standards and the requirements of the communities in which we operate.

Our strategy will define our objectives and ambitions for the next seven years and will help guide us in delivering and attaining them. It will also provide a mechanism by which our ongoing progress can be measured and monitored by all stakeholders.

The process for developing our future strategy is underway. We are in a period of communication and consultation with key stakeholders and we look forward to communicating our strategy later in 2018.

It is our vision that by 2025, Feronia and PHC will become a showcase of sustainability in the DRC's agriculture sector, we will set the standard for those that follow and we will create a real and positive legacy in the areas we operate and the DRC.



The Company has put in place the people, systems and policies required by a company wishing to operate at the highest level of sustainability and responsibility.



Approximately \$11 million spent to date on environmental and social improvements.



Our progress so far

When we bought the Company, there was no social or environmental function within the business and the scope and scale of our social and environmental responsibility and the task ahead was not easy to comprehend.

Following CDC's initial investment in 2013, it lent Feronia \$3.6 million which was ring-fenced to assist the Company to accelerate the building of an ESG function and invest in environmental and social improvements.

The Company has, with CDC's assistance, now put in place the people, systems and policies required by a company wishing to operate at the highest level of sustainability and responsibility. There has also been a considerable amount of hard work and investment on the ground with approximately \$11 million spent to date on environmental and social improvements including circa \$5.0 million on healthcare, circa \$2.7 million on improving worker housing and circa \$1.1 million improving access to safe drinking water for people living in and around our operations.

- **Healthcare**

We continue to be the main, and often only, provider of healthcare and medical resources in the areas in which we operate. Since 2013 we have spent \$5.0 million rebuilding, refurbishing, reequipping and running hospitals, clinics and health centres which are used by our employees, their families and local communities. Usage continues to grow with 117,134 medical consultations undertaken in 2017, a 23% increase on 2016. Such access is having a positive impact on the health, life expectancy and prospects of the people in the areas in which we operate.

- **Water**

Our programme to provide access to safe drinking water continues and is one of the most significant contributions that our business can make to community life. Access to safe drinking water sources reduces the risk of water-borne diseases and also removes the need for women and children to spend many hours each week collecting water from often unsafe sources. Both of these factors play a key role in enabling education and broader economic activity.

In 2017 we drilled and installed 37 water boreholes, bringing the total number of water boreholes we have rehabilitated or installed to 70. In 2018 we are aiming to install a further 17 and it is our ambition that all villages around our plantations will eventually have access to safe drinking water.

In order to provide a clear baseline, and understand the social and environmental situation in which the company operates, it was also essential to undertake extensive environmental and social assessments. These are published on our website, and are the largest such assessments undertaken in the DRC to date and have helped guide our approach and direct our focus to the areas needing the most attention. We have also undertaken land use mapping and high conservation value assessments to understand the nature of the land around the areas in which we operate as well as its use.

We have built and trained a dedicated ESG team on the ground in the DRC, with the help of expert external advisers and trainers and we have also put in place a comprehensive ESG information management system across all of our sites which ensures that our ESG activities, be they community engagement, community development, environmental monitoring, social assessments, or grievance mechanisms, are comprehensively monitored.

The ESG team of managers and staff at each of our plantations have specific areas of responsibility including community relations, community development, the environment, and health & safety. They proactively engage with our workers, their families and the communities and provide an easy access point for local stakeholders to engage with the Company (and vice versa) to share their requests, concerns and grievances. A confidential grievance mechanism is also available.

Our plantations and mills are already making a positive impact on the development of the DRC; something which is fundamental to our business strategy. The support of European DFIs as equity and debt investors in Feronia is recognition of our potential, and the potential of the DRC. We are committed to rebuilding the business in a way that complies with all of the principles and laws that these stakeholders expect. In many instances, this has involved introducing new sustainability principles and standards to the DRC, something we think is incredibly positive for everyone involved. We know that the process of rehabilitating our business is already having significant benefits for our employees, their families, local communities, our operating regions and the DRC as a whole. Such benefits will only increase as the Company continues to progress.



We continue to be the main, and often only, provider of healthcare and medical resources in these areas.



Our people

We take our responsibility towards our employees seriously, ensuring decent pay and benefits through properly negotiated collective agreements and carefully devised human resources policies.

Employee Breakdown

During the year ending 31 December Feronia Inc had **8,401** employees, including:

4,060 permanent staff

4,341 seasonal workers and day labourers

Of the permanent staff **191** are women, representing **4.7%** of the full time labour force.

The proportion of management positions held by women is **16%** at Feronia.

Overview

As the only significant source of formal employment in the areas around each plantation, we recognise the importance of our impact, and the responsibilities that come with it. In addition to job security and fair pay, we place great importance on the health and wellbeing of our workforce. We want our employees to feel engaged with their work and motivated to achieve their full potential.

Management Approach

Feronia's Statement of Human Resources Policy ("HR Policy") outlines our guiding principles for managing direct, indirect and contractor labour. It sets out our policies, processes and procedures on working conditions, non-discrimination and equality of opportunity, retrenchment, grievance mechanisms, child labour, forced labour, occupational health and safety, and our expectations of our suppliers.

We inform all workers of their rights under national labour and employment law and ensure our policies are clear and understandable to all workers. We comply with, and in many cases exceed, DRC employment law. 95% of our workforce are non-managerial, work at our plantation sites and are represented by six workers' unions.

We seek to maintain a positive climate of employee relations through proactive union relationships, and believe that this is vital if we are to meet the challenges of our business in a constructive manner. We also engage with employees through their line managers and use a variety of other channels to engage with them including group meetings, quarterly newsletters and more informal "toolbox" meetings. We provide our management-level employees, which make up 5% of our workforce, with terms and conditions as established by DRC law.



Taking Action

Providing Fair Wages

Feronia is the only significant employer for hundreds of miles and currently injects circa \$11 million in wages each year into areas where there is no other available employment. We pay our workers above the rates typical for agribusiness in the DRC, have significantly increased pay since we bought the company from Unilever and will continually improve the position for workers as the business reaches profitability.

The wage rates of our workers vary by skill level and length of service, as mandated by Congolese law.

Employees receive 12 monthly wage payments and two additional months' pay in their December pay packet and are paid in Congolese Francs ("CDF"), as is required by DRC law.

In the case of our lowest paid workers (unskilled labourers without any experience, who represent approximately 1% of our permanent workforce, during their first year of service) their pay rate is approximately 145% of the DRC's SMIG (Salaire Minimum Interprofessionnel Garanti - national minimum wage) and our average worker currently earns the CDF equivalent of circa \$3.30 per day.

It is worth noting that our employees are unionised and, following an extensive collective bargaining process in 2014, terms were updated and improved despite the very severe financial pressures that came with rebuilding a business that had been substantially destroyed.

The collective agreement included pay increases, agreed hours of work, sick pay, overtime, maternity pay, holiday pay, end of service pay, bonuses and assistance towards school fees. Additionally, employees receive free healthcare for themselves and their families, accommodation (or payments in lieu of accommodation) and a statutory wage increase for each full year of service. There is no formal mechanism in the DRC for evaluating non-pay benefits but management estimates are that they equate to approximately 30% of an employee's base pay.

Since we acquired the Company in 2009, wages have been progressively increased and we implemented an initiative in January 2017 to help alleviate the effects of DRC inflation/CDF devaluation on our workers by linking pay rates to an independent inflation index.

