### COMMUNITY

<table>
<thead>
<tr>
<th>Metric</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of jobs created directly in FY19</td>
<td>1,104</td>
</tr>
<tr>
<td>Jobs created for women in FY19</td>
<td>237</td>
</tr>
<tr>
<td>Injuries occurring at work in FY19</td>
<td>28</td>
</tr>
<tr>
<td>Estimated number of people in NFC’s villages benefitting from community development programme</td>
<td>480,000</td>
</tr>
<tr>
<td>Clean water points built to date</td>
<td>31</td>
</tr>
<tr>
<td>Health centres/Dr accommodation built to date</td>
<td>16</td>
</tr>
<tr>
<td>Village savings schemes established</td>
<td>38</td>
</tr>
<tr>
<td>Bee keeping groups supported</td>
<td>30</td>
</tr>
<tr>
<td>Kg of honey harvested in FY19</td>
<td>1,050</td>
</tr>
</tbody>
</table>

### COMMERCE

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenues generated in 2019</td>
<td>$23.5M</td>
</tr>
<tr>
<td>Estimated number of people in NFC’s villages benefitting from community development programme</td>
<td>480,000</td>
</tr>
<tr>
<td>Invested to date (debt and equity)</td>
<td>$137M</td>
</tr>
<tr>
<td>Spent on road construction to date</td>
<td>$1.75M</td>
</tr>
<tr>
<td>Manufacturing plants</td>
<td>7</td>
</tr>
</tbody>
</table>
**OUR KEY IMPACTS**

**CONSERVATION**

- **260,000 CO₂** metric tons of carbon equivalent emissions estimated to be removed from the atmosphere by NFC’s operations in FY19.

- **53,000** passenger vehicles’ annual carbon emissions equivalent to the amount of carbon NFC reduced from the atmosphere in FY19.

- **28 million** trees planted by NFC to date.

- **11 million** tree seedlings planted by Outgrowers.

- **7,000** Outgrowers planting trees in the communities surrounding NFC’s plantations to date.

- **40,000** hectares of sustainable forest land managed by NFC.

- **1/3** portion of NFC’s forest land that is reserved for conservation.

- **5x** plantations certified to Forest Stewardship Council™ (FSC™) Forest Management Standards.

- **28 million** trees planted by NFC to date.

- **223,000** metric tons of carbon equivalent emissions estimated to be removed from the atmosphere by NFC’s operations in FY19.

- **3 pole treatment plants**, 3 sawmills & a value added timber plant operating in East Africa.

- **1/3** portion of NFC’s forest land that is reserved for conservation.

- **Participant of WWF’s New Generation Plantations (NGP) Platform** - promoting responsible & sustainable plantation forestry.

- **$141 million** biological asset value.

- **$2.6 million** paid in taxes or government fees in FY19.

- **66,570** estimated kilometres of electricity grid built with NFC’s poles.

- **100%** of our products sold in 2019 substituted imports.
01

CEO STATEMENT
This is the year when, finally, the world woke up to the critical importance of planting trees as the key mitigant of climate change.

And what has made this feel like a watershed moment is the sudden commitment to urgent and massive scale afforestation from the oil majors and the global mining houses.

There is no question that the CEOs of Shell, BP, Total, ENI and Glencore have a moral commitment to helping solve the gravest threat to our planet. They also clearly understand that their very business model is under siege and their shareholders are no longer willing to tolerate inaction.

It is still early days to see exactly how this will pan out. Many of the early announcements of these global multinational giants have been over ambitious and sometimes not yet fully thought through.

However, as we get ready to enter a new decade, we have crossed a Rubicon and there is no going back to business as usual.

And when we finally get clear and concrete tactical plans and deployment of significant capital - these multi-billion-dollar conglomerates have the muscle and firepower to effect change on a global scale - together with progressive governments - in what is likely to make the 2020s the greatest decarbonization decade in human history.

This changing global consciousness and potential commitment of new pools of large capital for preventative deforestation and afforestation will present new and exciting opportunities for our company - which has 14 years of operational experience planting trees in three East African countries and has planted almost 40 million trees to date. We are uniquely placed as a highly regarded operational player to be a partner of these large western companies as they negotiate the delicate potential minefields of land acquisition, social license to operate, communities, politics and execution.

And, after years of international certification and endorsement of best sustainable practices and innovative social programmes we are a partner with the right credentials to meet what is likely to be a high threshold of reputational risk.

In the meantime, FY19 was the best year for NFC in terms of sales with almost $24m of wood products sold across East Africa bringing total timber products sold by NFC over the past 8 years to more than $130m. Whilst our markets remain juvenile, informal and underdeveloped we have nevertheless charted solid and consistent routes to market paving the way now for further product diversification and accelerated growth.

This will be perfectly underpinned by the company’s own plantations coming to maturity. And in this current year (FY20) we expect to achieve an important milestone in the company’s vertical integration strategy where, for the first time, more than 50% of raw material will be harvested from our own farms.

The company still has legacy issues with an over indebted balance sheet, but we are working hard at resolving this in the current financial year (FY20).
We also continue to do an excellent job controlling costs and running a lean and efficient management team.

On the social side we closed off the hundreds of actions of the 5 year Environmental and Social Action Plan, designed by our German government partners. The final external audit report attested to NFC’s persistent excellence in ESG operations which continue to be a strong part of our risk mitigation strategy. We continue to place focus on innovation as a core value of the company and this year we have put special emphasis on the research of our forestry teams providing for continuous learning and improvement from applied research into the field.

We have also made substantial progress this year in formalizing the company’s out grower programme – mapping many of the tree farms and deepening our relationships with the owners and organizing them into out grower associations. And with much pleasure we bought our first commercial timber from some Outgrower we supported more than a decade ago. This was another milestone in the realization of one of the company’s first principles – that it is best to give a man a market.

One of the greatest tests of a sustainable corporate culture is its ability to transition at the leadership level – and nowhere has this been more of a challenge than in Africa.

At NFC, I never wanted to be a “President for Life” and after 15 years as the founder and CEO, I will be stepping down at the end of this year to make way for a new generation of leadership who can carry the company forward on its next stage of development. Darren Lapp, a veteran Canadian forestry manager, will be taking over from 2020 and I hope you will all join me on wishing him and his team good luck.

I remain, at least for now, the company’s largest single shareholder and I will from January 1st, 2020 take up the role as deputy Chairman of the Group Board of Directors. I will continue to put my shoulder to the wheel and do everything I can to help the company and the leadership team on to more success. At the same time, I will do my best not to hover over the new leadership like a dominant shadow.

I believe that companies are bigger than their founders or any single individual – and that the mission and values of our social and environmental responsibility – and our appetite for innovation - are deeply enshrined in the DNA and the culture throughout the company.

It has been an honour to serve as the company’s first CEO and I am very proud of our considerable collective achievements and the wonderful men and women who work for the company and make it what it is – an ethical, innovative and sustainable model of responsible impact investing in the 21st century. I also express my very sincere thanks to the shareholders and stakeholders of NFC who have come with me along this wonderful journey and adventure of the past 15 years from the conception of the idea on a piece of paper in 2004 to the wonderful company it is today.

Without the visionary early investors and shareholders – who carried the greatest start-up risk – none of this would have been possible and I salute and thank you all.

Things are never easy in Africa and there will continue to be bumps and setbacks on the road ahead. But I am sure NFC will continue to grow and mature in fascinating and sometimes unexpected ways - and I know the future of the company looks bright.

---

**NFC AND 3rd PARTY TIMBER**

![Graph showing NFC and 3rd Party timber from FY19 to FY24](image)

- **3rd Party**
- **NFC**

---
02 COMPANY PROFILE
OVERVIEW OF THE COMPANY

The New Forests Company Group (NFC) is a sustainable forestry and value-added timber products business with operations in Rwanda, Uganda and Tanzania, a management support office in South Africa, and headquarters in Mauritius. Our core business is establishing timber plantations to harvest and process high quality wood products, including transmission poles for electricity and telecoms; sawn timber; kiln dried timber; wooden pallets and biomass.

VISION
To be the most successful and sustainable, integrated Pan-African timber business.

MISSION
To become the premier vertically integrated, socially responsible, sustainable timber company in our markets, sharing the value we create with shareholders, employees, customers and neighbouring communities. We are an agent of change, helping redefine the role of companies as drivers of economic growth in Africa.

CORE VALUES
Integrity, Inspiration, Innovation

NFC’s shared value business model is based on community, conservation, and commerce with all three being equally critical to success. If we do not create a community of aligned interests with our neighbours and employees they could become a major risk, instead of our biggest assets. If we neglect our environment, we will not be able to grow trees in perpetuity. Ultimately, we must be commercially successful for the company to be sustainable.

