

Socfin’s response to Fian’s “Draft report extracts made available to Socfin before publication -

Provisional title: Land Conflict in Malen - Analysis and lessons learned from a human perspective”

General comments:

Socfin acknowledges and welcomes the feedback from stakeholders including Fian.

Although Fian has not provided substantive details and information to support many of the claims made, Socfin takes seriously such claims and has provided through this document a detailed summary. Should Fian be able to provide more substantive details, either in person or via a follow up exchange, then we would happily review further accordingly.

1. Arrival of Socfin in Sierra Leone

After the 12 years civil war from 1991 to 2002 that destroyed the socio economic framework of the country, the government of Sierra Leone developed strategic plans to attract foreign investors with the objectives to rebuild the agro industry in order to provide jobs, create self-sufficiency of basic agro-commodities and develop the local economy.

In that context the SLIEPA (Sierra Leone Investment and Export Promotion Agency) contacted Socfin in 2009 to see if it would be interested to invest in an oil palm plantation project.

Once all the prospective work and consultations with the local communities effected about the interest that such a project could raise, the following steps were taken over a period of more than a year, negotiations with the communities in order to secure an area of land sufficient to justify a fully integrated project of an oil palm plantation with an oil palm mill and all the necessary related social infrastructure.

Socfin went through a lengthy process of consultation with the communities, resulting in an overall acceptance and support to the project; people were free to choose and some decided not to adhere to the project and kept their land.

One of the steps was to have a full Environmental Social and Health Impact Assessment study, which was done by Star Consult in 2010-2011, followed by its Public Disclosure made in June 2011.

The result was the granting from the Government of Sierra Leone to Socfin of three different land lease totaling 18473 hectares (the Government of Sierra Leone leases the land from the land owners and then the Government of Sierra Leone sub-lease that land to Socfin).

A first lease signed in 2011 was amended in 2012 at the request of the Government of Sierra Leone following a change from the GPS to a coordinate system ArcGIS professional. To bring future maps in line with the new system the 2011 lease had to be changed.

The land-leases of Zone A, B and C are respectively of 6576, 6269 and 5628 hectares, making up a total of 18473 hectares.

A MoU between the Government of Sierra Leone and Socfin to fix the terms and conditions related to this project was signed on 24th September 2012. That MoU did not put a limit to the size of the oil palm plantation but instead listed SAC's intention of its plantation size, oil mill capacity, estimated investment and estimated labor and contractors force.

Documents:

ESHIA from Star Consult

Public disclosure of the ESHIA from Star Consult (with dates and signatures of each community meeting)

2. Security situation in the Malen Chiefdom

The former Chairman of the Maloa, who recovered in 2018 the Member of Parliament Seat that he had lost in 2012, incited in October 2018 the local population by giving of clear message of unrest and theft towards the company, quite unusual from someone who in theory should support law and order.

Subsequently the President of Sierra Leone intervened to calm the situation and in November 2018 a letter of appreciation was sent to the President of Sierra Leone by a group of 44 town chiefs and land owners of Malen Chiefdom to thank him for sending a team to investigate the issues surrounding the land, to assure him that the land leases were done voluntarily and to request for peace in Malen Chiefdom.

SAC project being a priority for the Government of Sierra Leone, in November 2018 the Vice President met in closed doors meeting with Maloa and another closed door meeting with the Paramount Chief, section and village Chiefs; after which the Vice President held a general meeting in the Native Court Barray. He was accompanied by other senior ministers such as the Ministers for Local Government, Internal affairs and Agriculture; the Vice President clearly told the audience that they should address their land related grievances to the government (who leases the land from the land owners) instead of targeting Socfin (who leases the land from the government).

Although Socfin understands and is actively engaging in the issues surrounding the Malen Chiefdom we would also like to highlight that the vast majority of landowners within the Malen Chiefdom are supportive of the process and the basis under which they granted their consent.

Documents:

Letter written by 44 Malen Chiefdom land owners

3. Right to food and access to land and natural resource, right to a healthy environment

The Malen Chiefdom area is about 27000 ha.

The total area of SAC concession is 18473 ha, of which 12349 ha have been planted and another 1100 ha used for roads and infrastructure buildings leaving 5024 ha unused by SAC.