By contrast, the Democratic Republic of the Congo's Gross Domestic Product Per Capita was circa \$1.20 per day in 2016 which was before the recent devaluation of the Country's currency and is likely to now be below \$1.00, and our average workers earn between 50-100% more than teachers or nurses in the DRC.

What our employees are paid each month does depend on them attending work and their level of performance. Non-attendance or non-performance is naturally reflected in their take home pay each month inline with many industries throughout the world. However, employees that attend work and do their jobs are paid at a rate that is substantially above the average for workers in the DRC.



Our average workers earn between 50-100% more than teachers or nurses in the DRC.

Linking pay to performance

Approximately 80% of our employees are paid according to a daily task rate system where pay correlates to performance, with employees paid extra for over-performance and, conversely, non-attendance or non-performance by an employee can result in an employee's wages being lower. It should be noted that the task rate based system is used broadly in agriculture, worldwide, and can be considered an industry standard.

Our task rates are reviewed annually using industry standard methodology and they are audited every two years as a requirement set by our DFI lenders, by an independent expert. That last audit was undertaken in April 2018 and the following is an extract from the report:

Harvesting

Harvester output (t/md) is calculated from the task rate (bunches/md) (data provided by Feronia) multiplied by the average actual bunch weight (kg) in Lokutu, Yaligimba, and Boteka (data supplied by Feronia) (Table 1).

The task rates set by Feronia are lower (i.e. less onerous) than harvesting tasks set by competitive plantations operating in Ghana and Indonesia (Table 1).

Table 1. Task rates for harvesting in Feronia compared with competitors in Ghana and Indonesia.

YAP	Feronia			Ghana			Indonesia		
	Bunch/Md	Bunch Weight*	t/md	Bunch/Md	Bunch Weight	t/md	Bunch/Md	Bunch Weight	t/md
3-5	130	3.8	0.5	250	4	1.0	140	5	0.7
6-8	110	5.8	0.6	150	10	1.5	1220	9	1.1
9-11	90	7.9	0.7	110	13	1.4	90	14	1.3
12-13	80	9.9	0.8	90	14	1.3	80	18	1.4
14-17	70	10.2	0.7				70	19	1.3
18-20	60	9.7	0.6						
21-23	50	10.0	0.5						
>24	40	9.3	0.4	70	18	1.3			

*Estimated bunch weight for Feronia based on data provided for Lokutu, Yaligimba, and Boteka.

Key: YAP - Years after planting t/md - Tonnes per man day Bunch/md - Bunches per man day



The daily tasks we set are, by industry standards, low. It should be noted that 60% of our harvestable trees are in the 3-5 and 6-8 years after planting ("YAP") bands where both the 'bunches per man day' and 'tonnes per man day' task rates are between 27% and 60% lower than a comparable operation* in Ghana. The task rates are deliberately set low in recognition of the fact that our business is still being rebuilt and we have a workforce who, whilst having been employed by the Company for some years, may have relatively little experience of the business operating at industry standard capacity. Management estimate that the average worker can and, in fact, does, complete the tasks it sets in approximately five hours, which enables them to go home before the hottest part of the day.

* selected by the Auditors

Increasing permanent workforce, reducing casual workforce

In the decade prior to Feronia acquiring PHC in 2009, the average age of the Company's workforce increased considerably. Because of the perilous financial position of the Company, it undertook limited recruitment of new staff and, despite PHC having in place a workers retirement pension scheme, the Company could not afford for older workers to retire.

As a result, today, because some of the more physical work required at this stage in the Company's rehabilitation is not appropriate for older employees in our permanent workforce, we have a considerable reliance on casual day labourers to undertake these tasks.

Despite our day labourers being paid at the same rate as an equivalent permanent employee with 11 years' experience, they do not qualify for additional benefits. We recognise that this, and that casual working and uncertainty of income causes additional problems, it is a situation we are intensely focussed on addressing.

Fortunately, the Company is now able to guarantee the payment of the contractual lump sum retirement benefit to retiring employees. As they retire we will seek to move day labourers onto our permanent workforce, and aim to have mainly permanent workers by 2020.

Timely payment of wages

Historically, we encountered significant challenges in ensuring that all our employees were paid within the first week of each month. This not uncommon amongst businesses in the DRC, and more so for those operating in remote parts of the country where banking infrastructure is largely non-existent. In our case it was exacerbated by the arcane payroll system we inherited and the tight financial constraints under which we were operating.

Nonetheless, in our 2016 Sustainability Report we acknowledged that the timely payment of wages was a key priority and stated that our senior management was monitoring the issue and exploring ways to alleviate this issue.

Whilst the full automation of our payroll system is still being implemented and the growth in banking infrastructure has not changed significantly, we identified ways to change our payroll process, cut processing times and ensure that wages are paid on time.

As a result, we are pleased to report that since February 2017, wages have been consistently paid on time.

We continue to explore mobile banking options and negotiations with local banks to encourage them to establish branches at our operations, so that wages can be paid directly into employees' bank accounts or mobile wallets.



Since February 2017, wages have been consistently paid on time





Improving the long-term livelihoods and wellbeing of employees and their families is a priority for Feronia.

Improving the lives and well-being of our employees

Improving the long-term livelihoods and wellbeing of employees and their families is a priority for Feronia. Our employees and their dependents benefit directly through employment, and they and the wider community benefit from the investment we are making in our investment in water and sanitation, medical and educational facilities and housing.

Providing housing

In 2014, we began a worker housing rehabilitation programme using local construction teams who are making steady progress in assessing housing needs and reconstructing them as needed. With circa 600 houses repaired or newly built to date, approximately 4,000 people now have improved accommodation and a further 200 new and repaired houses are expected in 2018.

It cannot be underestimated how significant a task it is to rebuild or replace our considerable housing portfolio. With almost 6,000 houses accommodating approximately 37,000 people it will take time and a lot of money – current estimates are in the region of \$25 million, which is greater than our current annual revenue. But, by the end of 2018 we will have spent almost \$5.0 million on this task and spending is set to increase as the financial condition of the Company strengthens. In the meantime, we now enable employees to opt to receive a housing allowance if suitable company accommodation is not available.

Providing free healthcare

We are investing in healthcare facilities by providing equipment, training and high-quality medical care for workers and their dependents. We spent \$1.3 million on healthcare at our company's hospitals in 2017 (2016: \$765,000) and local communities are able to access the same facilities for a small fee. Our healthcare facilities are both more affordable for the community, and more accessible, than the nearest government health facilities. This is reflected in the fact that 66% of in-patient treatments that we provide are for people not connected with the Company.

We also provide free vaccinations for the children of Feronia workers, working with external health providers such as local religious organisations and UNICEF.



Across our three plantations, we provided the following healthcare services during 2017:

- 117,134 medical consultations (73% of which were for workers and their families) (2016: 95,343 medical consultations - 79% of which were for workers and their families)
- 13,584 hospital treatments (34% of which were for workers and their families) (2016: 11,584 hospital treatments - 41% of which were for workers and their families)
- 2,222 assisted births (13% of which were for workers and their families) (2016: 2,101 assisted births - 14% of which were for workers and their families)

In 2018, as part of our Community Development plan we will be constructing more community health facilities and expanding our vaccination programme. We will also be undertaking family planning and sexual health education programmes and programmes to promote disease prevention and health awareness.