KEY DEVELOPMENTS IN FY19

NFC sales grew strongly to $23.5 million, up almost $9 million on the previous year, despite East Africa being a complex market. Governments continue to talk about the need to deliver energy for economic growth, but struggle to reach their electrification targets and the shortfall impacts rural communities the most. Population growth rates remain high, meaning increased risks and challenges for our communities but also healthy demand for our timber products.
Tanzania led the business with healthy pole sales, but margins were negatively impacted by the imposition of unexpected taxes and rising costs of production. In Rwanda, the government continues to limit spending on rural electrification infrastructure. In response to this depression in pole orders, we shifted focus to sawn timber, introducing an additional mobile sawmill during FY19. Our Uganda business continues to be steady, while we seek export markets in the region to expand.

After a tough FY18, the company looked to continuously improve across all departments. We rolled out our innovative community-based payment for ecosystem and risk management program, Forests For Prosperity, to more than half of the areas we manage, while strategically starting to commercialize forestry assets originating from our highly successful Outgrower programs. We demonstrated the maturity of our business by succeeding at containing operational business costs during FY19 and closing our Environmental and Social Action Plan (ESAP). The ESAP was a list of identified gaps, against the eight rigorous Performance Standards of the International Finance Corporation division of the World Bank.

From a leadership perspective, our former CFO, Stephen Moore, wrapped up a successful 5 years with NFC and handed over the senior finance baton to Brian Phillips, who brings a wealth of Africa and Middle East experience. In Rwanda, the Finance Manager, Wellington Chirinda, has been appointed the Acting Country Manager.

**ECONOMIC VALUE GENERATED**

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 $ millions</th>
<th>FY 2018 $ millions</th>
<th>FY 2019 $ millions</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>18.3</td>
<td>13.9</td>
<td>23.5</td>
<td>+69.1</td>
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<tr>
<td><strong>Employee compensation</strong></td>
<td>5.5</td>
<td>5.8</td>
<td>5.2</td>
<td>-10.3</td>
</tr>
<tr>
<td><strong>Community investments</strong></td>
<td>0.7</td>
<td>0.6</td>
<td>0.4</td>
<td>-33.3</td>
</tr>
<tr>
<td><strong>Payments to capital providers</strong></td>
<td>7.8</td>
<td>8.3</td>
<td>7.3</td>
<td>-12</td>
</tr>
<tr>
<td><strong>Taxes and other payments to government</strong></td>
<td>2.9</td>
<td>2.2</td>
<td>2.6</td>
<td>+18.2</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>181.4</td>
<td>161.8</td>
<td>164.3</td>
<td>+1.5</td>
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<tr>
<td><strong>Retained earnings deficit</strong></td>
<td>18.7</td>
<td>33.3</td>
<td>36.8</td>
<td>+10.5</td>
</tr>
</tbody>
</table>
HUMAN RESOURCES

NFC and our labour contractors directly employed 1,104 people this year, a decrease of 237 jobs from FY18 due to right-sizing of our operations.

While all of NFC’s workforce are free to organize, only 12% are covered by a collective bargaining agreement, all of whom are in Tanzania.

<table>
<thead>
<tr>
<th></th>
<th>Contract labour</th>
<th>170</th>
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<tbody>
<tr>
<td>Rwanda</td>
<td>15</td>
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<tr>
<td>Tanzania</td>
<td>48</td>
<td></td>
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<tr>
<td>Uganda</td>
<td>107</td>
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<tr>
<td>SA</td>
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<tr>
<td>Full time employees</td>
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<tr>
<td>Rwanda</td>
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<tr>
<td>Tanzania</td>
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<td>Uganda</td>
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<td></td>
</tr>
<tr>
<td>SA</td>
<td>5</td>
<td></td>
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<tr>
<td>Total</td>
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<td>62</td>
</tr>
<tr>
<td>Rwanda</td>
<td>126</td>
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<tr>
<td>Tanzania</td>
<td>167</td>
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<td>Uganda</td>
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<tr>
<td>SA</td>
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<tr>
<td>Full time employees</td>
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<tr>
<td>Rwanda</td>
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<tr>
<td>Tanzania</td>
<td>84</td>
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<tr>
<td>Uganda</td>
<td>102</td>
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<tr>
<td>SA</td>
<td>5</td>
<td></td>
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<tr>
<td>Total</td>
<td>231</td>
<td>251</td>
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<tr>
<td>Contract labour</td>
<td>598</td>
<td></td>
</tr>
</tbody>
</table>

MARKETS

NFC’s strategy is based on growing demand for timber products in the electrification and construction sectors in East Africa. Our main products are transmission poles for rural electrification, as well as telecom poles, fencing poles and sawn timber products, such as pallets and construction timber. Our Value Added plant in Rwanda can also produce more industrialized timber products for the housing and furniture markets.

New Forests is the largest manufacturer of quality, treated transmission poles in East Africa. We aim to minimize transport between where the trees are grown, processed, and sold, providing a competitive advantage and limiting our carbon emissions. Our main markets are Tanzania, Kenya, Uganda and Rwanda.
KEY RISKS AND OPPORTUNITIES

NFC maintains a detailed risk register and mitigation strategy, summarized as:

**COMMERCIAL**

**Limited customer base**
Diversification into new timber products and new geographic markets

**Perception of poor quality of all local, wooden poles**
Ensure and demonstrate our high quality, while raising local pole standards and quality assurance processes in procurement

**Limited forestry sector financing**
Working with finance partners to create, patient equity and blended return financing innovations to fund growth of greenfield forestry industry

**Tree risks**
Managing fire, pests, diseases and theft through awareness, training, close monitoring, research and development, incentive alignment and legal action

**Supply chain transparency**
Practical, cost-effective actions for smallholder African tree planters, such as training and code of conduct

**LOCAL ENVIRONMENT**

**Political context**
Navigating complex political environments while adhering to global standards of governance and ethics

**Community and labour relations**
Proactive engagement strategies (including Forests for Prosperity) to strongly align interests

**Land acquisition**
Adhere to national laws and voluntary international responsibility standards

**PEOPLE**

**Key personnel loss**
Integrated employee value model, covering onboarding training and development, reward & recognition

**Health and safety**
Continuous training, incident reporting and prevention by operational managers, with auditing and guidance by SHEQ manager

**OPPORTUNITIES**

Our track record opens doors for us to grow, through scale and diversification. We are continuously looking to diversify both products and geographies. Rural electrification and grid expansion remain a key East African regional development strategy and we see strong demand for poles in FY20.

The Kenyan embargo on tree harvesting there creates more export opportunities for responsible timber companies. Long term we are looking at benefiting from our significant carbon sequestration impacts.
GOVERNANCE

The highest governance body is the New Forests Company Holdings Ltd. Board of directors. Five Board members hold shares in the company - or represent parties who do - and the chairman is independent. All directors, apart from the Group CEO, are non-executive. The board members are nominated by the nominations committee and serve the shareholders. Each director must agree with NFC’s triple bottom line approach to doing business. All conflicts of interest among Board members are declared before they join and they are required to report any that arise subsequently. We still struggle with creating diversity on the Board as they are all white men.

The Chief Impact Officer (CIO) reports to the Group CEO and is responsible for developing and implementing the shared value strategy to maximize our positive impacts in community, conservation, and commerce. She makes presentations to the board for oversight and guidance. Social, economic and environmental topics are business critical and reported on at all board meetings.

Below the holdings board is the Johannesburg-based Management Committee (Group ManCo) who set strategy and identify and resolve operational issues. They comprise the Group CEO, Group CFO, Group head of Operations; Group CIO, Group Head of HR, Group head of Forests and Group Head of Planning (five men and two women, all are white). We then have Country Managers for Uganda, Tanzania and Rwanda who oversee all country operations (3 men, two are black and one is white). Each country also has their own Management Committee.

Environmental, social, and economic impacts are collected by the country management committees and Corporate Responsibility Programme Managers - who report to the Country Managers, with an indirect reporting to the CIO. Whenever critical concerns arise, these are brought to ManCo and depending on urgency, communicated immediately to the Board or during the quarterly board meetings.

The group’s shared value performance is assessed annually by third party independent auditors, such as the Forest Stewardship Council and ad hoc Environmental and Social Action Plan (ESAP) audits which drive compliance with the International Finance Corporation’s Performance Standards. The Board also reviews and approves NFC’s annual sustainability report, ensuring all material aspects are covered.

NFC has a code of conduct that every employee and Board member must sign and uphold. Employees know they can discuss issues of ethics and integrity with their direct supervisor or further up the chain, if necessary. All employees have access to an anonymous whistle blower hotline.

The holdings and management services companies’ main social, environmental and economic impact is setting and auditing group level policies.

