



**A Response to Inquiries Regarding the Sustainability and Intentions of the Herakles Farms  
SG Sustainable Oils Project in Southwest Cameroon  
20 March, 2012**

Herakles Capital is a business incubation company with a strong track record of sustainable economic development in Africa. As the project developer and sponsor of Herakles Farms, we would like to respond to certain inquiries that are being made regarding our intentions for the Herakles Farms SG Sustainable Oils Cameroon (SGSOC) project. We believe that an open dialogue can help us all reach a level of comfort and that sharing our background with readers will help them understand us and our approach.

Inspired by a desire to “do something” for Africa after a visit to war-torn West Africa in 1999, our CEO, Bruce Wrobel, quit his job to start Herakles Capital with a commitment to using his skills in large-scale project development for the benefit of sustainable economic development in Africa. Bringing with him some of the best and most experienced engineers, planners and managers from his previous employer, Bruce and the Herakles Capital team set about identifying solutions for some of the most difficult development issues on the continent in the areas of energy, telecommunications, food security and resource development. Since then, Herakles Capital has helped found several award winning projects across the continent, bringing numerous benefits to the corresponding regions. In 2009, Mr. Wrobel received the Africa Investor, “International Business Leader of the Year Award,” for his work, and we are developing our latest project, SGSOC, in the same spirit. Below, we describe some of our history to date and then address the inquiries at hand regarding SGSOC.

SEACOM

Herakles Capital, through its affiliate, Herakles Telecom, began development of SEACOM in 2007. Completed in July 2009, SEACOM is the first fiber-optic cable along the east coast of Africa, stretching over 16,000 km under-sea before splitting to Europe and Asia, resulting in an approximate 90% reduction in pricing as compared to satellite. It is over 76% owned by African investors, allowing profits to remain within the continent, and has resulted in international bandwidth increases between 700 to 1,000%, allowing for more access to information at less cost.

SEACOM is committed to social programming through various means. For instance, its TENET partnership provides subsidized international bandwidth across 40 universities, resulting in 50 times more capacity at the same annual price paid prior to SEACOM. The World Bank’s 2009 Information and Communication for Development Report notes, “every 10% increase in high-speed Internet connections in developing countries [results] in an increase of 1.3% in economic growth.” Certainly, we are seeing this in action. For instance, within 14 days, Kenya witnessed a 200% increase in data traffic among Safaricom subscribers. As many readers may be aware, mobile technology has been a leading path to enhanced market development for small-and-medium-sized enterprises (SMEs) and smallholder farmers, and along the east coast of Africa, SEACOM has expanded availability and accessibility of this technology exponentially. In 2007, SEACOM won



Euromoney Project Finance's "Africa Communications Deal of the Year" award. In 2009, it received AfricaCom's "Best Pan African Initiative" award.

For more information, please visit: [www.seacom.mu](http://www.seacom.mu).

### Bujagali

The 250 MW Bujagali Hydroelectric facility in Uganda is another example of Herakles Capital's efforts to bring transformational sustainable economic development to a region. Through Sithe Global, founded by Bruce Wrobel, and in partnership with the World Bank and many other multilateral agencies, the facility recently began its first energy production and will displace a significant amount of oil-fired generation when fully operational. Until now, energy was sourced from fuel oil that had to be transported to Uganda, a land-locked country, by trucks over more than 1,500 km from Mombasa, resulting in massive inefficiencies, greenhouse gasses and pollution.

This new facility will result in enhanced efficiency in energy production, as it will not only displace the need for fuel oil, but water used for power generation will be non-consumptive, and the facility will re-utilize water that has been released by a separate hydroelectric facility located upstream.

With approximately \$9 million of its total community development budget invested to date, the company has successfully built and renovated schools, fostered skills training opportunities, initiated health programs, facilitated microfinance loans, supported SME (e.g. tourism) and smallholder farmer development, developed approximately 38 km of clean water piping (with 7 km more planned) and has conducted reforestation for erosion control along the banks of the Nile River. This project received Euromoney Project Finance's "Africa Power Deal of the Year" award in 2007.

For more information, please visit: <http://www.bujagali-energy.com/default.htm>.