66% of in-patient treatments that we provide are for people not connected with the Company.



Supporting education

In 2010, the Congolese Government decreed a gradual transition towards free and compulsory primary education for all children. However, the implementation of policy has not been widespread, especially in remote parts of the country.

We work to provide access to good-quality primary education for our employees' children, and ensure that good-quality secondary education is also affordable. We pay school fees for the children of our management grade workers, for up to three children for primary and secondary school. Financial assistance for schooling is also available upon request to permanent workers whose children are registered in an officially recognised school.

In addition, we provide materials and workers to repair and maintain primary school buildings, provide educational materials and are assisting with the construction of new schools through our community development programmes and social agreements with communities.

Diversity and equal opportunities

We have committed to hiring, promoting and compensating employees solely based on merit. We do not make employment decisions based on personal characteristics, which are unrelated to inherent job requirements. We seek to give all workers equal access to training, tools and opportunities for advancement. Our full policy on diversity and equality is set out in our Human Resources Policy, which is available on our website.



Occupational health and safety

We aim to provide safe and healthy working conditions for all employees, contractors, customers and visitors, including the provision of safety briefings and personal protective equipment, where required.

We have conducted risk assessments for all tasks involved in working on our plantations and have in place standard operating procedures that embed Health and Safety in our working practices. We undertake regular training sessions on a variety of topics including road safety and safe driving, security, prevention of accidents, emergency procedure and hazardous materials and, in 2017, provided employees with 8,223 hours of Health & Safety training (2016: 4,613.6 hours).

We see achieving the highest standards in safety and labour practices as a key target over the next seven years. We recognise there is much work to do in this regard and will report on progress accordingly.

Labour relations and fair labour practices

We respect the terms of collective bargaining agreements in force and comply with national laws that recognise the rights of workers to form and join workers' organisations. When we agreed a new Collective Agreement with six unions in 2014, negotiations were characterised by a strong sense of common purpose and willingness to work together on fair terms of pay, benefits and social infrastructure as the operational performance of our business improves.

We continue to uphold this commitment and the principles of fair labour practices in accordance with International Labour Organisation (ILO) standards.

Child and forced labour

We do not employ children or forced labour. Our zero tolerance to both child labour and forced labour is also extended to our suppliers, whom we monitor in this regard.

Whilst the DRC's national minimum age for employment is 16, we have a strict policy of not employing anyone, be they permanent workers or casual workers who are under the age of 18. We regularly hold meetings with workers and managers to reiterate and reinforce this policy. It is also prohibited for parents to bring their children to work.

Security practices

Our activity and investment in our plantations and communities generates security risks and potential sources of conflict with local communities. Theft of fruit bunches for use by local communities (including the local processing and sale of palm oil) is a consistent challenge. It is important for our business to manage the security of our employees, assets and local people in a responsible manner.

We base our approach on the IFC's Performance Standards on Environmental and Social Sustainability (2012) and the Voluntary Principles on Security and Human Rights, adjusted to reflect the circumstances of our operations in the DRC. This commits us to identifying and assessing security-related risks, and mitigating potential risks and impacts by aligning our community engagement activities and security practices. We also commit to appointing security personnel, whether employed directly or provided by third-party suppliers, who have appropriate skills and aptitudes. We strictly reinforce a no firearms policy amongst our security personnel. We actively manage the behaviour of all security employees and contractors to ensure appropriate professional standards, and we use our stakeholder engagement and community grievance mechanisms to assess their performance. We also review and report to our ESG Board on all security-related incidents.

Looking Ahead

We continue to monitor, and are actively seeking to reduce the amount of reliance of day labourers on our plantations and are working towards a wholly permanent workforce by 2020 as we recognise the importance of security of employment.

We will continue to review and adjust plantation wages in accordance with the inflationary pay rise agreement we have made with the unions that represent our workers.

We will work towards our target of achieving the highest standards in safety and labour practices.

Local communities

Rebuilding healthy, integrated and stable communities is an essential aspect of the DRC's recovery from war and conflict.



In addition to job creation, we generate broader economic impact through the taxes we pay, the money we spend with suppliers in the DRC and have wider multiplier effects arising from the jobs we provide and the wages that we pay.



Overview

It is estimated that in excess of 100,000 people live on or within 5 km of a Feronia concession, and approximately 47% of these people are under the age of 16.

Many thousands depend on the success of our business for their livelihoods and to support their families. It is therefore important that we align the interests of our business and those of the local communities to create a mutually beneficial way forward.

By working with our employees, local communities and the government, we aim to be a significant contributor to sustainable economic growth in the DRC. This contribution takes the form of the employment that we provide, the broader social and economic benefits that we can bring to communities and the leadership that we are seeking to establish within the palm oil sector.

Delivering Economic impact

In addition to job creation, we generate broader economic impact through the taxes we pay, the money we spend with suppliers in the DRC and have wider multiplier effects arising from the jobs we provide and the wages that we pay.

During the 2017 fiscal year, our operations displaced an estimated \$20.5 million of imported palm oil products (2016: \$16.9m) and our cost of sales (money spent to produce the products we sold) within the DRC were \$19.4 million (2016: \$18.2m), including \$11m in wages (2016: \$10.2m). Our contribution to taxes (including corporate income tax, other tax and government fees) was \$3.7m in 2017 (2016: \$3.3m). It should be noted though that with the devaluation of the Congolese Franc against the US Dollar over the last 18 months, the growth in our economic contribution to the economy of the DRC, is not immediately apparent. In Congolese Franc terms, our contribution to the economy has grown more considerably. For example, in Congolese Franc terms our contribution to taxes has increased by 38% and the contribution to the economy through our cost of sales, 55%. This is despite the fact that our company is still loss making.

Management Approach

We aim to be a catalyst for, and participant in, broad-based community development.

We believe that a well-managed approach to engaging local communities is critical to our success, and we are continuously working to get this right.

We now have in place a community engagement plan to ensure that we are responsive to the needs of local communities. We have taken practical steps to ensure that our community relations managers are accessible and engaged at all levels, taking phone calls from community members, holding one-to-one meetings with community leaders, regularly attending village meetings and we have an open door policy allowing anyone wishing to engage with us to do so. We record these engagement activities and their outcomes in a central database, which helps to drive community development and future engagement plans.