NEW FORESTS COMPANY GROUP TRADING STRUCTURE – JUNE 2019

New Forests Company Holdings Ltd (Reg. in Mauritius)

100%

New Forests Company Rwanda Ltd (Reg. in Mauritius)
80%

New Forests Company Tanzania Ltd (Reg. in Tanzania)
96%

New Forests Company Ltd (Reg. in Uganda)
100%

New Forests Company Ltd (Reg. in the UK)
81%

New Forests Company Management Services (Reg. in Mauritius)
100%

New Forests Company Management Services (Reg. in South Africa)

100%
STANDARDS AND ASSOCIATIONS

INTERNATIONAL ASSOCIATIONS

- World Wildlife Fund’s New Generation Plantations Platform
- Forest Stewardship Council
- IFC Performance Standards
- ISO 9001
- UN Sustainable Development Goals
- International Union of Forestry Research Organizations (IUFRO)

NATIONAL ASSOCIATIONS

- African Forestry (Tanzania Association)
- Association of Tanzania Employers
- CEO Round Table of Tanzania
- East African Business Council
- Federation of Ugandan Employers
- FSC Working Groups
- Kenya Wood Preservers Association
- Private Sector Federation in Rwanda
- Private Sector Foundation Uganda
- Uganda Manufacturers Association
- Uganda Timber Growers’ Association
- Uganda Utility Pole Producers Association
- South African Institute of Forestry

The company applies the precautionary approach by conducting Environmental Impact Assessments (EIAs) and biodiversity studies at all plantations and timber processing sites. Our ongoing impacts are monitored and managed in compliance with the high standards of the Forest Stewardship Council (FSC).

We conduct social baselines and Participatory Rural Appraisals (PRAs) at all operational sites to assess potential negative social impacts. From these we develop action plans to avoid environmental, economic or social harm and identify opportunities to increase positive impacts.
RESEARCH AND PLANNING

NFC Research Trials have increased from 28 to 167 over the last four years – a massive 460% increase. Data from these will be used to update our growth models for the second time in the last four years, resulting in more accurate product predictions. Our research equipment has also been modernised – all countries now use electronic callipers for enumerations - improving data quality significantly, and we have a few mobile application pilots planned for FY20.

Tim Ross, NFC Group
Head of Planning

Understand the driving factors behind tree growth in East Africa
Predict and project growth and products more accurately
Optimise regimes and land-use systems
Increase land value and profitability, improve sustainability and ecosystem services

Tree improvement trials are designed to test site suitability of new species and clones; source and deploy new genetic material; develop improved seed through tree breeding; provide a source of seed for NFC to reduce dependence on third party supply; improve silvicultural practices during the establishment and early growth phase, maximise growth and yield, and, ultimately produce timber products that meet the required product standards.

Five new batches of seed were imported into Rwanda from different seed suppliers in South Africa and Australia. Three of these had not been tested by NFC in Rwanda before (E. cloeziana; E. dunni and the P. caribaea x oocarpa hybrid). A micro-cuttings trial has been established in Rwanda to improve nursery production and reduce the cost of planting material.

Growth and Yield modelling includes Permanent Sample Plots (PSP’s); Unthinned Spacing Trials (UST), and Thinning Response Trials (TRT’s). Destructive Sampling of trees is used for the development of taper functions. New spacing and thinning response trials have been designed in all countries and there are significant improvements in data quality.

![Diagram showing reduced costs and increased yields](image)

<table>
<thead>
<tr>
<th>Trial type</th>
<th>Number of trials</th>
</tr>
</thead>
<tbody>
<tr>
<td>FET</td>
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</tr>
<tr>
<td>PSP</td>
<td>41</td>
</tr>
<tr>
<td>RT</td>
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</tr>
<tr>
<td>SPE</td>
<td>10</td>
</tr>
<tr>
<td>TRT</td>
<td>7</td>
</tr>
<tr>
<td>UST</td>
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</table>

NEW FORESTS COMPANY | SUSTAINABILITY REPORT | FY19
03
COMMUNITY
NFC strives toward scalable, innovative private sector driven rural development in East Africa. We follow a co-design model of piloting innovations and using data to monitor and analyse our performance, aiming to learn lessons and apply continuous improvement.

Our Payment for Risk Mitigation project in Uganda, Forests For Prosperity (FP) has now been expanded to all plantations and the Pole Plant, with the signing of 23 community agreements, thanks to support from FMO. This is a cost effective, win-win community partnership, that during the pilot reduced plantation risks such as fire and theft by two thirds, while providing access to capital and loans for community livelihoods projects. A labour pilot using the FP model has been tested in Tanzania and another one is planned for Rwanda in FY20.

To promote commercialization of the Outgrower program, in FY19 IDH awarded a two-year grant of Euro 123,000 to Uganda. In February we participated in an Outgrower Study tour with other IDH grant recipients, Global woods and Miro, to share lessons and best practise in scaling up Outgrower programmes.

Tanzania again benefitted from Finnish funding to support their Outgrowers to plant almost a million seedlings, of pine, Euc and fruit trees. This is the largest single country Outgrower planting season to date. Uganda, Tanzania and Rwanda made good progress towards GPSing their Outgrower plots and mapping 2,400 Ha into Microforest, for improved planning and coordination.

### NFC TANZANIA OUTGROWERS’ SUCCESS

Since 2011, NFCT has distributed 2.7 million tree seedlings to 18 villages in Kilolo district. These villages are scattered around the NFC plantations, requiring complex logistics and communications. Tree seedlings are also distributed during the rainy season, when roads become impassable, adding to the program challenges.

Despite this, during March and April 2019 the CSR team supported 800 Outgrowers to plant 965,000 tree seedlings (equivalent to 860Ha) thanks to the grant support of MFA Finland. Through continuous improvement over the years and very effective planning, the CSR team overcame all obstacles to achieve the highest Outgrower planting season in NFC history. Well done to the team, but How did they do it? According to Tanzania CSR PM, Nyachia Roberts, the Outgrower program key success factors were:

- **Motivated team** – The CSR team set themselves a target of planting 1 million Outgrower trees. Having a clear goal, enabled detailed planning and for each team member to be clear on their part and how to support each other.

- **Support from Forestry** – Forestry provide silviculture best practices to the program and invite Outgrowers to plantation for technical trainings to ensure the highest possible seedling survival rate.

- **Tree market** – Outgrowers are motivated to grow trees because NFCT has assured them there is a strong timber market and we would be interested to buy trees that meet our quality standards.

- **Tree growers’ associations (TGA)** – 18 TGAs enabled effective communication and coordination with all Outgrowers for registration of members interested to plant trees, trainings and the distribution of seedlings.

- **Community nurseries** – Tree seedlings were sourced from local enterprises established/supported by NFCT, creating employment (especially for youth and women) and re-investing money back into communities.

- **Participation of women in the Outgrowers programme through saving schemes** – Women comprise 80% of saving schemes established by NFCT. Some women took out loans and bought land for planting trees because they had seen the benefits of tree planting.

- **Community champions** – are at the village level and champion the distribution and coordination of tree planting. The CSR PM regularly meets with community champions to acknowledge their good work and to encourage a healthy element of competition between them.
<table>
<thead>
<tr>
<th>Country</th>
<th>Hospitals/clinics</th>
<th>Bee keeping associations</th>
<th>Outgrower areas mapped into Microforest</th>
<th>Tree seedlings donated</th>
<th>Water points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UGANDA</strong></td>
<td>4</td>
<td>15</td>
<td>988 Ha</td>
<td>7,040,000</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>FP Community Associations/savings &amp; loan</td>
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<td></td>
<td>2,700,000</td>
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<td>Banking hall</td>
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</tr>
<tr>
<td></td>
<td>7,000 Outgrowers</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Outgrower areas mapped into Microforest</td>
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<tr>
<td></td>
<td>Tree seedlings donated</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TANZANIA</strong></td>
<td>8</td>
<td>9</td>
<td>2,700,000</td>
<td>1,090</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hospitals/clinics/Dr accommodation</td>
<td>22</td>
<td></td>
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<td></td>
<td>Bee keeping associations</td>
<td>10</td>
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<td></td>
<td>Religious institution plantations</td>
<td>10</td>
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<td></td>
<td>650kg Honey harvested</td>
<td>6</td>
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<tr>
<td><strong>RWANDA</strong></td>
<td>6</td>
<td>3</td>
<td>1,600,000</td>
<td>257 Ha</td>
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<tr>
<td></td>
<td>Bee keeping associations</td>
<td>10</td>
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<td></td>
<td>Village Electrification</td>
<td>10</td>
<td></td>
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<tr>
<td></td>
<td>Tree growers association</td>
<td>10</td>
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<td></td>
<td>400kg Honey harvested</td>
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<tr>
<td></td>
<td>1,600,000 Tree seedlings donated</td>
<td>3</td>
<td></td>
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<tr>
<td></td>
<td>257 Ha Out grower areas mapped into Microforest</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Project Type</td>
<td>Quantity</td>
<td></td>
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<tr>
<td>Pig farming</td>
<td>1</td>
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<td>3</td>
<td></td>
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<tr>
<td>Girls dormitories</td>
<td>6</td>
<td></td>
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<td></td>
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<tr>
<td>School ablution pits</td>
<td>48</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>FP Community Association</td>
<td>1</td>
<td></td>
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<tr>
<td>Village savings schemes</td>
<td>9</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Road</td>
<td>4</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Classrooms</td>
<td>12</td>
<td></td>
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<tr>
<td>Ablution blocks</td>
<td>17</td>
<td></td>
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<td></td>
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<tr>
<td>Power generator for Kitabi health</td>
<td>1</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>centre</td>
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<td></td>
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<tr>
<td>Maize mill</td>
<td>1</td>
<td></td>
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<tr>
<td>Classrooms/school accommodation</td>
<td>20</td>
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<tr>
<td>Community buildings</td>
<td>6</td>
<td></td>
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<tr>
<td>Cooperatives</td>
<td>2</td>
<td></td>
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<td></td>
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<tr>
<td>Granary project</td>
<td>1</td>
<td></td>
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<td></td>
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<tr>
<td>Fruit tree farming</td>
<td>1</td>
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<td></td>
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<tr>
<td>Double classrooms</td>
<td>1</td>
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<td>Girls dormitories</td>
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<td>School ablution pits</td>
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<td>FP Community Association</td>
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<td>Village savings schemes</td>
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<td>Classrooms</td>
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<td>Ablution blocks</td>
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<td>Power generator for Kitabi health</td>
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<td>centre</td>
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<td>Maize mill</td>
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<td>Classrooms/school accommodation</td>
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<td>Community buildings</td>
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<td>Cooperatives</td>
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<td>Granary project</td>
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<td>Fruit tree farming</td>
<td>1</td>
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</tr>
</tbody>
</table>
STAKEHOLDER ENGAGEMENT