Each of the 52 villages has its own greenbelt, which shape and size, in the absence of legal requirements, were approved by the village communities during the land prospection process.

The Company has put in place a rice farming scheme, providing rice seeds and cultivation equipment in boliland (swampy areas); there is also the possibility to cultivate rice on IVS (inland valley swamps) and upper land; overall a small percentage of the total potential cultivation land available for the communities is utilized by them; it is their choice; alleging that pollution from chemicals and pesticides makes these areas not suitable for cultivation is not substantiated by any evidence; the Company has very clear SOP (Standard Operating Procedures) for the application of fertilisers and pesticides; the governmental Environmental Protection Agency makes regular visits and audits on a quarterly basis, and the Company has been ISO 14001 certified, which confirms through a thorough audit process that procedures and work practices respect the environment. Regular water analysis by independent bodies (Ministry of Water Resources, EPA) are made to ensure that all parameters are within the set limits.

Upon investigation of a 2013 complaint raised against SAC for pollution of the Malen river leading to deaths of fish, the results of water and fish taken for sampling was that the most probable cause was that the chemical Gamalin 20 was responsible, a product used by the communities fishermen to numb the fish for easy catch; this chemical is not used by SAC.

In 2018, the rice farming scheme covers 660 acres, and will produce 400 tonnes of rice. A much wider area could be done depending on the communities' needs and willingness to do so. Master farmers within the communities form committees working closely with the SAC Community Liaison Department to allocate farming areas to community people; plot, seed rice and mechanical assistance for land preparation will be given to every genuine request. The Company will formalize this scheme started in 2012 by drawing an SOP that will determine how the land is allocated, who are the people who can benefit from it, the size of the plots...

SAC has put in place three fishing ponds on request of three communities; they work well, under the Company supervision; SAC will support any new fishing pond request from other communities.

Documents:

SOP Villages greenbelts

EPA quarterly Monitoring visit

Environmental Impact Assessment License from EPA

ISO 14001 certificate

Land-use map

4. Right to water

While the MoU makes no restriction to the volume of water available to SAC, as a responsible Company with strong environmental engagements, SAC not only monitors closely its water consumption but aims at reducing its consumption. This is checked annually during the ISO 14001 auditing process

There is no irrigation on the oil palm plantation (with the exception of the small oil palm nursery and a very small trial near the staff compound for research purpose).

The rainfall around Malen Chiefdom is about 2800 mm per year and is one of the highest of the whole Africa.

Building and maintaining water wells in the communities is an integral part of SAC CSR projects.

Regular controls on the quality of the well equipment's and water analysis are conducted by the EPA and the Ministry of Water Resources on a quarterly basis.

Documents:

List of CSR projects

SAC Environmental Policy

Report on 97 water wells in Malen Chiefdom by Ministry of Water Resources in November 2018

5. Smallholder and outgrower scheme

SAC reviewed its initial plan and decided to prioritize the rice farming scheme and the fishing ponds, as mentioned in point 4 above. The objective is to make Malen's food security stable and to be able to have the community interested with it to produce its needs and sell the surplus if any.

It is envisaged that once the whole industrial infrastructure is realized SAC will start to collect palm kernels in the region, allowing additional income to the communities.

6. Right to decent work and fair employment

As for any agricultural work, SAC production has some seasonality pattern and it is necessary to adjust the labor force number to the requirements; this seasonality explains the different categories of workers; the objective is to gradually issue contracts for the required number of workers needed based on the lowest seasonal requirement and the balance of workers will be seasonal. SAC has already given empowerment to local contractors who employ workers to carry out agricultural work and contribute significantly to the human resource in the plantation. SAC is faced, as other agro industrial companies, with challenges linked to a widespread phenomenon of irregular attendance, poor discipline and lack of rigor to achieve desired tasks.

All types of contracts have wage conditions in line with the CBA (Collective Bargaining Agreement) negotiated every three years between the Unions and the Agriculture Sector. These wages are above the national minimum wages.

Permanent and fix term contract employees have signed contracts and receive pay-slips with their monthly wages.

Casual employees have their work recorded in the same management information system as the other type of employees that allows daily feedback, to confirm with the workers their attendance and their task achievements; during pay day they sign a payroll document that shows their monthly net pay.