Taking Action

Memorandums of Understanding with Local Communities

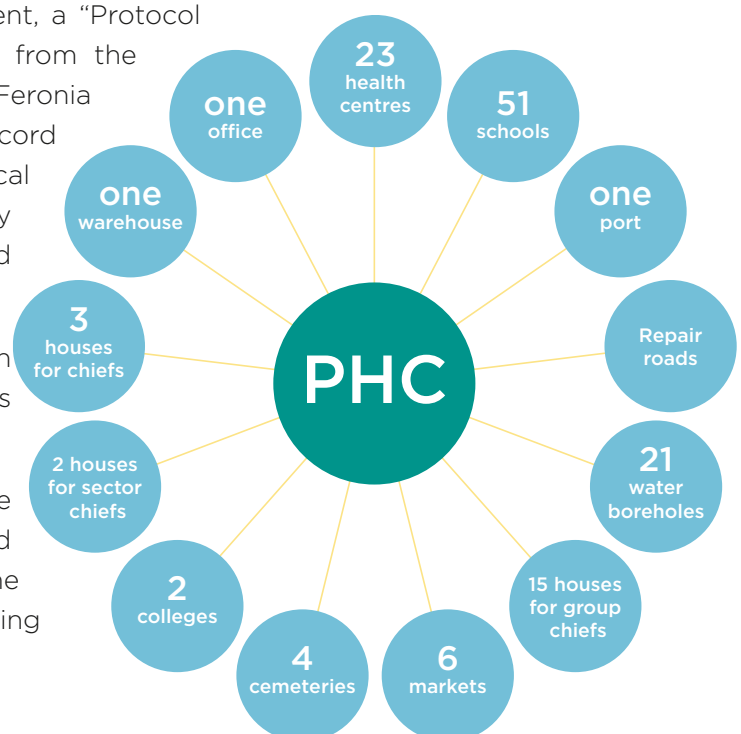
It has long been our wish to put in place agreements with local communities which detail both our commitment to them and their commitment to us. Such agreements are not uncommon in the DRC; the Forestry Code, for instance, requires logging companies to agree a legally binding Cahir de Charge with local communities which stipulate the Company’s duties and associated payments to local communities.

Whilst the Forestry Code does not apply to our industry and there is no legal requirement for us to have such agreements in place, we recognise that they are expected by local communities and also form part of our social licence to operate. That is why, in 2017, we commenced a process to put agree and implement community agreements.

In November 2017, following a series of meetings between the Company and local community representatives from Lokutu, held in Kisangani and hosted by the Tshopo Provincial Government, a “Protocol D’Accord” was signed with local communities from the territories of Isangi, Basoko and Yahuma at Feronia PHC’s Lokutu plantation. These Protocol D’Accord detail the requests and requirements of local communities and formalised how the Company and Communities will work together in this regard going forward.

In January 2018, similar meetings were held with the Communities in and around the Company’s Boteka and Yaligimba plantations.

This chart shows the social infrastructure the Communities have requested the Company build under the “Protocol D’Accords” and which the company has agreed to deliver over the coming years:



Community Development

Establishing local community development committees

The first step in undertaking community development projects is understanding what communities want, what the communities need in order to undertake the projects and how they will benefit. Developing such understanding is a collaborative process.

To achieve this, working with local NGOs we have helped establish and train 14 community development committees across our three plantation sites. These committees include representatives from under represented sections of the community and are fully involved in the selection and development of community-based projects to improve food security and income generation.

Community Development Projects

A number of projects were started in 2017 and the development committees have proposed and agreed with the Company additional projects for 2018.

The following are some of the projects already underway:



- **Multiplication of seeds:**

Access to good quality seed stock in the regions we operate is both difficult and expensive. To help address this, at Boteka and Lokutu, communities have been involved in a food seed multiplication project.

In total, 102 “agri-multipliers” were provided with training in good farming practices, supervision, farming equipment and good quality seed stock; namely 250 kg of rice, 1,240 kg of peanuts, 394 kg of beans and 135 Kg of corn.

The project aims for the “agri-multipliers” to grow the product and provide a pre-defined percentage of their harvested seeds to other members of the community whom they then technically support to sustain the project. The remainder of the harvest is the farmer’s to do with as they wish.



- **Rice growing:**

In Yaligimba, the company preferred to focus on a rice project given the strong demand for rice in the region. A project was established with 30 households in the Bongolu Groupement. These 30 households were trained in good practices for rice cultivation and were provided with tillage equipment and rice seeds. In total, nearly 1,500kg of rice seed was distributed to households. The harvests yielded nearly 19,800 kg of rice, providing a source of food and income to the families.

In order to make the project sustainable, each household undertook to provide a quantity of rice to two other households, which made it possible redistribute 3,000 kg of rice to 60 additional households and expand the project for the next growing season. The remainder of the harvest is the farmer's to do with as they wish.

Given the enthusiasm of the communities and the success of the project, the Company plans to continue supporting rice projects in other Yaligimba Groupings.

- **Village cocoa plantations:**

In Boteka, the Company provided 7,000 cocoa plants, technical assistance and equipment to local communities to enable them to plant 10 fields of cocoa each measuring approximately 0.5 hectares.

Once productive, the Company will purchase the cocoa pods from the communities at a pre-agreed price, so as to provide the communities with a source of income. The company intends to expand the village cocoa plantations programme at Boteka and replicate it at Yaligimba and Lokutu.

- **Cooked bricks project:**

Following the provision of training and equipment, two villages in Lokutu now manufacture baked mud bricks which the Company purchases at market prices to use in the renovation of workers' houses.



Delivering social infrastructure development

We are investing in extensive social infrastructure, building and improving physical infrastructure and ensuring affordable access to healthcare, water and school facilities for the wider community. Our community development initiatives aim to restore livelihoods after decades of instability and provide an opportunity for those who don't work for the Company to also benefit from our presence.

Health

Communities in and around our concessions are able to access the healthcare facilities we have rehabilitated at Boteka, Lokutu and Yaligimba. During 2017, 134 skilled medical staff (2016: 139) provided 117,134 consultations (2016: 95,353) and looked after 13,450 people who were hospitalised (2016: 11,584) at these facilities. Personnel at our hospitals attended 2,222 births (2016: 2,101) during in 2017. See the 'Our People' section for more details.

Our investment in healthcare also provides communities with access to vaccinations against common diseases, as well as education programmes on nutrition, family planning and sexual health programmes, which would otherwise not be available in these remote areas.

Improving access to potable water

Across our three plantations, it takes an average of 30 minutes to walk to a water source, such as a river or creek, and return. We are continuing our water borehole programme, which reinstated/installed 37 borehole wells in 2017 for use by workers and wider community. This will greatly diminish the time spent each day collecting water. As of 31 December 2017, 70 borewells have been built or rehabilitated and a further 17 are planned for 2018.

Roads

We also maintain an extensive network of roads and bridges at our own expense. Without this maintenance, the roads that do exist in the region would quickly become unusable. At the end of 2017 we were maintaining 2,126 km of road networks (2016: 2,126km). This facilitates easier movement of goods and services, which supports economic growth in the region.

Supporting food security

According to the United Nations Development Programme, 6.7 million people in the DRC face an acute food security crisis. The Equateur, Mongala and Tshopo provinces where our plantations are located are classified as having acute malnutrition rates. This is a result of food production declining to the point where it does not meet the needs of local communities, and difficulties in importing food from elsewhere.

Low production and lack of investment in agriculture is a legacy of the DRC's period of conflict, when theft of crops and livestock removed the incentive for mixed farming, and agricultural knowledge and capacity diminished significantly.

We are working to support local communities in farming a greater variety of crops, so as to increase food security while reducing pressure on the natural environment as a source of food. Our initiatives include seed multiplication projects, community bee keeping projects, community fish and rice farms and encouraging the planting of fruit trees.

Free, prior, informed consent

When the companies that became PHC were first established over a century ago, the concept of Free, Prior and Informed Consent (FPIC) did not exist.

The business we acquired in 2009 had no history or structure of community engagement in line with FPIC principles. However, we respect the rights of the communities that now live within our concessions and recognise their rights to access the ecosystem services provided by the natural habitat within our concession. We seek to protect and promote the sustainable use of this land through a community forest plan which is under development to provide agreed joint benefit between the Company and the communities.