INTERNAL
- Board of Directors
- Employees
- Seasonal and contract workers
daily interactions, regular meetings,
official grievance mechanism

NEIGHBOURS
- Direct beneficiaries of NFC’s
community development programmes
- Neighbouring communities
daily interactions with Community
Development team, regular
meetings, official complaints
mechanism, perception surveys,
Participatory Rural Appraisals or
Forests For Prosperity community
engagements

PARTNERS
- Government officials
- Suppliers
- Customers
- Investors
- Donors
- Development finance institutions
regular meetings, reports as
requested, annual Sustainability
Report

OBSERVERS
- Local and international NGOs
- Media
- Subject Matter Experts
proactively engage local players
and respond when engaged by
international parties

STAKEHOLDER FEEDBACK

NFC actively listens to stakeholders, not only to address their complaints, but also to respond to suggestions or aspirations. This informed our shift from infrastructure development to building agency through livelihoods development, Forests For Prosperity and commercializing our Outgrower scheme.

Our collaboration with WWF, NGP and FSC is aimed at accessing and influencing broader conversations around sustainable, responsible and successful African forestry.

EXTERNALITY MITIGATION

In FY19, New Forests invested a total of $1,065,000 (FY18: $1,175,000) in community development and stakeholder engagement, which is critical to our proactive risk management. This is roughly half from grants and half from NFC, with total investment in community development to date being $10m.

All of NFC’s forestry and timber processing operations have comprehensive community engagement, impact assessments and development programmes:
• Participatory Rural Appraisals (PRAs) to help communities identify their challenges and solutions while establishing free, prior and informed consent (FPIC) for our operations
• Social Baselines at all plantations
• Local engagement and community development programmes
• Environmental Impact Assessments (EIAs)
• Biodiversity Studies (plantations only)
• Forest Stewardship Council certification (5 plantations)
• Ad hoc IFC Environmental and Social Performance Standards compliance audits

Significant impacts are those which affect communities’ livelihoods, access to clean water, employment opportunities, environmental hazards, physical safety, economy and political climate. Local Communities are defined as those living within five kilometres of our operational boundaries.

The operations with significant potential or actual negative impacts on local communities are the forestry operations and pole treatment plants in Uganda, Tanzania, and Rwanda. The potential negative impacts include: fire, watershed damage, erosion, spillages of hazardous substances, dust created by vehicles, housing displacement, displacement of grazing and crop cultivation activities leading to loss of income, health and safety risks, damage to private property and encroachment onto private property.

Actual negative impacts of our operations have been physical displacement of persons, their crops, livestock and temporary housing. However, the company does everything we can to mitigate and compensate for these through supplementary action plans (SAPs), ensuring our net impact is overwhelmingly positive and preserving the mutually beneficial relationships with our stakeholders that is critical to our long-term success.

The company cannot currently monitor all the impacts within our supply chain. Our markets do not yet pay a premium for sustainably sourced timber, making full tracking systems cost-prohibitive. We have initiated supplier codes of conduct and continue engaging with Forest Stewardship Council (FSC) and other stakeholders for practical solutions for smallholder timber growers in rural Africa.

CORRUPTION

NFC has a zero-tolerance policy on corruption by employees, suppliers, or other stakeholders as per our Code of Conduct. All operations are assessed for corruption risks by our Country Managers and finance teams. In FY20 additional checks are being put in place at pole yards.

NFC has explained our anti-corruption policy to 100% of our governance bodies, employees, seasonal and contract labour, suppliers, and business partners. The company has never had a legal action filed against us regarding anti-competitive behaviour or violations of anti-trust or monopoly legislation.

NFC did not make any political contributions in FY19. The company was fully compliant with laws and regulations and was not required to pay any non-compliance fines or sanctions.

NFC did not receive any complaints concerning breaches of customer privacy.
EMPLOYMENT

The HR people strategy transforms the lives of our employees:

- **Leadership Commitment**: Driving the group strategy through leadership development and coaching
- **Values and Behaviours**: Improving recruitment processes and onboarding of new employees
- **Workforce Capabilities**: Driving performance and talent management; learning and development
- **Recognition and Consequences**: Ensuring we are paying our employees correctly and recognize high performance
- **Practices and Procedures**: Complying with good practices and principles for employee wellbeing
- **Underpinning Structures**: Having the right structures, competencies to support sustainable growth
- **Monitor and Evolve**: Tracking our achievements against our strategic objectives

**LOCAL RECRUITMENT**

The HR Manual requires local recruitment unless skills or expertise are not available and cannot be trained in the short to medium term.

Vacancies for all positions are advertised in the local media and shared with the neighbouring communities. Women are encouraged to apply. Applications are screened and suitable candidates are interviewed and subject to competency assessments, depending on the skills required. Final interviews are held and reference and qualification verifications are conducted. The interview panel decides based on the above and offers employment to the best candidate.

**MANAGEMENT DEMOGRAPHICS**

- **Local**:
  - Women: 1/3
  - Men: 3/0
  - Total: 4/14%

- **Expatriate**:
  - Women: 2/2
  - Men: 3/1
  - Total: 6/36%

- **Rwanda**
  - Local: 1
  - Expatriate: 0
  - Total: 1/0%

- **Tanzania**
  - Local: 5
  - Expatriate: 3
  - Total: 8/13%

- **Uganda**
  - Local: 4
  - Expatriate: 2
  - Total: 6/13%

- **SA**
  - Local: 1
  - Expatriate: 4
  - Total: 5/39%

The HR Manual requires local recruitment unless skills or expertise are not available and cannot be trained in the short to medium term.
HR - DRIVING A CULTURE OF ALIGNMENT AND AGILITY

Profitability isn’t just a number, it is the value given to every action of every employee on a daily basis.

Business Alignment is critical to the success of our organisation where HR plays a pivotal role in ensuring our structures, teams, roles and competencies are aligned to the operating model. To ensure our employees and stakeholders understand how important they are to our success, we embark on Culture Building Exercises, where we drive a mindset of shaping our business for success through ongoing change and alignment. This is achieved through workshops with management, employees and other stakeholders where they agree on the culture required, identify gaps and pursue a programme of driving change to close those gaps.

*TM Model set up by NFC HR Manager
BUILDING A CULTURE OF CHANGE “ALIGNMENT AND AGILITY” - WHAT DOES THIS MEAN AND WHAT ARE WE DRIVING?

The beliefs, ideologies, principles and values of our organization form its culture. The culture of the workplace controls the way employees behave amongst themselves as well as with people outside the organization.

A healthy culture encourages the employees to stay motivated and loyal. The culture goes a long way in promoting healthy competition. Employees try their best to perform better than their fellow workers and earn recognition and appreciation of the managers. It is the culture of the workplace which actually motivates employees.

The culture represents certain predefined policies which guide the employees and give them a sense of direction at the workplace. Every individual is clear about his roles and responsibilities in NFC and knows how to accomplish tasks ahead of deadlines.