### Global Alumina

Guinea has 1/3 of the world's bauxite reserves and has been the largest exporter of the raw material for more than 35 years. Bauxite is the main feedstock in the production of aluminum, which must go through a highly value-added process to be transformed into alumina before aluminum. However, historically, no one had invested in any processing capacity in-country. Instead, the raw material was extracted and shipped elsewhere for processing, with the corresponding profits leaving the country. Bauxite from Guinea sells for approximately \$20 per ton, while alumina sells for nearly \$400 per ton. Herakles Capital saw an opportunity for the country to capture some of these profits, and embarked on a project to develop the country's first processing facility through Global Alumina.

The benefits in terms of economic development are vast. The first refinery is expected to create over 10,000 construction jobs and 2,500 permanent refinery jobs, as well as an estimated 3 to 5 indirect jobs for each direct job created. The overall employment impact on the Guinean economy



is estimated to be more than \$300 million over the construction period and \$30 million per year for the life of the refinery, with projected direct local procurement in excess of \$100 million during construction. To date, nearly \$800 million has been invested in infrastructure, engineering and training.

In addition, the company has been investing in employee and affected peoples' housing, education, health and social facilities and programs to stimulate sustainable community and incidental commercial development (e.g. SMEs), including provision of electricity and water. Global Alumina was also commended by the United Nations in "An Inspirational Guide to Implementing the United Nations Global Compact."

Additional information may be found at:

<http://www.globalalumina.com/PDF/UN%20Global%20Compact%20GA%20Case%20Study.pdf>

and at

[www.globalalumina.com](http://www.globalalumina.com).

### Herakles Farms

Through its work in Africa, Herakles Capital has identified food security as one of the major issues, and responding to the interest of the Government of Cameroon in being self-sufficient in basic food staples, Herakles Capital launched the SGSOC project in 2009.

The oil palm tree is native to the West and Central African region, and it produces 6 to 8 times more oil per hectare than alternative edible oil-bearing crops, thereby requiring less land, fertilizer and consumables than other crops. However, lack of investment in the local industry has resulted in the dominance of Malaysia and Indonesia in the trade. These countries now produce nearly 90% of the world's palm oil, despite the fact that the tree is native to the West and Central African regions. Meanwhile, West and Central Africa are importing approximately 1.7 million tons per year, or \$1.7 billion dollars worth.<sup>1</sup> As the World Bank points out in "The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector," the palm oil industry has been a major contributor to the export earnings of producer countries, and the large oil palm plantations generate up to 30 times more employment per unit area than other large scale farming. It writes, "in both Indonesia and Malaysia, oil palm based agricultural development has been a major driver of development and agricultural diversification."

At a time when increasing incomes and populations in China and India (the largest palm oil importers) are resulting in increased demand and therefore global prices, the government of Cameroon felt it was important to attract investment in local production and supply of this food staple.

Unfortunately, we launched this project at a time when there have been an increasing number of speculative investors seeking land in African countries. Given some examples that have been set by others, we understand that the investment incentives we have been awarded have attracted the

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<sup>1</sup> ISTA Mielke GmbH, OIL WORLD, Hamburg, Germany - Internet: [www.oilworld.de](http://www.oilworld.de).



attention of critics. However, in addition to our track record of developing successful projects in Africa, most of our incentives in Cameroon are just part of the government's Free Trade Zone program, designed to attract overseas corporate investments in Cameroon.

Like many other developing countries, such incentives are important to attract foreign investment to supplement the fragile investments the state is capable of making. For instance, the region in which we operate has very little cash in the economy, as most of the population lives subsistence lifestyles. The government alone cannot develop markets in the area, and taxing these people is nearly impossible when they operate in an informal economy with very little cash income. Therefore, the introduction of an anchor company into the area that invests in these small farms and businesses, provides capacity building to help them grow, and catalyzes market development by acting as a buyer and employer, is of great value. The Free Trade Zone program helps make this happen.

In our case, while the Free Trade Zone program is designed for exporters, we are able to sell as much of the product locally as we would like. This was important in order to pursue our food security theme, as there is clearly local demand for the product. Africa's average per capita consumption of oils and fats is only about 11 kg, compared to the world average of about 24 kg.<sup>2</sup> This consumption is growing as incomes rise and as product becomes more available locally.