SAC complies with all labor laws and is under strict control from the Ministry of labor and the Parliamentary Committee of Labor.

As an agricultural Company SAC bases the field work on a task system; tasks have been standardized across all Socfin oil palm operations after careful time studies to set tasks at achievable levels; the key advantages of the task system is that good workers can finish their task early and decide to either stop and go back home early, or to continue and exceed the task which will raise their pay. In high crop season it is common for harvesters to get the equivalent of two to three times the minimum Company wage.

SAC has both an external and an internal grievance management system; everyone is free to expose a complaint which will be investigated and reported back to the complainant with its outcome.

In 2011 SAC invited the Union to represent the interests of the workers and has good work's relation with the Union. SAC holds regular meetings between workers representatives and the management; in this forum the workers will expose any complaint they have related to working or living conditions.

The Company employment policy is to give priority to local citizens subject to skill sets and integrity being fulfilled; key members of management are from the Malen Chiefdom whilst others are from other areas in Sierra Leone (Construction Manager, Human Resources Manager, Community Liaison Manager, Assistant Mill Manager, Workshop Assistant Manager, Agric Estate Manager, Agric Divisional Managers) and in any of the supervisors positions.

About a quarter of the permanent employees are women; SAC is giving particular attention to women; several policies have been established to protect their work; a gender committee has been put in place to discuss women issues and grievances.

SAC has a very strict Child Labor policy; all employees must be above 18 years old, based on ID cards.

The Company does employ several elderly members of communities in certain function such as community liaison department and agriculture department (supervisors). In addition a special program is currently being designed for the elderly people with the objective to start in Q1 of 2019.

Medical statistics ascertain that SAC does cover for work and non-work accidents; the medical bills paid to the clinics and hospital are there to support this. SAC rehabilitated or built the major San Malen clinic and three smaller clinics. Transport is provided for all victims of accidents.

Documents:

Collective agreement

SOP employment

Child labor Policy

7. Right to education

Primary and secondary education are free for all children in Sierra Leone from September 2018; education is a fundamental right for all Sierra Leoneans.

The Company supports the state school system through various activities such as construction of new schools, rehabilitation of schools, payment of stipends to teachers and security guards in various schools, scholarships, transportation and feeding of children when on examinations, purchase of text books, fruit forestry project, rehabilitation of teacher's accommodation quarters, bee hives projects, various sensitization programs, transportation during examination, nature clubs, purchase and construction of school furniture...

More than 4600 children attend schools located in the community's villages inside the plantation.

The Company has introduced a scholarship scheme to assist hard working pupils of Malen Junior Secondary School (MJSS) to continue their education into the Senior Schools. For the school year 2017/2018 a total of 91 students received a scholarship from SAC.

SAC bans all forms of child labor; there is a strict employment SOP; SAC only employs people above 18 years old, based on ID cards.

Documents:

List of CSR projects

Child labor policy

SOP employment

8. Civil and political rights and the protection of human rights defenders

Over the years SAC has collaborated with several NGOs such as World Vision and Welt Hunger Hilfe to drive environmental and social projects.

One of the most important partnership was the Ebola prevention set up with World Vision that helped to reduce the incidences of Ebola in the region during the 2014-2015 crisis. SAC did not abandon the people of Malen during the Ebola crisis and it should be noted that Pujehun District was the first to be declared Ebola free ; SAC's full management team stayed on site to have an active role through sensitizations campaigns and preventive measures; this demonstrated strong commitment to help the communities during the crisis was not common; many organizations opted for a full repatriation of their expats staff.

Numerous meetings were held between SAC and Green Scenery since 2014 (more than 15 in 5 years) which demonstrate the Company willingness to have a constructive dialogue. This can also be seen

by the most recent meeting in March 2018 with Mr Rahall and Fian with the SAC General Manager. Many email exchanges have been had between Mr Rahall and the SAC General Manager.

SAC has a zero tolerance to using force or corrupt means to influence people's right to express themselves.

Documents:

Ebola Article 2015

9. Participation and consultations of the communities

A full Environmental Social and Health Impact Assessment study was done by Star Consult in 2010-2011, followed by its Public Disclosure made in June 2011; these two documents confirm the engagement of the communities.