The work culture goes a long way in creating the brand image of the organization. NFC is known by its culture.

The culture brings all employees onto a common platform. Employees must be treated equally and no one should feel left out at the workplace. It is essential for employees to adjust well in the NFC culture for them to deliver.

The culture unites employees who are otherwise from different backgrounds and have varied attitudes. The culture gives employees a sense of unity at the workplace.

Culture promotes healthy relationship amongst employees. No one treats work as a burden and they mold themselves according to the culture.

It is the culture which extracts the best out of each team member. No one has to force anyone to work. The culture develops a habit in the individuals which makes them successful at the workplace.
Employee culture is key to the success of the Company. It holds the employees accountable for their respective roles. The operations are managed in a responsible manner where each member of staff is proud of the contribution made towards the success of the company. HR coordinates and facilitates one employee forum per month with the aim of aligning employees to the culture of the company to ensure that all employees understand their purpose in the company.

Desire Dusengimana
Rwanda NFC
HR Manager

As the HR Manager, your employees should not dread coming to work. They should enjoy coming to the office and value the work they do. Companies with a strong culture have employees who like the challenges of their work, get along well with their co-workers and enjoy the atmosphere of the workplace. Culture gives employees a driving goal and purpose for what they do. It connects your leadership team with the rest of the employees and binds them with a set of shared beliefs. Your employees want to feel like they are contributing to something larger than themselves. As the HR Manager of NFC Tanzania, my efforts are to find ways to impact the above to myself and the employees, hence building a greater workforce mechanism that delivers faithfully and tremendously.

Mary Mbwiliza
Tanzania NFC
HR Manager

The real competitive advantage in any business is one word only. ‘PEOPLE’. I have used the slogan in Employee forums for employees to understand that each one of us impacts either positively or negatively to the company’s success by what we do and how we behave towards our work. That our acts can make or break this company. That we are in control of the company’s success. It is from this background that we have created teams from each department to drive a culture shaping program aimed at defining our culture at departmental level and defining where we want to be (success) and tracking results of the program. The ultimate goal is improving business performance through improving efficiency, productivity, staff morale amongst others.

Byron Rugyema
Uganda NFC
HR Manager
DISCRIMINATION

No incidents of discrimination were recorded in FY19. We have a formal grievance procedure that employees are encouraged to use via their line managers, the HR department, and, where applicable, the trade union mechanisms. All grievances are reported to the Group Head of HR. There were zero grievance recorded this year across the Group.

Employees are encouraged to use the Whistle Blower hotline which is managed by an accredited, independent external service provider called: Whistle Blowers (Pty) Ltd. The service allows directors, employees, communities, contractors, suppliers and associates with the means to anonymously “blow the whistle” on fraud, corruption, criminal activity and/or other irregularities. Each country has a toll-free number that is advertised via posters, on the corporate website and communicated verbally to employees, contractors and neighbours.

PROFESSIONAL DEVELOPMENT

Training is broken down into three key areas: Technical, behavioural and leadership.

We encourage a blended learning platform, which entails formal training; informal training; on the job training; mentoring; coaching and online learning. This allows flexibility of delivering training to all employees within the regions. Supervisory and Management development modules have been rolled out across the Group.

New employees receive orientation training and an in-depth onboarding, to ensure they understand the expectations of the role; the structure of the organisation; processes; policies; code of conduct and who to contact for assistance. Development plans are put in place for employees during performance appraisal discussions, which are held quarterly.

WORLD-CLASS SKILLS DEVELOPMENT – PROMOTING FEMALES IN FORESTRY

I am currently a 3rd year student finishing my Forestry Diploma at Nelson Mandela University in George, South Africa. Saasveld is among the best University level Forestry courses in Africa and I am fully sponsored by the New Forests company, which I joined in 2012.

It has been a wonderful, life changing experience studying at Saasveld, learning both theoretically and practically, while gaining leadership skills. Through mentorship and support from NFC management, I have been able to excel academically.

“I feel so privileged for this opportunity and am looking forward to sharing the knowledge and experience gained with coworkers and community, and positively impacting in achieving company goals.”

I would like to send my gratitude to NFC management for their support. Thank you everyone who participated in ensuring that we unlock our future.

“The best time to plant a tree is 20 years ago; the next best time is now.”

South African Proverb

Alice Noah Mheluka is a silviculture Forester at Lukoisi Plantation, Tanzania
HEALTH AND SAFETY

In FY19, NFC had a total of 28 work related injuries, including one fatality in Uganda. As a result of the fatality, a major incident review was performed with recommendations for increased situation awareness, PPE and additional OHS training.

There was a significant increase in Near Misses (NM) as management placed a heavy emphasis on reporting as a way to improve analysis and initiate improvements.

In FY19 both LTIFR (lost time incident frequency) and AIFR (average incident frequency) went up, due to the increased reporting discipline. These are calculated by multiplying the number of incidents by one million and dividing by the total man hours worked over a period.

The representation of employees in formal joint management-worker health and safety committees is: Rwanda is 8%, Tanzania is 5%, and Uganda is 6%. Our work locations are remote and our workforce is 81% male. Some workers do not live with their families, which increases the risks of HIV/AIDS, so we organize HIV/AIDS voluntary, anonymous counselling and testing quarterly or annually (depending on the risk in that area). We operate in areas where malaria is prevalent, so we have also done trainings on malaria prevention and treatment. Our agreement with the labour union in Tanzania includes health and safety.

Alois Mabutho, Group head of SHEQ “Key to maintaining our standards are internal audits and the in-house and external training that is driven by the findings of these audits” (photo shows the inspection of a tree stump that has been unevenly and dangerously felled).
<table>
<thead>
<tr>
<th>Year</th>
<th>AIFR</th>
<th>LTIFR</th>
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<tr>
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<td>55.22</td>
<td>28.72</td>
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<tr>
<td>FY19</td>
<td>131.53</td>
<td>45.35</td>
</tr>
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</table>
HUMAN RIGHTS

All our investment agreements include consideration for human rights and social impact, within the framework of the International Finance Corporation’s Environmental and Social performance standards. Rwanda, Uganda & Tanzania ensure 100% of our workers are trained in our human rights policies and the CSR teams include human rights awareness training in their community work.

According to the national laws in Uganda, Rwanda and Tanzania and international statutes, none of the local communities in our areas of operation are considered “indigenous peoples.” During FY19, we had no violations of the rights of indigenous people.

EXTERNAL EVALUATIONS

In FY19, the company underwent successful annual FSC audits in all 3 territories we operate in. Our Environmental and Social Action Plan (ESAP) against the International Finance Corporation’s (IFC)’s Performance Standards has been confirmed closed after external audit and verification by a group of investors.

GRIEVANCE RESOLUTION

During FY19, there were no grievances related to human rights filed. Eight years ago complaints were raised by communities in Uganda, about claims to constitutionally protected land within the Namwasa and Luwunga Central Forest Reserves. It is a risk for any neighbours to feel aggrieved by the company, regardless of the legal frameworks. We voluntarily entered into dialogue with these communities, mediated by the World Bank’s Office of the Compliance Advisor Ombudsman (CAO). We signed agreements with community co-operatives and fulfilled all our commitments. Both disputes were officially closed and recognised internationally as role models of successful resolution between private companies and communities.

PREVENTING CHILD LABOUR AND FORCED LABOUR

All New Forests’ plantations and timber processing sites proactively mitigate the risks of child and forced labour. In Rwanda, citizens have government issued ID cards which the company checks to verify that labour are over age 18. In Uganda and Tanzania, citizens do not have ID cards, so we require references from village leaders who confirm that workers are above 18 and do not have criminal records. In all countries, labour are recruited locally and at will. The company pays employees directly and audits the contractor labour’s payslips to ensure all workers are fairly compensated and are not there out of force.
TANZANIA VILLAGE SAVING AND LOAN ASSOCIATION (VSLA)

“...am an active member of a VSLA established in May 2017 through the support of Monica Mbasha from NFCT. We are 30 members, all women, and I have made $200 in profit in the last six months as a result of our association.

Previously, we had no habit of saving money and keeping records, we did not know how to choose feasible income generating activities, we were not organised, and we relied on donations. NFC Tanzania has helped our VSLA through ongoing trainings to be organised, to have confidence and to utilize our few resources well.

I have now reinvested some earnings into French beans (2 acres) and potato (3 acres) farming, where I expect to profit another $450 from the September harvest. I can now also afford to send my two children back to school. Towards the end of this year, I plan to upgrade my home and continue to reinvest in cash crop farming to generate more money. For me this is a great achievement."

Anitha Msungu of Magome village, Tanzania

RWANDA FEMALE OUTGROWER

“...profited off the donation from NFRL to realize my dream of planting trees as a lady. The Company also offered jobs to my relatives and neighbours. I wish this Company all prosperity to be strong and offer more jobs opportunities. The company has developed our village and we can get money from small businesses we initiated around its premises. We also have firewood from the waste of untreated poles and this is a proof of our neighborly relations."