Respecting community land rights

We do not own the land on which the three plantations operate. The land is leased from the DRC government through more than 200 fixed-term, 25-year, renewable land titles. Many of the titles have been in place for over 100 years and the renewal process has been undertaken many times.

We strictly abide by the legal process in place for renewing these titles. This process is extensive and thorough. It includes considerable work on the ground, verification by government land surveyors, community participation, and obtaining the necessary government permissions, which vary by province.

We have also commenced a process of communicating the limits of our land titles with communities to help develop greater understanding and reinforce the business' licence to operate.

The land titles for Yaligimba were renewed in 2013, Boteka in 2015 and Lokutu in 2015, 2016 and 2017. We recognise that land rights are a contentious issue in our industry and we are transparent about our activities in this regard. Our land titles are accessible for public viewing at our offices in London or Kinshasa and several people have already visited our offices in both Kinshasa and London to view them.

Looking ahead

During 2018, we hope to launch our community forest plan which will confirm how we intend to protect the interests of communities on and around our concessions as we develop our approach to managing land issues within our concessions. Securing our social licence to operate is a key objective for the company.

We will continue to improve community relations and implement much needed community development initiatives to reduce reliance on the company and stimulate the local economy.

The Company will continue to work with local communities and NGOs to implement projects selected by local community committees from each of our plantation sites. These include a number of agricultural projects including seed improvement, rice growing, establishing community palm, coffee and cocoa plantations, livestock breeding projects, fish farming, road rehabilitation and supporting the rehabilitation of community infrastructures such as schools and dispensaries. We will also expand the village cocoa plantations programme at Boteka and replicate it at Yaligimba and Lokutu.

We will continue to operate in line with best practice standards which include the protection of HCV and we will be proactively engaging with stakeholders and continue to welcome engagement with, and support from, NGOs.



Responsible plantation practices

We are growing our business without any clearance of natural forests. This sets us apart from most palm oil companies, and provides us with the opportunity to build a sustainable business that does not compromise our valuable natural resources.

Overview

Safeguarding our plantations and the surrounding environment is fundamental to the success of our business. This is underpinned by our target of achieving RSPO certification for all of our operations.

We have a clear policy of zero deforestation, and only replant oil palm on land that has previously been used for oil palm plantations. Our approach means that our operations have minimal impact on native flora and fauna species. We have not expanded our plantations beyond previously planted areas and will not do so in the future.

As well as a commitment to protect our surrounding intact forest landscapes, we are committed to not extend our plantation areas beyond the land titles we have in place.

We have developed a Land Policy and Land Management Plans to guide our approach to proactive land management and are working with local communities in this regard.

Management Approach

We recognise our responsibility to protect natural resources, through optimising the productive potential of our existing plantations. In addition to our zero deforestation policy, we work to manage the natural resources within our concessions responsibly, and follow sustainable agricultural practices.

Extensive, independent High Conservation Value (HCV) assessments have been carried out across our three plantation sites to map ecosystems and biodiversity at all three of our plantations. We have integrated the findings of this work into our land management plans.

Our commitment to zero deforestation and plantation rehabilitation is in line with RSPO requirements, International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012), and our Environmental and Social Policy.



We have a clear policy of zero deforestation, and only replant oil palm on land that has previously been used for oil palm plantations.

Taking Action

Working towards RSPO certification

The RSPO aims to transform the palm oil industry and put it on a sustainable path. RSPO certification is a leading indicator of sustainable and well-managed palm oil production. Feronia has in place a target to achieve RSPO certification for all of its operations by 2025.

As part of this journey, we have taken the following actions on land related aspects of the RSPO Principles and Criteria so far:

- Identified specific management units (MUs) within our plantations
- Developed and implemented a management plan and associated maps for each of the MUs, which can easily be applied by staff working on the ground;
- Developed and implemented a monitoring plan for each of the MUs
- Not expanded into areas of little disturbed natural forest as per RSPO requirements.
- Established three management units to conserve remaining areas of natural forest located within our concessions
- Developed a policy that will guide our approach to proactive land management
- Actively managed the areas of natural habitat within our management units to prevent deforestation by communities, and control our use of certain harmful pesticides.

Other RSPO Principles and Criteria are covered elsewhere in this report.

Generating Clean Energy

In 2017 we installed fibre boilers, powered by a by-product of the palm oil milling process, which drive steam turbines, at Lokutu and Yaligimba, our two largest mills. This move means that no fossil fuel is used in the production of CPO and PKO at these two sites as the use of organic biomass as fuel alleviates the need to burn diesel and heavy oil, in generators, reducing carbon emissions and local pollution. When a third fibre boiler, at Boteka, comes on-line in Q2 2018, we will have reduced our use of diesel and heavy oil fuel by 2,000 tonnes each year in the space of one year.

We also continue to produce bio-diesel at Yaligimba enabling all of our vehicles and generators at Yaligimba to be powered with bio-diesel.





Environmental management

We have developed environmental and waste management plans for our plantations that include longer-term plans for fertilizer production and capture of methane for biogas from our palm oil mill effluent ponds, and the provision of appropriate storage and treatment for different types of waste.

Our plantations use approximately 700 litres of water for each tonne of fresh fruit bunches that we process. At our Boteka and Lokutu plantations, we draw water directly from the river. At our Yaligimba plantation we have a dedicated borehole for our water supply. Due to the heavy rainfall of the area, we are confident that our water extraction does not impact the environment or communities. We are developing a plan for the treatment and disposal of palm oil mill effluent (POME) as part of the process to achieve RSPO certification.

We are working to establish an environmental monitoring plan, which will also cover air emissions, solid waste, energy use, indoor air quality and occupational noise. We are in the process of collating data on these different impacts with a view to monitoring them on an on-going basis, and reporting our progress in managing them.

Promoting more sustainable agricultural practices

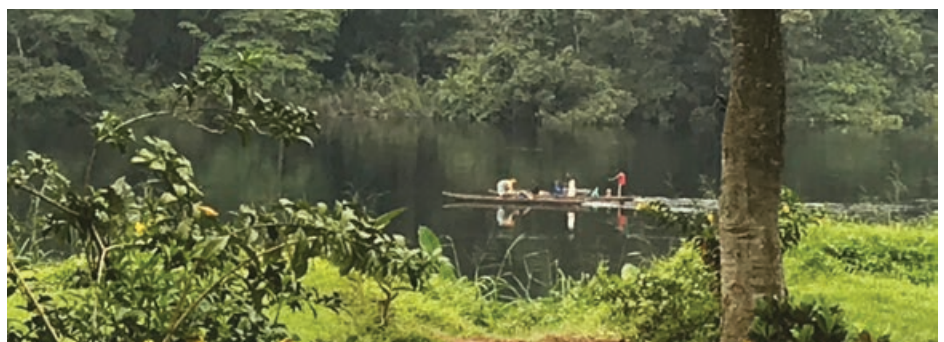
We train our workers in sustainable agricultural methods, including specialist environmental training and resources for our sustainability team. We promote plantation management practices that better manage soils and reduce erosion, more efficient use of fertilisers and other agricultural inputs, integrated pest management, and responsible use of water resources.

Looking ahead

In 2018, we will continue to implement our land management plan, including monitoring and management of HCV areas and detailed monitoring of the presence of key species.

At the same time we will begin to measure and report greenhouse gas emissions from all palm oil operations.