Also in our case, the length of the lease and amount of land was very important. The oil palm tree's lifecycle is approximately 25 years, and we will be planting in phases. In order for our investors to feel comfortable with the project, particularly in a "frontier market" like Cameroon, we had to demonstrate that we would be able to cultivate our trees for more than one lifecycle, and that we secured enough land upfront for the project to be commercially viable.

We should bring attention to the fact that not all of our agreements with the government and local communities have been captured in our agreement with the federal government. To date, we have signed Memorandae of Understanding (MoUs) with the communities in and around our concession area, as well as Common Commitments with local officials. These agreements commit Herakles Farms to:

- not planting on land where villages and farms currently exist, leaving land for their future generations' expansion, as well as buffer zones to ensure plantation operations do not impact them;
  - to date, over 1,000 farms have been jointly demarcated with local people, government officials and company representatives;
  - Herakles Farms will not be relocating people and does not have a need to do so, contrary to what some sources are suggesting;
- assisting local authorities in enforcing a no-poaching policy in the concession area and the neighboring Korup National Park, not by arresting or detaining offenders directly, but by reporting incidents to the appropriate authorities for their enforcement;
  - Herakles Farms will not in any case arrest or detain people, contrary to what some sources are suggesting;

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<sup>2</sup> ISTA Mielke GmbH, OIL WORLD, Hamburg, Germany - Internet: [www.oilworld.de](http://www.oilworld.de).



- more detail on programs to encourage alternative sources of protein and anti-poaching policies may be found in the Sustainability Guide on our website;
- developing detailed Environmental Management Plans;
- supporting agricultural smallholder schemes;
  - already, we have had positive talks with a number of local non-governmental organizations (NGOs), with which to partner and are focusing not only on oil palm, but capacity building for a variety of nutritious food crops, animal husbandry and corresponding market development, thereby addressing local food security needs;
  - these programs will follow similar models of sustainable conservation agriculture we have already developed in Uganda and Guinea, but tailored to local conditions;
- prioritize sourcing labor locally; and,
- developing and strengthening specific social infrastructure such as schools, hospitals and health clinics, sources of clean water, electricity, recreational facilities among others, as well as making payments to local communities directly for their own management.

These arrangements and direct communication with the communities ensure that investments go specifically to their needs and that we are investing in sustainable economic development in Cameroon.

We would also like to clarify that our company only has rights to the area's timber and natural resources as needed for the plantation's development (e.g. associated buildings and structures). Therefore, any timber that we fell beyond that amount is for the government's use and sale. This timber is highly valuable, and due to Herakles Farms' development plans, the government will not bear the costs of harvesting it, thereby resulting in immediate profits for the country.

Herakles Farms therefore has committed to much more investment than what is reflected in the agreement with the federal government, and our contributions, much like those we have made in the past to other countries, are expected to have a significant economic impact.

There have also been rumors that there are 25,000 to 45,000 people living within the leased area, and that most are against our project. Our surveys have found that there are approximately 8,200 people in the area, and through our open dialogue with each community through our Community Development Program (as described in the Sustainability Guide on our website, and which includes a grievance procedure), we have found that our presence is welcomed by the majority of locals.

Indeed, some villages, such as Fabe, were initially skeptical of our presence due to poor past experiences with other palm oil companies. Such skepticism is understandable. However, we have found that as villages such as Fabe witness our development in other areas, they become confident in our ability to execute and remain true to our word. In the specific example of Fabe, this process resulted in their eventual request for us to build a nursery near their village so that they could experience immediate employment. For International Women's Day this year, we were honored that the women of Fabe demonstrated their appreciation for SGSOC's presence with a ceremony.

In the few cases in which villages have wished to be excluded from the plantation area, we have accommodated these requests by removing the land from our leased area. On a similar note, we would like to clarify questions regarding the court case raised by the NGO, Struggle to Economize Future Environment (SEFE), in the Nguti and Mundemba sub-divisions. In Nguti, the case was



dismissed immediately. In Mundemba, the court heard the case on 27 February, 2012, and it was dismissed. There have been a number of rumors regarding the Mundemba hearing, including those that the original judge's replacement was unfairly influenced by our company, that we failed to acknowledge a stop-work order and that a SGSOC employee was arrested. No employees have been arrested, and we were not subject to a stop-work order. The judge was only replaced due to his affiliations that could have produced a biased outcome. This is a process that would be followed in any fair judicial system globally.