Shadia Uwanyirigira, pole plant neighbour in Nyanza

UGANDA VILLAGE SAVING AND FORESTS FOR PROSPERITY (FP) ASSOCIATION

“...am one of 41 members of the Basookakwavula Netulide Women’s group established in August 2015 with the help of the New Forests Company. Previously, we had no habit of saving money and keeping records, we were not organised, and we relied on NFC for all kinds of support. NFC has helped our group through trainings on apiculture and piggery, how to be organised, to have confidence and to utilize our few resources well in order to be financially stable and meet the basic family needs. We have started clearing sites on Plantation to place 100 beehives donated by the Company."

– Nakasinde Teddy of Netulide village, Namwasa, Uganda
NFC has a proactive approach to managing land through responsible forestry practices, helping neighbours adapt to climate change, and actively conserving indigenous forests, wetlands, biodiversity and woodlands.

**BIODIVERSITY AND HIGH CONSERVATION VALUE AREAS**

There were no significant negative impacts from our activities, products or services on biodiversity in protected areas or areas of high biodiversity value in FY19.

We have conducted biodiversity studies in Uganda in 2012–14, in Tanzania in 2014 and Rwanda in 2018. The forest we manage in Rwanda is a buffer zone conserving one of the richest biodiversity hotspots in the world, Nyungwe National Park. We complete these studies every five to eight years to compare trends. So far, there is only one IUCN Red List species identified within our operational areas, Dissotis Arborescens, an orchid classified as endangered in Tanzania.

Our Safety, Health, Environment and Quality (SHEQ) Manager is responsible for driving our biodiversity monitoring plans. The conservation areas we protect are generally degraded forests and riparian zones next to streams and rivers and we do not conduct commercial activities in these areas. In general, one third of the areas we manage are left for conservation purposes. We see plant and animal regeneration in our conservation areas including monkeys, antelope and snakes.

**LAND MANAGEMENT**

Our plantations are planted with eucalyptus and pine. New Forests counts any land we manage that is protected and preserved based on its natural or cultural value as conservation area. A small portion of this area is used for offices and roads.

<table>
<thead>
<tr>
<th>Plantation Name</th>
<th>Total Area (ha)</th>
<th>Total Commercial Area (ha)</th>
<th>Conservation Area (ha)</th>
<th>Remaining Plantable Area (ha)</th>
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<tbody>
<tr>
<td><strong>Uganda</strong></td>
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<tr>
<td>Namwasa</td>
<td>9,153</td>
<td>5,339</td>
<td>3,814</td>
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<td>2,703</td>
<td>799</td>
<td>762</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,957</td>
<td>13,070</td>
<td>8,887</td>
<td>3,644</td>
</tr>
<tr>
<td><strong>Tanzania</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lukosi</td>
<td>2,501</td>
<td>1,565</td>
<td>936</td>
<td>51</td>
</tr>
<tr>
<td>Kisinga</td>
<td>4,787</td>
<td>2,806</td>
<td>1,981</td>
<td>440</td>
</tr>
<tr>
<td>Makungu</td>
<td>928</td>
<td>576</td>
<td>352</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,216</td>
<td>4,947</td>
<td>3,269</td>
<td>520</td>
</tr>
<tr>
<td><strong>Rwanda</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyamagabe</td>
<td>3,548</td>
<td>3,067</td>
<td>480</td>
<td>775</td>
</tr>
<tr>
<td>Karongi</td>
<td>1,823</td>
<td>1,622</td>
<td>201</td>
<td>94</td>
</tr>
<tr>
<td>Nyamasheke</td>
<td>3,329</td>
<td>2,771</td>
<td>558</td>
<td>183</td>
</tr>
<tr>
<td>Nyaraguru</td>
<td>1,423</td>
<td>1,428</td>
<td>-5</td>
<td>277</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,123</td>
<td>8,889</td>
<td>1,234</td>
<td>1,329</td>
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<tr>
<td><strong>NFC Group</strong></td>
<td>40,296</td>
<td>26,906</td>
<td>13,390</td>
<td>5,493</td>
</tr>
<tr>
<td><strong>NFC Square Km’s</strong></td>
<td>403</td>
<td>269</td>
<td>134</td>
<td>55</td>
</tr>
</tbody>
</table>
CLIMATE CHANGE & THE IMPORTANCE OF CARBON SEQUESTRATION

In the last year absolute consensus has been reached that forestry is THE key to combatting climate change. The 2018 landmark report from the United National Intergovernmental Panel on Climate Change (IPCC) – which brings together the world leading scientists – said we only have 12 year to make decisive changes. In ALL of the four possible pathways they list to limiting rising temperatures through urgent changes in land use and technology – The IPCC says afforestation is essential due to forestry’s ability to remove massive amounts of carbon equivalent emissions from the atmosphere.

In March 2019 ENI announced a $3bn decarbonization strategy including planting 20m acres of trees in Africa.

In April Shell announced a $300m, 3 year Forestry investment Fund to offset their carbon emissions.

In July, Total announced they would invest $100 per year on forest preservation and reforestation.

NFC has a long history of modelling carbon with a view to participating in climate finance, when we find the right partner.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-9</td>
<td>NFC worked with Ecossecurities to explore the possibility of commercializing the Namwasa Central Forest Reserve Plantation in Uganda but due to high costs and low progress the project did not continue</td>
</tr>
<tr>
<td>2010</td>
<td>NFC appointed an in-house “Carbon Manager” (CM)</td>
</tr>
<tr>
<td>2011</td>
<td>The CM validated the Namwasa Central Forest Reserve Carbon initiative through the United Nation’s Clean Development Mechanism (CDM) and negotiated a non-binding carbon offtake agreement with a major institutional buyer. A pre-feasibility assessment of carbon assets in Kilolo Tanzania, was also done</td>
</tr>
<tr>
<td>2012</td>
<td>The Namwasa Central Forest Reserve Carbon Initiative was validated by TUV-Nord. The project promised to deliver 315,000 ICERs (temporary certified emissions reductions) in the first CDM crediting period (2012) and 250,000 in the second crediting period (2020) at an initial price of $4 per ICER. However due to an unpredictable market and limited uptake the carbon credit program was put on hold</td>
</tr>
<tr>
<td>2016-18</td>
<td>Based on interest from Dutch-based FMO, NFC undertook a carbon flux assessment. The Cirrus Group performed the assessment and the model was updated again in 2018, which shows NFC removes ~260,000 tonnes of CO2-e on average per annum and has a carbon sink of ~±3.7m tonnes</td>
</tr>
<tr>
<td>2019</td>
<td>The model was updated internally in June with 20-year forecasts. NFC has renewed its interest in pursuing carbon commercialization to ensure sustainability and meet investor’s IRR expectations</td>
</tr>
</tbody>
</table>

The cost of removing each tonne of CO2 is ~$5.88. In other words, if the only purpose of NFC forestry was to reduce CO2 emissions, and if it produced no other commercial revenues or benefits, the stand-alone costs of NFC forests’ CO2 removals is $5.88 per tonne. Thus, forestry is almost unquestionably the cost-effective way to remove CO2 from the atmosphere, compared to alternative energy (where the estimated cost of tonne of removals on stand-alone basis is $25-40/tonne).
MANAGEMENT SYSTEMS AND COMPLIANCE

Our environmental policy and plans have been crafted to be 100% compliant with the laws of the countries we work in as well as all the voluntary international certifications we adhere to: FSC, IFC E&S performance standards, ISO 14001, ISO 9001 and OHSAS 18001. These policies, management plans and operating procedures are all stored on our Integrated Management System (IMS) database which all relevant employees’ access.

The company also has a monthly monitoring system to consolidate all our reporting requirements for investors, FSC, IFC, ISO, and others. During FY19, New Forests did not receive any fines or non-monetary sanctions for environmental non-compliance nor any grievances.

VOLUNTARY EXTERNAL ENVIRONMENTAL IMPACTS ASSESSMENTS IN FY17

<table>
<thead>
<tr>
<th>Type of Assessment</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSC 2nd Re-assessment</td>
<td>Forestry Uganda</td>
<td>February 2019</td>
</tr>
<tr>
<td>FSC Surveillance 4</td>
<td>Forestry Tanzania</td>
<td>April 2019</td>
</tr>
<tr>
<td>FSC Surveillance 1</td>
<td>Forestry Rwanda</td>
<td>June 2019</td>
</tr>
<tr>
<td>ESAP audit</td>
<td>NFC Group</td>
<td>March 2019</td>
</tr>
</tbody>
</table>

ENERGY CONSUMPTION

This year, our total energy consumption across the group was 16,338,885 MJ (estimate). This included 407,184 litres of diesel, equivalent to 14,658,624 MJ, and 50,917 litres of petrol, equivalent to 1,680,261 MJ. These were consumed in our vehicles as well as backup power generators.