In 2019, we intend to launch our proposed scheme for treating effluent from our mills and reducing any environmental impact resulting from our water use.



Managing our concessions sustainably

In our three plantations we see a unique opportunity to rebuild a successful palm oil business in a way that ensures positive social and environmental impact.

Our zero deforestation strategy is key to this - we are focussed on only replanting areas previously used as plantations and we believe we can achieve financial success and growth, without any need to convert natural habitat to oil palm cultivation.

We have a “no burn” approach to replanting land where oil palms are no longer productive, thereby reducing environmental impacts and ensuring that the nutrient value of the palm trees we fell is absorbed by the soil through natural composting and decay.

Across our three sites, we do not envisage having a planted area much in excess of 30,000 hectares of oil palm, less than a third of our total concessions of 107,000 hectares. The remaining land within our concessions contains wildlife buffer zones, roads, villages and areas of high conservation value and these will not be planted under our strategy.

We continue to undertake mapping of our plantations to ensure our future replanting and land title strategy are fully informed by, and consult with local communities on an ongoing basis. This includes making them aware of Feronia’s Land Policy and Land Management Plans to ensure we develop an appropriate approach to the rights of communities as we consider options for the land that we do not use and to assist us in developing and implementing a community forest plan. This will help to promote sustainable use of the land and livelihoods for local communities. It is our intention to protect the interests of both the environment and communities where future ownership of this land is concerned, and not to dispose of any land in a way that compromises RSPO principles.

Many of the communities associated with our plantations are dependent for their livelihood on the forests that form part of our concession lands. As a result of some plantations being disused for many years, some concession boundaries have become unclear and land titles may not have been consistently enforced. The framework of Free Prior Informed Consent (FPIC) does not apply to these communities, since they developed in response to our concessions and plantations and do not pre-date them. However, we are working with our DFI Shareholder, CDC Group plc, and our DFI lenders to embed informed consultation and participation principles within our approach to legacy land. We will look to protect the interests of all communities associated with our plantations, as we navigate this complex and emotive matter.



ESG Governance

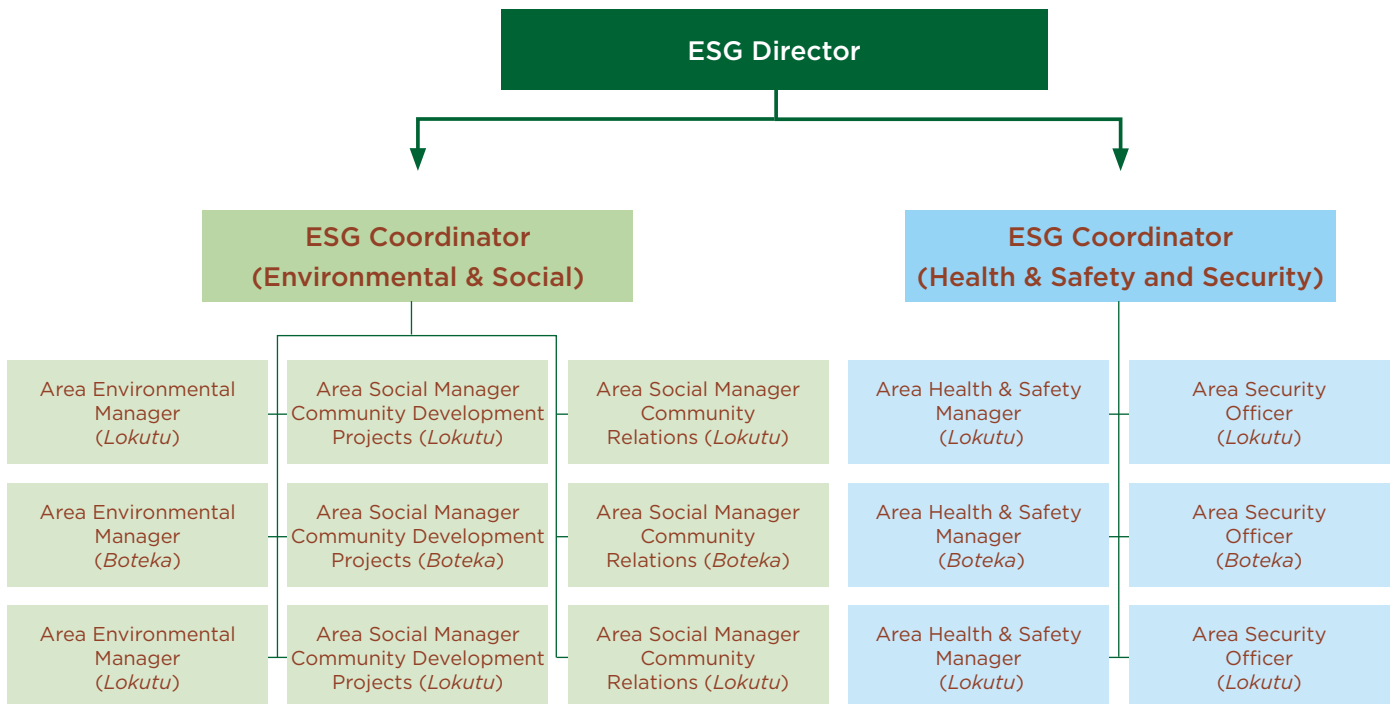
Social and environmental governance is embedded within the structure of our organization and underlines our commitment to building a sustainable palm oil business.

Our Environmental, Social and Governance “ESG” Board Committee was formed in April 2014 and guides, oversees and governs our sustainability progress and performance. It reports directly to the Board of Directors and meets formally four times a year, although it meets more frequently if required.

The ESG Board Committee consists of an independent Chairman and four Feronia board directors who are supported by technical specialist observers and advisers from our DFI investors and lenders. Representatives of the Company’s management also attend the meetings.

The implementation of our ESG and sustainability strategy is undertaken by a dedicated team operating at each plantation, led by ESG Director, Hugues Ekani, and supported by senior management and specialist consultants. The management structure of the ESG team is as follows:

ESG Board committee



Enhancing transparency through reporting

We believe that transparency is essential to build trust and maintain a healthy public dialogue. Disclosure promotes effective stakeholder engagement and provides a platform for open discussion about the challenges we face and how we will tackle them.

We seek to be transparent about our challenges and our progress during our sustainability journey. We have already published on our website (www.feronia.com/sustainability) the findings and recommendations of several independent studies, take seriously the recommendations that have been made to us and have been implementing many of them, including

- strengthening community liaison
- improving stakeholder engagement
- improving housing and infrastructure for our employees.

Our decision to publish an annual Sustainability Report is another step in enhancing communication with our stakeholders. In preparing our sustainability reports, we refer to Global Reporting (GRI) guidelines, the most widely used international standard.

Going forward, we will also be publishing on our website regular updates on progress and our new Sustainability Plan.



We believe that transparency is essential to build trust and maintain a healthy public dialogue.



Our stakeholders

Effective stakeholder engagement is crucial to our business success.



All of our stakeholder engagement is underpinned through our work on the ground in the DRC where a considerable amount of resource is being allocated.



We have a variety of stakeholders with different priorities, concerns and expectations and effective stakeholder engagement is critical to understand their concerns, build trust and to respond appropriately.

There is no “one size fits all” approach when it comes to stakeholder engagement as our different stakeholders have different priorities and different requirements. However, all of our stakeholder engagement is underpinned through our work on the ground in the DRC where a considerable amount of resource is being allocated.