Herakles Capital and SGSOC take corruption very seriously. All of our employees, contractors and subcontractors are required to sign a document committing to compliance with the Foreign Corrupt Practices Act (FCPA), and as an American company that utilizes multilateral financing, we cannot afford to engage in or be associated with any corruption (nor do we wish to partake in such activity). Now that the case has been dismissed, we will continue to work toward stakeholder engagement and improving our relationship with the plaintiff. We highly respect the local people and are committed to coming to a mutual understanding whenever this is a concern.

In addition to economic impact, we recognize the value of the environment which surrounds us, its importance to the local people and to the global community. As it has been pointed out, SGSOC is located within the proximity of four protected areas, including the Korup National Park (1,260 km<sup>2</sup>), the Banyang Mbo Wildlife Sanctuary (691 km<sup>2</sup>), the Rumpi Hills Wildlife Reserve (452 km<sup>2</sup>) and the Mount Bakossi National Park (293 km<sup>2</sup>). Realizing that protected areas offer limited opportunity for livelihood development and poverty alleviation, the government also set aside land in the area appropriate for economic activity. Therefore, it designated a certain portion that had already been degraded for agricultural use, particularly given domestic food security concerns. Activities that have contributed to the area's reduced biodiversity include logging in some places, and small scale farming in others. In terms of farming, slash-and-burn small-scale agriculture and other unsustainable practices have enhanced land degradation. It is in this area that Herakles Farms has leased 700 km<sup>2</sup> of land.

To ensure that we will not be planting on any High Conservation Value (HCV) land, we have secured the analysis and opinions of multiple experts to confirm the state of the forest and presence of endangered species (we understand there is a rumor that we had been turned down by a British consulting firm to conduct these studies; this is simply untrue). For instance, our HCV study was conducted by a Roundtable on Sustainable Palm Oil (RSPO) -approved assessor, and we also secured the opinions of additional experts, as well as the government of Cameroon. Because we had the input of so many sources, the Environmental and Social Impact Assessment (ESIA) went through numerous revisions and edits. It was constantly being refined as we double-and-triple-checked findings, and we continue to research each specific plot of land prior to scheduled clearing. Any areas identified as HCV are being mapped and set aside for protection; buffers are being mapped around rivers and important water bodies, as well as between the plantation area and protected areas; and wildlife corridors connecting HCV areas and nearby protected areas are being developed, as described in the Sustainability Guide available on our website.

As we develop the plantation, we maintain policies to follow best practices for sustainable agriculture, such as Integrated Pest Management, no-burning for land clearing, clean and safe working conditions, minimal chemical use, methane-capture technology, among others. In addition,



we are developing programs to help smallholder farmers in the villages around the plantation adopt best practices in conservation agriculture. Together with our programs to support the infrastructure of nearby protected areas (e.g. funding for rangers and research in Korup National Park), social infrastructure development, and our protection and maintenance of any identified HCV areas and corridors within our concession, we believe we can achieve solutions to food security and economic development while also respecting the biodiversity that surrounds us. In time, like Herakles Capital's other projects in Africa, the benefits of our development will be realized. We encourage you to visit our website at [www.heraklesfarms.com](http://www.heraklesfarms.com) to learn more.

### In Conclusion

Through this document, we hope to have demonstrated our sincerity to readers so that they, too, can understand what motivates the Herakles Farms SGSOC project and the benefits that will result. We are true believers in the triple bottom line of People, Planet and Prosperity, and these values run through all of the work we conduct in Africa and beyond. Whether it is connecting people to the rest of the world with fast and reliable bandwidth in East Africa, or providing energy in Uganda, transforming an extractive industry into a value-added industry in Guinea, or addressing food security in Cameroon, Herakles Capital is committed to developing sustainable solutions and will only pursue projects where there is a strong economic and social rationale, together with broad local and national support.

Please take a moment to visit our websites, read our Sustainability Guide and contact us directly with any questions or for clarification. We appreciate the opportunity to have an open dialogue with you and are willing to listen.