Energy consumption from the electricity grid totaled 1,114 kWh, equivalent to 4,010 MJ. This includes all of our operations except for the head offices in Lundamatwe, Tanzania, Kampala, Uganda, and Kigali, Rwanda. Energy consumption from renewable resources is currently not measured but we do use solar energy in our rural operations.

We did not sell energy into the grid or to other parties. This may happen in the future when with biomass byproduct from our sawn timber.
WATER AND CHEMICAL USAGE

An estimated 2,445,000 litres of water were used from surface water on Lake Victoria, Netulidde stream and Wabitos stream, as well as ground water in Kyankwanzi and Kiboga districts in Uganda. None of the sources were significantly affected and all water abstraction in Uganda is closely monitored by the Ministry of Water, through applications for abstraction, issue of permits and quarterly monitoring. We have not received complaints from the ministry pertaining to excessive use. We do not yet have records for Rwanda and Tanzania.

The process that uses the most water is during pole treatment, when we dilute copper chrome arsenate (CCA), the leading chemical for preserving against insect, weather, and other damage. This is also our only process that can generate hazardous waste, so it was expertly designed not to create any waste. Once water is mixed with the chemical, it is continuously reused and stays within this system, or the concrete bund that the treatment is carried out in, i.e. it is never discharged. However, occasionally, we have pieces of CCA treated bark, wood and used gloves, which are collected and placed in a concrete bunded waste pit. When the pit is almost full, a new bunded waste pit is made. The full pit is sealed with concrete for at least 50 years.

CCA is kept in customized storage tanks erected within an impervious bund wall to prevent leaching. Our onsite diesel tank is also surrounded by a bund wall. Concrete drains are strategically located to channel water appropriately and avoid soil erosion. In the unlikely event of a spill, we have a spill kit onsite that is sprinkled on the affected area to neutralize it. The contaminated soil is then buried in an impervious, specifically demarcated pit until removed for industrial disposal. There has not been an instance of spillage outside a bund area to date.

All the pesticides we use are approved by the Forest Stewardship Council. There were no pesticide or oil spills reported greater than 50 litres in FY19.

<table>
<thead>
<tr>
<th>Active Ingredient</th>
<th>Uganda</th>
<th>Tanzania</th>
<th>Rwanda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glyphosate</td>
<td>2,767</td>
<td>2,583</td>
<td>0</td>
</tr>
<tr>
<td>Imidaclorpid</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Triclopyr</td>
<td>245</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
05 COMMERCE
The company is East Africa’s premier supplier of treated utility poles with a reputation for high quality and reliability. NFC maintains strict adherence to international best practice and standards, producing locally treated, durable, weather-resistant transmission poles for rural electrification.

With 7 industrial operations, including sawmills and a value added plant, we produce housing and construction timber as well as industrial pallets, replacing poor quality, illegally harvested wood products, or imported plastic and steel products.

New Forests’ activities accelerate local economic development:

- Increased tax revenues
- Local skill building
- Cluster industry development of suppliers and service providers with multiplier effect on local businesses
- Incentivising and supporting local tree planting
- Cheaper rural electrification through local, lower priced, high quality poles
- Industry diversification
- Enabling the construction industry by providing local, affordable, high quality timber products
- Import substitution and exports generating foreign exchange earnings and savings
- Long term, rural, job creation
- Reduced corruption
- Local value addition processing
- Incentivistioning and supporting local tree planting
- Local skill building

While we contribute directly to the UN Sustainable Development Goals, promoting access to power, through electrification is a further accelerator to many of the goals.
JOB CREATION

NFC created 1,104 direct jobs and significant indirect employment through our suppliers and the cluster industries that spring up around our operations.

We prioritize our neighbours for recruitment, as part of the shared value strategy. Operating in rural areas means that few have progressed beyond primary school with no forestry experience, so we include on the job training and up-skilling, as well as OHS trainings.

QUALITY

With first class processing sites, outstanding quality control and experienced management, New Forests is a leading producer in the region. Quality-control teams operate in-house laboratories to oversee the consistency and superior treatment of our products. Our best practices are defined by the European Committee for Standardisation; the South African National Standard, and the standards and treatment requirements mandated by members of the East African Community. NFC paid no fines in FY19 for non-compliance with laws or regulations concerning the provision and use of our products.

Quality is an increasingly important issue to us both commercially and within our shared value strategy as our customers realize the high cost of procuring low quality poles.

ISO QUALITY AUDITS

<table>
<thead>
<tr>
<th>ISO 9001:2015 Surveillance</th>
<th>July 2018</th>
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<tbody>
<tr>
<td>Pole Plant Rwanda</td>
<td>November 2018</td>
</tr>
<tr>
<td>Pole Plant Uganda</td>
<td>January 2019</td>
</tr>
<tr>
<td>Pole Plant Tanzania</td>
<td>January 2019</td>
</tr>
<tr>
<td>Pole Plant Rwanda</td>
<td>March 2018</td>
</tr>
<tr>
<td>Pole Plant Uganda</td>
<td></td>
</tr>
</tbody>
</table>
FORESTRY INNOVATION

The NFC Forestry division identified certain challenges that needed a strong focus during FY19, to promote continuous improvement.

In Tanzania, establishment and weeding practices were not always timeously and correctly executed, as per the NFC IMS prescriptions and best operating practices.

In Uganda, increased focus on fuel load management within mature pine compartments became more important. The challenge was to address this without spending more cash. Furthermore, forestry has a responsibility to supplement revenue through means other than and over and above its primary sales products of sawtimber and transmission poles.

Unique geographical challenges in Rwanda require short-haul transport options not available in the local market. Additionally, obtaining such options abroad not only take ages to reach Rwanda, but does not fit into the current budget allocation. The need was to design a purpose fit, cost effective solution, in the shortest possible time.

TANZANIA WEEDING STRATEGY

Success in Forestry is a function of doing what is right, the right way and at the right time. Good establishment practices are a prerequisite to our lean Plantation Management Approach.

Our team, following the NFC IMS prescriptions, made frequent visits to newly planted areas with the objective of “targeting weeds while they are at low intensities so as to minimise costs and optimise growth.” It is that discipline that yielded the result, in the NFC Group Head of Forestry, Anton Greeff’s Silviculture Audit of FY19 remark that “This weeding is World Class.” We have now cultivated this focus on weeding into our culture, since success is a journey and not a destination.
UGANDA: RESIN TAPPING

The New Forest Company is continually seeking to diversify our sources of income. In Uganda, the Forestry team has started a trial of pine resin tapping. Resin is secreted when the bark and cambium layer is altered - as in the pictures below. The resin is collected in containers for processing into several types of polymers.

A total of 96ha of pine above 12 years of age, were selected for the project. A three-year contract with a Chinese company was entered into during FY19, which is progressing well. From the initiative, NFC receives extra revenue on a bi-annual basis. The funds will be channelled back into planting, to reduce TUP. A huge spin-off from this concept is the extensive weeding done by the contractor to improve access to the resin collection “factories”.

Japhet Zvehama, NFC Uganda Forestry Manager

RWANDA BUILT TRAILERS

In Rwanda, the NFC workshop team, led by Coenie Scheepers, are building their own tractor trailers. The team have experimented with different designs, to adapt to the mountainous Rwandan geography and the need to be agile and move frequent, small loads of timber. They build the trailer skeleton by welding metal onto an existing axel. They then test and optimize the weight, traction, power and turning circle of the trailer to achieve the desired mobility.

Forestry Manager, Christy: “We are on the right track with more, smaller units rather than big, bulky and expensive units. The tractor/trailer option is also more practical than a 5-ton Fuso truck on our challenging roads, with the only downside that we need a slightly bigger turning circle.”
SUPPLY CHAIN

It is company policy to prefer local suppliers and the majority of funds are spent locally. Typical procurement needs are:

- road maintenance and construction equipment
- raw pole and sawn timber material
- building supplies
- personal protective equipment
- electrical equipment
- vehicles, machines
- tractors
- tools
- pumps and spares
- building supplies
- personal protective equipment
- electrical equipment
- vehicles, machines
- tractors
- tools
- pumps and spares
- raw pole and sawn timber material
- road maintenance and construction equipment

External suppliers are only considered when local suppliers don’t meet the required specifications or are significantly more expensive.

We also procure timber from local tree planting Outgrowers.