A number of land owners, including the current local Member of Parliament and most of the board members of Maloa (Malen Land Owners and Users Association), refused to be part of the project and have kept their land.

Although Socfin understands and is actively engaging in the issues surrounding the Malen Chiefdom we would also like to highlight that the vast majority of landowners within the Malen Chiefdom are supportive of the process and the basis under which they granted their consent to the Socfin project.

As part of the commitments made during the ESHIA phase and the Community Development Plan designed at that time more than 2.5 million USD have been spent by the Company over 7 years on various CSR projects; this amount excludes what was spent by the Company Health and Safety Department for the medical expenses and the environmental protection.

Documents:

Public disclosure of the ESHIA from Star Consult (with dates and signatures of each community meeting)

List of CSR projects

10. Transparency and corruption

Transparency is an integral element of the Socfin Responsible Management policy; in partnership with TFT, a transparency dashboard was put in place in 2017.

During meetings with Green Scenery and Fian, a number of documents were shared. Others which are government's documents are accessible at the relevant authorities' offices. Some are documents that contains competitive information and are therefore confidential.

All compensation records are freely available at the Chiefdom administration or SAC headquarters on request.

SAC does not effect any payment with the landowners; SAC makes payment to the Chiefdom authorities witnessed by the MAFFS (Ministry of Agriculture, Forestry and Food Security), the Pujehun District Council, the District Officer and the Police.

SAC assists the local authorities (chiefdom authorities, Ministries, Pujehun district...) in terms of transport (fuel, repairs of vehicles) in regard to meetings, reports, investigation, annual assessments or audits.

SAC has no control, and obviously no authority on the Chiefdom Authorities.

11. Compensation, resolution and restitution

The Company has followed the legal requirements of the Government of Sierra Leone.

All compensation of perennial crops were paid according to rates set by the government, or higher.

The land lease payments are set in USD which protect land owners from local currency depreciation (in December 2012 a USD was worth 4350 Leones while it is worth 8600 Leones in December 2018).

The share of the rental payments due to the local land owners has been paid by SAC to the Chiefdom Administration represented by the Paramount Chief. The amount paid to the individual land owners is determined by the Chiefdom Authorities.

Land leases payment are made separately, according to their Zones agreements; there are three Zones, A, B and C.

12. Responsible investment - CSR

The figures stated by Fian in its report are taken from the SAC community development action plan from the ESHIA study done by Star Consult in January 2011.

The total amount of 16.4 million USD stated by Fian for the period 2011 to 2017 is correct but the most significant items of expenditure are for buildings and housing at 12.2 million USD, which are not part of the projects listed in the detailed expenditure of CSR activities by SAC, and for smallholder and outgrower FFB purchases at 2.6 million USD, which as explained in point 6 above was not implemented.

It was initially foreseen to build new houses for the affected communities outside the concession; however the communities preferred to keep their current settlements and have opportunities to rent accommodation to company workers, creating additional income.

If we compare what is comparable we therefore need to compare the 900,000 USD planned for schools and hospitals and the 800,000 USD planned for road construction and maintenance, making a total of 1,700,000 USD, with the 2,600,000 USD spent by SAC on CSR projects from 2011 to 2018.

Between 2011 and 2017 SAC spent 500,000 USD for schools and hospitals compared to 900,000 USD as per the plan in the ESHIA study. During that period SAC spent also 200,000 USD on water wells for the communities, and 1,000,000 USD on various community projects, which was not part of the plan.

Between 2011 and 2017 SAC spent 900,000 USD for roads compared to the 800,000 as per the plan in the ESHIA study. Fian's statement on the lack of benefit of good roads to the communities might be coming from a minority of people opposed to the project as the overall sentiment is that good roads are necessary to access markets and to allow easy transport of goods and people.

The elements above demonstrate that while there could be slight variations with the initial community development plan designed by SAC and reported in the 2011 ESHIA study, overall SAC is following its engagement to support the communities in the aspects of health, education, water, roads and other projects requested by the communities.

Not included in the amounts described above are all the expenditure related to the environmental protection (3,200,000 USD).

A local radio station was put in place by SAC, an initiative that is very popular; it is used to send various environmental and social messages.

A very successful SAC micro-finance scheme with a portfolio of over 200 million Leones allows petty traders in Malen Chiefdom to improve and expand their businesses.