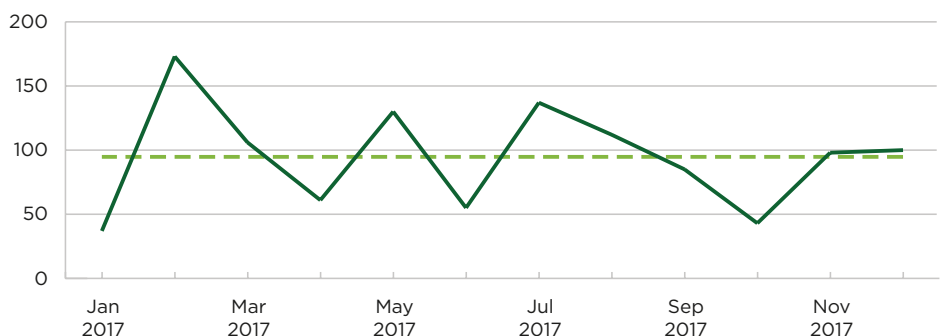
We have built and trained a dedicated ESG team on the ground in the DRC, with the help of expert external advisers and trainers and we have also put in place a comprehensive ESG Information Management System (IMS) across all of our sites which ensures that our activities, be they community engagement, community development, environmental monitoring, social assessments, grievance management, community requests, or the monitoring of incidents, are accurately recorded, measured, monitored, reported on and auditable.

Our Area Social teams and our IMS are enabling us to develop a better understanding of what is important to our employees, their families, local communities and other stakeholders and is allowing us to track progress and deliver real solutions on the ground. It provides information and insight on trends, mapping, comprehensive reporting and a means to audit our effectiveness and progress.

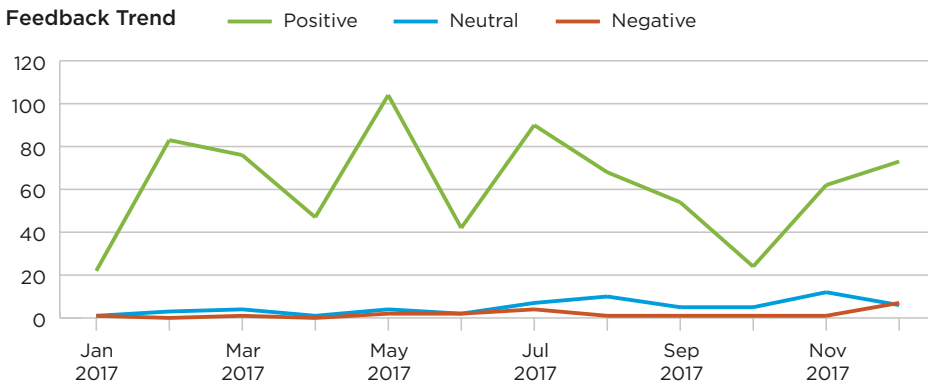
The ESG team of managers and staff at each of our plantations have specific areas of responsibility including community relations, community development, the environment, and health & safety. They proactively engage with our workers, their families and the communities and provide an easy access point for local stakeholders to engage with the Company (and vice versa) to share their requests, concerns and grievances.

The following shows the interactions with stakeholders our ESG teams had during 2017:

Number of Engagements



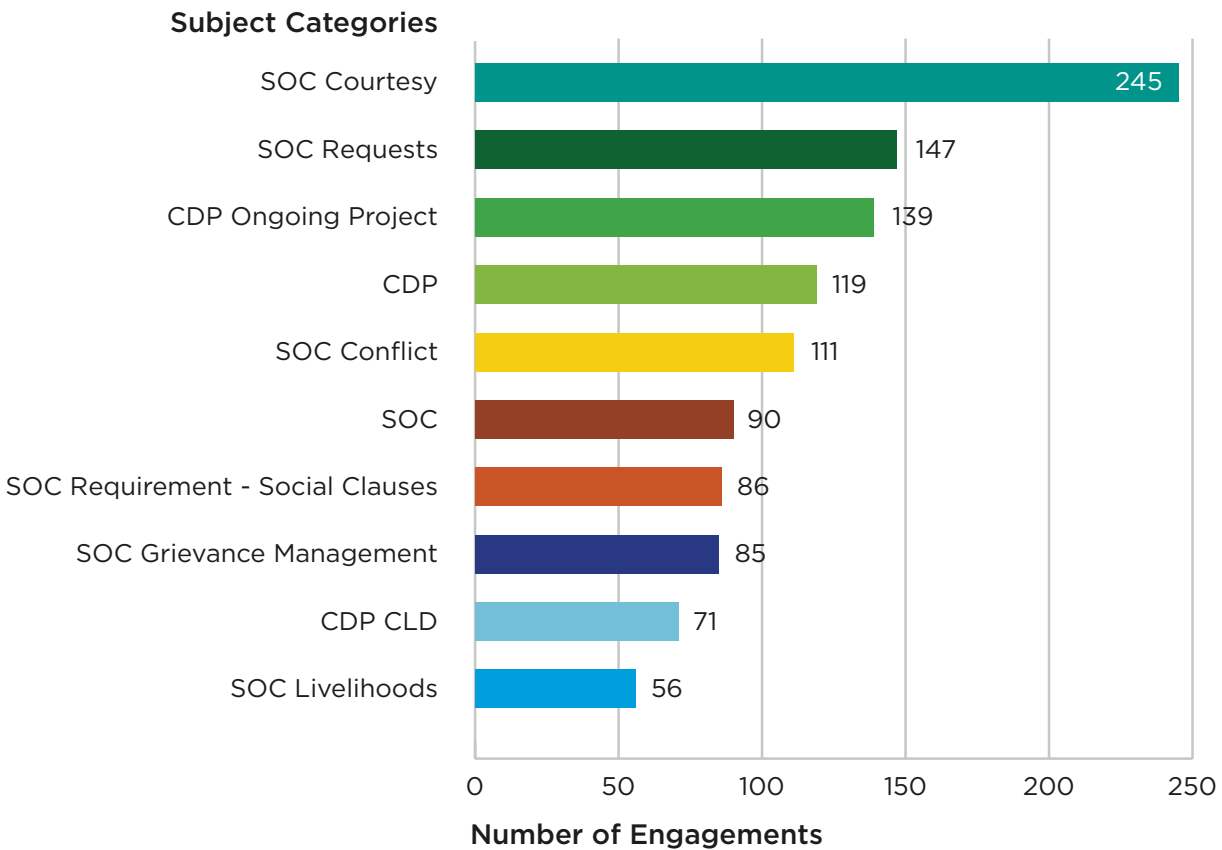
And stakeholder satisfaction/feedback is also recorded and shows a high level of satisfaction:



Our ESG team are also playing a vital role in helping ensure our community stakeholders' needs are met and concerns and grievances addressed, as the Company moves forward.

The following chart shows an overview of community engagements during 2017 and is extracted directly from our IMS:

Hot Topics (Top 10) 2017:



Key:

SOC: Social CDP: Community Development Plan CLD: Comité Local de Développement



Building trust and engagement with the communities on our concessions is vital for Feronia's success in the remote and isolated areas where we operate.

The above chart illustrates the ten most frequent areas of engagement with stakeholders. The engagements can be positive and negative and instigated by either the stakeholder or the Company's ESG team.