NFC are encouraged by our stakeholders to increase supply chain transparency. We are moving in this direction with a timber supplier code of conduct and annual audits of these. However it is worth noting that our market does not yet value this and if we are the only ones taking on these costs, it will make us uncompetitive. The company works with stakeholders to apply this pressure to customers who can help drive the entire the market in this direction. Incentivising supply chain responsibility is the only way to institutionalize these practices in the long-run.
VILLAGE LEADERSHIP APPRECIATES NFC IMPACT IN TANZANIA

Makungu is a village of 230 households (900 people), of which 95% are poor. Incomes were very low and the village had only one primary school and a dirt road from Kilolo district headquarters, which is not passable during the rainy season. The village depended on seasonal farming of food crops and avocado fruits.

The New Forest Company has facilitated the growth and future potential of our village. People can secure short term employment at the plantations and the company constructed a health facility. “Together we constructed the house for two health workers for the clinic. The company opened new roads to their plantations that are used by our people to access markets for their produce.”

UGANDA OUTGROWERS

The New Forest Company started a seedling distribution programme in 2006 mainly to mitigate the risk of fire to its plantations especially along its boundaries. Since then, over 7 million seedlings were distributed to thousands of smallhold farmers. Our approach shifted towards a more formalised Outgrower model with the adoption of our Shared Value Strategy. The process was started with a baseline study to establish basic Outgrower data and to sensitize them to participate in GPS mapping to capture their information into microforest, our forestry planning tool. This enables us to provide more focused technical support to them and integrate them into the company value chain as suppliers of first choice.

“I am Chairman of the Namwas Outgrowers Association which started in 2014 and now has 74 members including women and youth, through the support of NFC CSR team in Namwas CSR. The company has helped our Association through ongoing trainings to be organised, to keep records and to have access to a Micro Finance Bank. I sold my first pine trees to NFC in 2015 for 910 USD which enabled me to send my child to University to study Law. I also grow coffee, maize and bananas, plus goat rearing and bee keeping - from training received from the company, I will do my second tree harvest by 2022 and plan to continue with tree planting thanks to support from the company with trainings in tree planting, management and risk mitigation measures.”

RWANDA VILLAGE SAVINGS & LOAN (VSLA)

“We have been blessed to be the first beneficiary of VSLA funds. Our households have been positively impacted in a way that our children are at school, we can pay our family’s health insurance, we have improved our nutrition and above all we save monthly money which support everyone during bad days.”

This content is a natural representation of the document as if you were reading it naturally.
06 REPORT PROFILE AND MATERIALITY
PROFILE

The New Forests Company publishes sustainability reports annually in accordance with the GRI framework, covering the fiscal year 2019 (FY19), July 1st 2018 through June 30th 2019. NFC’s last report was published in November 2018, detailing FY18. Unless otherwise stated, all areas of operation have been considered under each indicator, including; the offices, plantations, processing plants, and other operations in Uganda, Rwanda, Tanzania, South Africa, and Mauritius. Key commercial indicators are externally verified through our audited financials for the same period. There are no restatements of information from previous reports and no significant changes in scope and aspect boundaries from the FY18 report.

Queries and comments can be sent to:

NFC’s Chief Impact Officer, Candice Taylor at:
Email: sharedvalue@newforests.net
Phone: +2711 447 7344
Address: P.O. Box 3524, Parklands, 2121, South Africa

MATERIALITY

NFC’s management team, and board of directors have reviewed our performance over the last year, the risks we have faced, and our overall shared value philosophy in determining the material aspects for this report. Throughout the year, management and staff engage stakeholders and include their feedback in this process, based on the GRI’s four principles of report content: materiality, stakeholder inclusiveness, sustainability context, and completeness.

The material aspects listed in the GRI Content Index table we identified for our Rwanda, Uganda and Tanzania operating companies and their major external stakeholders which include suppliers, customers, government entities, and neighbouring communities, as well as international certifications and standards; the holdings and management services organizations exist to support these operations and do not have material operations themselves.
GRI Reporting in accordance with the GRI Standards

<table>
<thead>
<tr>
<th>GRI Section</th>
<th>GRI Indicator(s)</th>
<th>Pages</th>
</tr>
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<tbody>
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<td>Organizational profile</td>
<td>102: 1-13</td>
<td>9-14 &amp; 41</td>
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<tr>
<td>Strategy</td>
<td>102: 14-15</td>
<td>6-7 &amp; 9-12</td>
</tr>
<tr>
<td>Ethics and integrity</td>
<td>102: 16-17</td>
<td>9-14</td>
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<tr>
<td>Governance</td>
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<tr>
<td>Stakeholder engagement</td>
<td>102: 40-44</td>
<td>11 &amp; 17-26</td>
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<tr>
<td>Reporting</td>
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<tr>
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<td>44</td>
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<td>Economic Performance</td>
<td>201: 1-2 &amp; 4</td>
<td>10; 17 &amp; 46-47</td>
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<td>Market Presence</td>
<td>202: 2</td>
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<tr>
<td>Indirect Economic Impacts</td>
<td>203: 1-2</td>
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<tr>
<td>Procurement Practices</td>
<td>204: 1</td>
<td>41</td>
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<tr>
<td>Anti-corruption</td>
<td>205: 2</td>
<td>21</td>
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<tr>
<td>Anti-competitive behaviour</td>
<td>206: 1</td>
<td>21</td>
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<tr>
<td>Energy</td>
<td>302: 1</td>
<td>34</td>
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<tr>
<td>Water &amp; Effluents</td>
<td>303: 1</td>
<td>35</td>
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<tr>
<td>Biodiversity</td>
<td>304: 1 &amp; 3-4</td>
<td>32-35</td>
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<tr>
<td>Emissions</td>
<td>305: 1-2 &amp; 5</td>
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<td>306: 3</td>
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<td>Environmental compliance</td>
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<td>401: 1</td>
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<td>OHS</td>
<td>403: 1-9</td>
<td>27-28</td>
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<tr>
<td>Training and Education</td>
<td>404: 1-3</td>
<td>26</td>
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<tr>
<td>Diversity &amp; Equal Opportunity</td>
<td>405: 1</td>
<td>13</td>
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<tr>
<td>Non-discrimination</td>
<td>406: 1</td>
<td>26</td>
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<tr>
<td>Child labour</td>
<td>408: 1</td>
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<tr>
<td>Forced labour</td>
<td>409: 1</td>
<td>29</td>
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<tr>
<td>Rights of Indigenous People</td>
<td>411: 1</td>
<td>29</td>
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<tr>
<td>Human Rights Assessment</td>
<td>412: 1-3</td>
<td>29</td>
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<td>Local communities</td>
<td>413: 1-2</td>
<td>17-21</td>
</tr>
<tr>
<td>Public Policy</td>
<td>415: 1</td>
<td>21</td>
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<tr>
<td>Marketing &amp; labeling</td>
<td>417: 2-3</td>
<td>21</td>
</tr>
<tr>
<td>Customer Privacy</td>
<td>418: 1</td>
<td>21</td>
</tr>
<tr>
<td>Socio-economic Compliance</td>
<td>419: 1</td>
<td>21</td>
</tr>
</tbody>
</table>
Climate change is one of the biggest threats to our business, our communities and the survival of our planet. It also poses opportunities for us to improve and adapt. Become a climate changer by playing this game of Snakes & Ladders, and learning about the risks that affect us all and opportunities to make a difference.
**RISKS**

17: Government interference  
Increased pressure to be sustainable, risk of taxation on natural resource usage

52: Plant mortality  
Lower seedling survival rates, higher mortality of growing trees due to changes in climate and pest & disease impact

57: Severe weather  
Greater risk of extreme climatic events, such as flooding or droughts

62: Land conflict  
Arable land will become increasingly scarce

88: Deforestation  
Wood scarcity will increase community related risks & accelerate climate change

95: Regulatory challenges  
Regulatory standards will become more stringent to ensure sustainability

97: Fire  
Higher temperatures and winds increase fire intensity

**OPPORTUNITIES**

3: R&D  
Improved management practices, growing stock and technology use

8: Regional lobbying  
Regional cooperation will increase bargaining capacity

28: Forests For Prosperity  
Community based solution for risk management and livelihoods development

58: Outgrower supply  
Increased timber supply while developing livelihoods & reducing risk

75: Increased demand  
Increased sales and profits due to reduced regional supply

80: Carbon sequestration  
Forestry is the most cost-effective tool for removing carbon equivalent from atmosphere

90: Investment  
More interest in tree-planting to mitigate climate change
Mauritius
2nd Floor, Suite 122
Harbour Front Building
President John Kennedy Street
Port Louis
Mauritius

Rwanda
M&M Plaza Building,
5th floor, Gishushu,
Gasabo District,
Remera sector, Kigali,
Rwanda

South Africa
Lumley House,
177 Jan Smuts Avenue
Rosebank, 2196
P.O. Box 3524, Parklands,
2121
South Africa

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Block B, Office 5A,
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Kololo
P.O. Box 71435,
Kampala
Uganda

Tanzania
New Forests Industrial Park
Lundamatwe Village,
Kilolo District
P.O. Box 2610, Iringa
Tanzania