For example, "SOC Courtesy" engagements largely relate meetings between the Company and stakeholders where there are no specific concerns, issues or agenda, and took place to further relations between the Company and stakeholders; "SOC Requests" relate to engagements between the Company and stakeholders where specific request have been made e.g. the Company's assistance with funeral costs; "SOC Conflict" relates to engagements between the Company and stakeholders aimed at addressing and resolving social conflict including between the Company and stakeholders or between groups of stakeholders.

We have identified the priorities of our different stakeholders, and developed an engagement plan for each group. These different stakeholders are:

Lenders and Investors (DFIs)

Our lenders and investors, including development finance institutions (DFIs), want to support a sustainable and well-governed business; one that provides employment and delivers long-term value to all its stakeholders.

Lenders and investors participate at our ESG Board Committee, and we maintain a constant dialogue with them through one-to-one meetings and regular reporting. In addition, their representatives visit our sites regularly to assess progress and report back. All of these things help us to maintain high standards across our business that meet international best practice.

Employees

Our employees prioritise job security, safety at work, and accompanying benefits, such as access to healthcare, housing and social infrastructure.

95% of our workforce are non-managerial and work at our plantation sites and are represented by six workers' unions. We seek to foster a positive climate of employee relations through proactive union relationships, and believe that this is vital if we are to meet the challenges of our business in a constructive manner. We also engage with employees through their line managers and use a variety of other channels to engage with them including group meetings, quarterly newsletters and more informal "toolbox" meetings. There is also a confidential grievance mechanism in place for workers to raise grievances or concerns. See the 'Our People' section for more details.

Local communities

Building trust and engagement with the communities on our concessions is vital for Feronia's success in the remote and isolated areas where we operate. Examples of our engagement with local communities include requests for work, clarification on land rights and land use, requests for new infrastructure and repairs to social infrastructure. We also work together to ensure security for our plantations and our employees.

Our Area Social Managers lead engagement with the communities and make every effort to be accessible. Community members can make appointments to meet with the Area Social Managers and can call them on their mobile phones to discuss their concerns.

Managers visit local community leaders and attend village meetings in order to discuss issues as they emerge. They document and input community issues into the Company's information management system. There is also a formal grievance mechanism that is open to all and a confidential "whistle blowing" mechanism.

DRC Government

The DRC government is a 16.63% shareholder in PHC and has three directors on the company's board. They are engaged through regular board meetings and shareholder meetings and receive regular information on company activities.

Despite currently being loss making, PHC paid national and local DRC Government and Authorities taxes and charges totalling \$3.7m in 2017 (2016: \$3.3m).

NGOs and civil society

NGOs and civil society play an important role in monitoring and challenging businesses such as Feronia and PHC.

We believe that such organisations play an important role in ensuring corporations observe the rights of affected communities and that they can effectively represent the people in communities. We welcome such engagement and developing constructive and open dialogue with such organisations, whilst respecting their independence. We have a stated commitment to work with NGOs to address issues or challenges in and around our operations and currently work alongside many of these including CARITAS, CRAFTOP, IGED (Initiation, Gestion d'Environnement Durable et Gestion Défense des Droits Human) and CADAAP.

In the past, some International NGOs have shown an active interest in Feronia's operations, and have raised concerns about land tenure, human rights and corruption. Whilst we take all accusations very seriously, we have always strongly disagreed with the allegations of misconduct. Nonetheless, we remain open to dialogue with all NGOs with regards to any concerns they may have and extend invitations to them to meet with us with the aim of fostering a constructive, ongoing dialogue.

Our approach is set out in our NGO Engagement policy and expanded on in our Community Development Policy, both of which are available on our website.



Our ethical business practices

Our ethical approach to doing business is an integral driver of our sustainability strategy



We encourage anyone with a grievance against the Company to utilise our Public Grievance Procedure.

Overview

The history of the DRC and its challenging business environment means the application of ethical business practices across all our operations is essential. A core aspect of our Business Code of Conduct is to act honestly, ethically and with integrity.

We have developed and communicated detailed business policies and procedures to raise our operations to internationally recognised standards (including those relating to business integrity) and ensuring all our employees act in an ethical manner is an essential part of our development strategy for the business.

Management approach

We have developed a comprehensive Code of Business Conduct which includes important guidelines on our public grievance procedure, corruption, whistleblowing, transparency, political lobbying, conflicts of interest and guidance on appropriate gift-giving.

Compliance with the Code of Business Conduct is a condition of our employment contracts, and monitored by a non-operational manager, who is the point of contact for anyone wishing to use our whistleblowing facility. Annual reports on compliance are provided to our key investors and our lenders.

A full version of our Code of Business Conduct can be found on our website at www.feronia.com/sustainability and more detail can be found in our 2016 Sustainability Report.

Taking action on

Public grievances

We encourage anyone with a grievance against the Company to utilise our Public Grievance Procedure, which provides a mechanism for receiving complaints from those affected by our operations – and facilitate resolution.

Whistleblowing

We have in place a whistleblowing procedure in order to protect the anonymity of any employee wishing to alert Feronia to wrongdoing within our organisation, be it in the DRC, the UK or Canada.

Anti-corruption policy

We have a zero-tolerance approach to acts of bribery and corruption by our employees or by business partners working on our behalf, including advisors, agents or contractors.



Driving ethical business standards in the DRC

We have developed and communicated detailed business policies and procedures to ensure that all employees act in a way that reflects our commitment to business integrity and legal compliance and provide global anti-corruption training every two years for managers in the UK and DRC whom we identify as at risk of being exposed to bribery or corruption.

Where we believe there may be a potential problem in this regard, we conduct internal audits and, periodically bring in external experts to investigate.

Transparency policy

We believe that transparency is essential for building and maintaining trust with our stakeholders and our commitment includes sharing information openly, and engaging with local communities on matters that directly affect them. We have made the land titles that relate to all of our plantation concessions available to view in our London and Kinshasa offices, which is a level of transparency that is not required by law.

Our Transparency & Disclosure Policy sets out how Feronia discloses information to promote better awareness and understanding of our business strategy and operations. It also establishes information that we are not able to disclose on grounds of confidentiality.

This policy is based on the Roundtable on Sustainable Palm Oil (RSPO) Principle 1: Commitment to Transparency, which we have adjusted to reflect the circumstances of the DRC.

Lobbying and political donations

We are an apolitical organisation. Our policy is that nobody should make any political contribution on our behalf, or use our name, funds, property, equipment or services for the support of political parties, initiatives, committees or candidates. Any lobbying activities or pursuit of contacts in government must be approved and coordinated with Feronia's management and appropriate.

Conflicts of interest

We believe that relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect the independent and sound judgment made on our behalf. All employees must disclose to management any situation that may be, or appear to be, a conflict of interest.

Guidelines for appropriate giving of gifts

Our employees are expected to adhere to internationally recognised legislation governing the appropriate giving of gifts. According to foreign corrupt practices legislation in the UK, USA and Canada, it is illegal for a person to directly or indirectly give a gift or a benefit of any kind to a foreign official, to obtain an advantage.

Looking ahead

We will continue to embed ethical business practices at all levels of our business, through the training programmes, guidelines and frameworks outlined in this section.



We have a zero-tolerance approach to acts of bribery and corruption by our employees or by business partners working on our behalf, including advisors, agents or contractors.

